

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NIPSCO GENERATION)
LLC FOR CERTAIN DETERMINATIONS BY THE)
COMMISSION WITH RESPECT TO ITS)
JURISDICTION OVER PETITIONER'S ACTIVITIES)
AS A NON-RETAIL GENERATOR OF ELECTRIC)
POWER.)

CAUSE NO. 46183

PETITIONER'S NOTICE OF SUBSTITUTION OF WITNESS

NIPSCO Generation, LLC ("GenCo"), by counsel, hereby gives notice that Vincent Parisi is being substituted for and is adopting the direct testimony and attachments previously prefiled by Erin E. Whitehead.

For purposes of convenience, attached hereto are (1) a redline version of Mr. Parisi's direct testimony showing the changes from the previously prefiled version of Ms. Whitehead's direct testimony, and (2) a clean copy of Mr. Parisi's direct testimony, including Attachments 1-A through 1-C. At the evidentiary hearing in this Cause, the clean version of Mr. Parisi's direct testimony (along with the attachments) will be offered into evidence.

Respectfully submitted,



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Dated this 11th day of April, 2025.



Bryan M. Likins

VERIFIED DIRECT TESTIMONY OF VINCENT A. PARISI

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

2 A1. My name is Vincent A. Parisi and my business address is 801 E. 86th Ave.,
3 Merrillville, Indiana 46410. I am President and Chief Operating Officer for
4 Northern Indiana Public Service Company LLC ("NIPSCO" or
5 "Company").

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

7 A2. I am submitting this testimony on behalf of NIPSCO Generation LLC
8 ("NIPSCO GenCo" or "GenCo"), a wholly owned subsidiary of NIPSCO
9 Holdings II LLC ("NIPSCO Holdings II").¹

10 **Q3. Please briefly describe your educational and business experience.**

11 A3. I earned a bachelor's degree in economics from The Ohio State University
12 and completed my law degree graduating magna cum laude from Capital

¹ NIPSCO Holdings II wholly owns NIPSCO and was formed for the purposes of NIPSCO's recent minority interest sale. NIPSCO Holdings II is a subsidiary of NiSource Inc. ("NiSource"). (NiSource, through its wholly owned subsidiary NIPSCO Holdings I LLC, owns 80.1% of NIPSCO Holdings II and a minority interest partner owns 19.9% of NIPSCO Holdings II.)

1 University Law School. I also received a Masters of Law from Capital
2 University in business and tax. Prior to accepting my current position in
3 March 2024, I was President and Chief Operating Officer of Columbia Gas
4 of Ohio, Inc. ("Columbia"). Before joining Columbia, I was President of the
5 U.S. Utilities for AES Corp and was the President and CEO of Indianapolis
6 Power & Light Company and Dayton Power and Light Company. Before
7 joining AES, I served as Columbia's Vice President of External and
8 Customer Affairs. In that role, I led Columbia's customer and stakeholder
9 experience which included economic development, large customer
10 relationships, government affairs (federal & state), regulatory affairs,
11 customer care and compliance, energy efficiency, community affairs and
12 communications. Before joining Columbia, I held various senior leadership
13 roles for Gas Natural Inc. and Interstate Gas Supply, Inc.

14 **Q4. Have you previously testified before the Indiana Utility Regulatory**
15 **Commission ("Commission") or any other regulatory commission?**

16 **A4.** Yes. I submitted testimony before the Commission in support of NIPSCO's
17 currently pending electric rate case proceeding in Cause No. 46120. I have
18 also provided testimony for Interstate Gas Supply, Inc. before the Public

1 Utilities Commission of Ohio in Case Nos. 08-0072-GA-AIR, 08-0073-GA-
2 ALT, 08-0074-GA-AAM, 08-0075-GA-AAM, 08-1344-GA-EXM, 10-2395-
3 GA-CSS, 10-2929-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-
4 SSO, 11-0350-EL-SSO, 12-1230-EL-SSO, 12-1842-GA-EXM, and 12-2637-GA-
5 EXM on behalf of Ohio Gas Marketers Group.

6 **Q5. What is the purpose of your direct testimony?**

7 A5. The purpose of my direct testimony is to support NIPSCO GenCo's request
8 for the Commission to decline jurisdiction over certain aspects of
9 Petitioner's operations. Specifically, I provide background about the
10 increased level of interest NIPSCO is seeing from megaload customers, the
11 role NIPSCO GenCo will play in NIPSCO's overall plan to serve such
12 customers, how approval of this application will further the Five Pillars,
13 and a description of NIPSCO GenCo's request for declination of
14 jurisdiction, including how approval will serve the public interest.

15 **Q6. Are you sponsoring any attachments to your direct testimony?**

16 A6. Yes. I am sponsoring the following attachments, all of which were prepared
17 by me or under my direction and supervision.

18

Attachment 1-A	Verified Petition
Attachment 1-B	Mega Load – Applicant Intake Form
Attachment 1-C	Publisher's Affidavits

1
2 **Q7. Please provide an overview of NIPSCO GenCo's request in this**
3 **proceeding.**

4 A7. Pursuant to Ind. Code § 8-1-2.5-5, NIPSCO GenCo is requesting that the
5 Commission issue an order declining jurisdiction over certain aspects of
6 GenCo's purchase, ownership, development, financing, construction, and
7 operation of generating facilities and related assets.² The specific sections
8 of the Indiana Code for which declination is being requested are delineated
9 in Attachment A to the Petition.

INTEREST FROM POTENTIAL MEGALOAD CUSTOMERS

10 **Q8. Please provide any relevant background about what led to the formation**
11 **GenCo.**

12 A8. NIPSCO, like many other electric utilities across the country, is facing an
13 unprecedented level of interest from customers that desire to locate in

² Throughout my testimony, I use the terminology of "construction, ownership, and operation of generating facilities and related assets" for consistency. I note, however, that NIPSCO GenCo will also potentially own and operate the substation and transformation equipment utilized to provide service to megaload customers and may also enter into power purchase agreements with third parties that will be utilized (along with GenCo-owned generation) to provide energy and capacity to NIPSCO.

1 NIPSCO's electric service territory. These inquiries are different than usual
2 in two respects. First, there is the sheer number of inquiries. In its 2024 IRP
3 public stakeholder advisory meeting held June 24, 2024,³ NIPSCO reported
4 that it had received more than 30 inquiries from potential new customers
5 over the prior 12 months. NIPSCO has continued to receive requests since
6 that time. Second, and just as important, is the magnitude of the requests
7 of the potential electric load. Historically, a new business customer may
8 inquire about a few megawatts ("MW") of service, and an inquiry for 10-20
9 MW has been considered a large load addition. The overwhelming
10 majority of the inquiries NIPSCO is seeing are for *hundreds* of MW, and in
11 some cases *thousands* of MW, and they are generally related to development
12 of data centers. Based on the magnitude of potential electric load, NIPSCO
13 refers to these potential customers as "megaload customers."

14 **Q9. What are the typical characteristics of megaload customers and the type**
15 **of service they demand?**

³ nipsco.com/docs/librariesprovider11/rates-and-tariffs/irp/2024-irp-stakeholder-advisory-meeting-2-final.pdf?sfvrsn=3131e151_6. See slides 16-25.

1 A9. While there are various types of megaload customers, generally speaking,
2 the majority that NIPSCO has encountered are either large tech companies
3 seeking to locate data centers, or data center developers who will either
4 “lease” space in their data centers to a third party or who may look to
5 develop a data center campus to a certain point and then sell to another,
6 larger corporation who will own and operate the data center. The largest
7 of the megaload customers, who are most actively developing projects
8 across the world, are very financially capable—with many of them being
9 among the largest corporations in the world. Typically, these companies
10 are also incredibly financially savvy—including having experience in
11 energy markets and rate structures in numerous states and regions across
12 the U.S. and the world.

13 Regarding load characteristics, generally speaking, these types of
14 customers are emphasizing the desire for service to begin as soon as
15 possible and to ramp up quickly. Once service begins, their load operates
16 at a very high load factor as compared to a manufacturer or other
17 commercial customer—although, there is some variation amongst the types
18 of data centers based on their intended purpose (*e.g.*, cloud-based web

1 services, artificial intelligence, machine learning, etc.). Another
2 distinguishing factor is the demand for highly reliable and stable electric
3 service. Most of these types of customers are seeking duplicate feeds for
4 increased reliability and are willing to pay the costs associated with the
5 necessary infrastructure.

6 **Q10. What factors are contributing to this influx of inquiries to potentially**
7 **locate large projects in NIPSCO's electric service territory?**

8 A10. While there are numerous factors that contribute to the desire to locate in
9 NIPSCO's service territory, the most relevant are:

- 10 • Low risk of natural disasters;
- 11 • A reliable electric system with a robust transmission network;
- 12 • Availability of land at relatively affordable prices;
- 13 • Desirable access to water and fiber;
- 14 • Proximity to key customers and metropolitan areas (such as
15 Chicago);
- 16 • Chicagoland's and Northern Indiana's strong skilled labor
17 availability;
- 18 • Indiana's pro-business economic environment and available tax
19 incentives from the State; and
- 20 • Indiana's legislative and regulatory environment.

NIPSCO AND NIPSCO GENCO

1 Q11. With the increased level of interest from megaload customers in locating
2 in NIPSCO's electric service territory, how is NIPSCO approaching this
3 opportunity, and what are the fundamental considerations that NIPSCO
4 has focused on when developing its strategy to serve megaload
5 customers?

6 A11. NIPSCO has approached this opportunity intentionally and thoughtfully.
7 As it evaluated different options and ultimately developed its current
8 strategy, there were three primary considerations that NIPSCO has focused
9 on: (1) protecting existing retail customers; (2) serving new megaload
10 customers with speed and flexibility; and (3) maintaining NIPSCO's
11 financial integrity. First and foremost, NIPSCO is focused on ensuring that
12 its existing retail customers are reasonably protected from risks related to
13 serving megaload customers. This includes protections related to (a)
14 paying the costs associated with serving new load and (b) significant
15 stranded costs if/when a new megaload customer exits NIPSCO's system.
16 Second, NIPSCO wants to meet the needs and requirements of potential
17 megaload customers—including the need to provide electric service as
18 timely as reasonably possible and to provide optionality in the types of

1 generation resources a customer may desire to serve their electric needs.
2 NIPSCO's focus has been development of an approach that is consistent
3 with Indiana's regulatory environment, even if it will not be identical to the
4 more traditional electric service tariff structure. Finally, NIPSCO must
5 maintain its financial integrity to serve its existing customers now and in
6 the future. NIPSCO is only interested in serving megaload customers that
7 are financially and technically qualified to develop megaload projects and
8 are also willing to compensate NIPSCO appropriately for the service it
9 provides. NIPSCO is not willing to undertake transactions and
10 relationships that pose undue risk to its ability to serve its current retail
11 customers. Each of these considerations is further discussed below.

12 **Q12. Understanding that Indiana is a state that is attractive to megaload**
13 **customers, please discuss the competitiveness of the electric utility space**
14 **and the importance of NIPSCO GenCo in enabling NIPSCO and Indiana**
15 **to attract megaload customers.**

16 A12. As I explained above, the megaload space is leading to never-before-seen
17 growth in demand for electricity. While demand is growing rapidly,
18 supply of electricity is struggling to keep pace, as the necessary

1 infrastructure and resources necessary to produce and deliver energy take
2 a period of many months, or years in many cases, to construct. This has led
3 to extreme competition (1) by megaload developers to find utilities who can
4 serve electric load in as short of a time as possible and (2) by electric utilities
5 and other providers to attract these megaload customers to their electric
6 systems.

7 As further discussed below, NIPSCO GenCo is a key element of NIPSCO's
8 overall plan to attract and ultimately serve megaload customers. Utilizing
9 GenCo enables speed-to-market, which is important to many megaload
10 customers, and allows NIPSCO to develop the type of resources that large
11 customers may desire—but without those costs being borne by NIPSCO's
12 current retail customers.

13 **Q13. What type of assets will NIPSCO GenCo construct, own, and operate?**

14 A13. Assuming approval of this petition, NIPSCO GenCo would construct, own,
15 and operate electric generation and related facilities, such as the substation
16 and transformation equipment that connects to NIPSCO's transmission
17 lines and allows customers to be served. NIPSCO GenCo does not currently

1 anticipate owning any transmission lines, and to the extent proposed in the
2 future, it would seek the requisite approval from the Commission.

3 **Q14. Please describe the relationships between NIPSCO, NIPSCO GenCo, and**
4 **megaload customers.**

5 A14. NIPSCO will be the retail electric provider for all megaload customers.
6 NIPSCO will maintain the obligation to serve customers' energy and
7 capacity and will operate as the market participant in Midcontinent
8 Independent System Operator, Inc. ("MISO"), serving customers and
9 ensuring balancing of load.

10 NIPSCO GenCo will develop generation assets and be obligated pursuant
11 to a full requirements agreement (such as a PPA) with NIPSCO to supply
12 all energy and capacity to NIPSCO. GenCo will be regulatorily required to
13 satisfy its requirements to NIPSCO based upon the Commission's approval
14 of such contractual arrangements.

15 NIPSCO and the megaload customer will enter a special contract that will
16 address the provision of electric service to the customer. The special
17 contract will include provisions that will enable the customer insight into
18 the operation of GenCo and provide the customer with some influence

1 regarding engagement with the assets and operation of GenCo, as more
2 fully discussed below. NIPSCO will bill the megaload customer consistent
3 with the terms and conditions of the special contract.

4 **Q15. Will GenCo have any retail customers?**

5 A15. No. NIPSCO GenCo will not have any retail customers, as NIPSCO will be
6 the retail electric service provider for all customers in its electric service
7 territory—including any new megaload customers that may locate in
8 NIPSCO's service territory.

9 **Q16. How many customers will GenCo have?**

10 A16. NIPSCO GenCo will have only one customer—NIPSCO. Subject to the
11 Commission's approval in a separate proceeding, which will be filed at a
12 later time, NIPSCO and NIPSCO GenCo will enter into a power purchase
13 (or similar) agreement, whereby all energy and capacity from GenCo's
14 generation assets will be sold to NIPSCO and utilized by NIPSCO to serve
15 megaload customers.⁴

⁴ To the extent NIPSCO GenCo has energy and capacity beyond what is needed for NIPSCO to serve its retail load, NIPSCO GenCo may also offer excess energy and capacity in the wholesale market.

1 **Q17. How does NIPSCO GenCo fit into NIPSCO's overall approach to serve**
2 **megaload customers?**

3 A17. GenCo is key to NIPSCO's overall approach, as it is GenCo that will
4 construct, own, and operate the generation facilities and related assets
5 necessary to serve new megaload customers. As noted above, NIPSCO
6 GenCo and NIPSCO will be separate companies, although both are
7 subsidiaries of NIPSCO Holdings II. This separation will allow the assets
8 used to serve megaload customers to be "ringfenced" from the assets
9 owned and operated by NIPSCO to serve its current retail customers. The
10 protection this provides to NIPSCO's current customers is more fully
11 discussed below and is a key part of why GenCo was formed.

Financial Integrity

12 **Q18. Please further explain how NIPSCO is approaching serving potential**
13 **megaload customers with respect to NIPSCO's overall financial integrity**
14 **and the financial risk that may be imposed on NIPSCO.**

15 A18. All stakeholders—NiSource and its shareholders, NIPSCO and its
16 customers, the Commission, and many others—have an aligned interest in
17 ensuring the ongoing financial integrity of NIPSCO. This includes

1 maintaining NIPSCO's current credit rating and ensuring NIPSCO has
2 access to necessary capital at a reasonable cost. Due to the size of the loads
3 being discussed, the related size of the capital investment required to
4 interconnect and serve a megaload customer, and the speed at which capital
5 will be required to be deployed to meet these customers' desired in-service
6 dates, this presents new and different challenges to NIPSCO as compared
7 to serving a smaller, more traditional customer through its current electric
8 retail service tariff.

9 **Q19. How does this inform NIPSCO's approach to discussions with and**
10 **ultimately providing service to potential megaload customers?**

11 A19. Understanding that NIPSCO has an obligation to serve its existing
12 customers and to reasonably plan for growth within its service territory,
13 NIPSCO is not willing to undertake providing what is essentially a new
14 type of service if it would potentially jeopardize NIPSCO's financial
15 integrity and impact its ability to serve its retail customers. As discussed
16 more fully below, NIPSCO has formed GenCo to allow a separate corporate
17 entity to develop the necessary generation facilities to meet the
18 requirements of megaload customers.

1 Relatedly, this prospective financial risk also informs how NIPSCO has
2 interacted with the numerous companies who have inquired about
3 NIPSCO's willingness and ability to serve a large load. NIPSCO requires
4 such entities to complete a "Mega Load – Applicant Intake Form," which is
5 attached to my testimony as Attachment 1-B. One of the key purposes of
6 the intake form is to allow the credit quality or corporate financial health of
7 the applicant to be evaluated. This allows NIPSCO to focus its efforts on
8 counterparties who are financially and technically qualified to develop
9 megaload projects and willing and able to enter into arrangements that
10 protect NIPSCO's existing customers and compensate NIPSCO
11 appropriately for the service it provides.

12 **Q20. What flexibility does NIPSCO GenCo provide, as compared to the**
13 **traditional structure of serving customers under an electric service tariff?**

14 A20. Having a separate corporate entity to construct, own, and operate the type
15 of generation resources that will be housed in GenCo allows for greater
16 optionality in terms of how investments will be financed, which can occur
17 without impacting NIPSCO's balance sheet. It also allows investment
18 decisions and capital investments to occur earlier in time than under the

1 traditional structure. Specifically, rather than needing to file for approval
2 of a new generation resource and waiting to make major investments and
3 start construction until approval is received, decisions can be made earlier
4 in time—allowing service to megaload customers to occur more quickly
5 than otherwise could occur. This is appropriate based on the customer
6 protections that GenCo also provides, which is discussed immediately
7 below.

8 Creation and utilization of GenCo also allows for flexibility in terms of
9 scalability. If NIPSCO were expecting only a few, relatively small
10 megaload customers to locate in its service territory, the potential of
11 utilizing a more traditional model may be more attractive. However, when
12 the potential load growth is expected to be thousands of MWs,⁵ the
13 complexity of ensuring reliable service (in terms of energy and capacity)
14 while adequately protecting existing customers increases, and having this
15 structure helps to facilitate flexibility that is not available under a more
16 traditional model.

⁵ In NIPSCO's 2024 IRP, submitted to the Commission on December 9, 2024, its "Reference Case" assumes 2,600 MW of megaload growth by 2035, and NIPSCO also evaluated a load sensitivity of up to 8,600 MW of growth by 2035.

Customer Protections

1 **Q21. If GenCo were not formed and utilized as proposed, how would NIPSCO**
2 **traditionally serve customers with loads of this size and how would the**
3 **related investments needed to serve such customers be handled?**

4 **A21.** Under a more traditional approach, NIPSCO would evaluate the requests
5 for load additions—including through its Integrated Resource Planning
6 ("IRP") process—and identify how much and what types of generation are
7 needed to serve current and expected load—including reasonably expected
8 additions from megaload customers. NIPSCO would then bring a
9 generation resource to the Commission for approval based upon an
10 identified need in an IRP. Assuming approval of that request and issuance
11 of a certificate of public convenience and necessity ("CPCN"), NIPSCO then
12 could begin construction and under certain circumstances could also begin
13 recovery of costs from customers during construction. Once completed,
14 NIPSCO would seek Commission approval for inclusion of the capital and
15 operating and maintenance ("O&M") costs for the generation resources in
16 a base rate case proceeding, which would be recovered from all customers,
17 with costs being allocated amongst NIPSCO's various customer classes
18 (e.g., residential, commercial, and industrial) pursuant to a cost-of-service

1 study. At that point, NIPSCO would have authority to recover the full costs
2 of the new generation from all customers—even if some of the expected
3 load that led to the identified need never materializes or does materialize,
4 but later leaves NIPSCO's system or significantly reduces its load.

5 For sake of clarity, I am not suggesting there is anything fundamentally
6 wrong with a more traditional approach to ownership and operation of the
7 assets necessary to serve megaload customers. Although there are ways to
8 attempt to protect current customers under this type of process to some
9 degree—including use of minimum contract terms, minimum load factors,
10 exit fees, etc.—this type of approach presented challenges to NIPSCO in
11 terms of the three fundamental considerations outlined above, including
12 reasonably protecting customers.

13 **Q22. Please elaborate further about how NIPSCO GenCo will allow NIPSCO**
14 **to ensure reasonable protection of its existing customers as compared to**
15 **more traditional ownership by NIPSCO.**

16 **A22.** GenCo is the lynchpin to NIPSCO's overall strategy, as it will be GenCo
17 that constructs, owns, and operates the assets necessary to serve megaload
18 customers—meaning these assets will not be included in NIPSCO's rate

1 base and the costs will not be recovered from its current customers. Having
2 ownership and the related capital and O&M costs outside of NIPSCO
3 protects NIPSCO's current customers from the costs of generation
4 recovered during construction and operation (construction work in
5 progress (CWIP), depreciation, fuel costs, O&M, etc.), as well as continuing
6 to pay for a generation asset that may no longer be needed if a megaload
7 customer were to terminate a contract or leave following expiration of a
8 contract term.

9 **Q23. Are you saying there will be no new NIPSCO assets that will be required**
10 **to serve megaload customers that would be recovered as part of**
11 **NIPSCO's traditional rate base from all customers?**

12 A23. No. That is not the case. It is possible that there will be some investments
13 that NIPSCO (not GenCo) will make and seek to include in rate base for
14 recovery from all customers through the traditional ratemaking process.
15 This would be the case if investments are identified that support and have
16 benefits for the broader NIPSCO electric system that are needed as a large
17 load(s) comes online. For example, if a new transmission line were needed
18 based on the addition of a new megaload customer, but that transmission

1 line also enables interconnection of generation or load as part of NIPSCO's
2 traditional customer base, the transmission line may be recovered from the
3 new and existing customers. With that said, NIPSCO reasonably expects
4 that the large majority of investments related to serving megaload
5 customers will be owned by GenCo—meaning current customers will not
6 be financially responsible for those costs. If investments are necessary that
7 also benefit the broader NIPSCO electric system, megaload customers
8 would also share in the cost responsibility for such assets.

9 **Q24. Are you saying that NIPSCO GenCo will always own the assets it**
10 **constructs and that there is no chance NIPSCO will ever own these assets**
11 **and use them to serve its existing customers?**

12 A24. No. There is the potential that NIPSCO could have an identified need for
13 generation resources (or a discreet need for capacity and/or energy) and
14 that GenCo could have a resource that is not being fully utilized that could
15 meet NIPSCO's need. This could present a situation where GenCo's assets
16 are the most reasonable and/or economic solution for NIPSCO. If this were
17 to occur, GenCo and NIPSCO (as public utilities and energy utilities under
18 the Commission's jurisdiction) would be required to present any such

1 arrangement to the Commission for review and approval—including
2 approval of an appropriate purchase price for any asset. GenCo is not
3 seeking declination of the authority of the Commission over sales, transfers,
4 assignments, etc. of assets between utilities under Ind. Code 8-1-2-83.

5 **Q25. If NIPSCO's current customers are not financially at risk for the assets**
6 **GenCo owns, then where does that risk lie?**

7 A25. This risk will be shared by NIPSCO Holdings II and NiSource and their
8 respective owners/shareholders (through ownership of GenCo) and
9 megaload customers (through minimum demand charges, collateral
10 requirements, etc.).

Speed and Flexibility

11 **Q26. Please explain the need to provide electric service to megaload customers**
12 **as timely as possible and the desire for specific types of generation**
13 **resources.**

14 A26. Speed-to-market has been a priority for the overwhelming majority of the
15 potential megaload customers with whom NIPSCO has spoken. Utilizing
16 GenCo to construct, own, and operate generation facilities presents an
17 opportunity to significantly reduce the time it takes to bring new generation

1 online as compared to the traditional regulatory model, which is discussed
2 further below. The ability to serve megaload customers as early as possible
3 is a key factor that can allow NIPSCO to differentiate itself from other
4 electric utilities, and using GenCo allows this to happen.

5 Many of the megaload customers NIPSCO has had discussions with have
6 corporate sustainability and carbon free energy goals with a strong desire
7 to have input into resource decisions to serve their load. Having GenCo
8 construct, own, and operate the generation that will be used by NIPSCO to
9 serve the new load also provides greater flexibility than under traditional
10 regulation, where the economics of a project and customer affordability are
11 key to the Commission's evaluation.

12 A Commission order denying GenCo's requests for relief in this proceeding
13 would potentially inhibit NIPSCO's ability to serve these megaload
14 customers quickly, to develop the types of generation resources megaload
15 customers are seeking, and to reduce the risk to its other customers from
16 such service. The result would be that some or many of the megaload
17 customers who desire to locate in Indiana or northern Indiana specifically,

1 may look elsewhere for their projects—taking with them billions of dollars
2 in investment and the numerous related benefits to the State of Indiana.

3 **Q27. Is it reasonable to allow megaload customers to have some level of input**
4 **into the generation resources GenCo will own and be financially**
5 **responsible for?**

6 A27. Yes. This goes directly back to the protections NIPSCO is ensuring are in
7 place, as the generation decisions a particular customer is making will not
8 be paid for by NIPSCO's current customers. Instead, through the proposed
9 NIPSCO GenCo structure, the megaload customer will be financially
10 responsible for all costs associated with its resource choices. Additionally,
11 many of the largest and most well-qualified potential megaload customers
12 have corporate sustainability goals and are only willing to enter into
13 arrangements with a utility that has a willingness to partner in furtherance
14 of those sustainability goals. It is, therefore, very important to offer these
15 megaload customers some level of input into the generation resources they
16 will be financially responsible for.

IND. CODE § 8-1-2-0.6 ("FIVE PILLARS")

17 **Q28. Please describe Ind. Code § 8-1-2-0.6.**

1 A28. Ind. Code § 8-1-2-0.6 is the codification of the Five Pillars (reliability,
2 affordability, resiliency, stability, and environmental sustainability)
3 recommended by the 21st Century Energy Policy Development Task Force
4 ("Task Force") in its November 2020 Final Report. The Task Force
5 recommended these Pillars serve as the lens through which policy decisions
6 about Indiana's generation resource mix should be made. Section 0.6 also
7 requires consideration of the Five Pillars in connection with ratemaking
8 constructs. The Five Pillars are:

9 Reliability – including: (A) the adequacy of electric utility
10 service, including the ability of the electric system to supply the
11 aggregate electric demand and energy requirements of end use
12 customers at all times, taking into account: (i) scheduled; and (ii)
13 reasonably expected unscheduled; outages of system elements;
14 and (B) the operating reliability of the electric system, including
15 the ability of the electric system to withstand sudden
16 disturbances such as electric short circuits or unanticipated loss
17 of system components.

18 Affordability – including ratemaking constructs that result in
19 retail electric utility service that is affordable and competitive
20 across residential, commercial, and industrial classes;

21 Resiliency – including the ability of the electric system or its
22 components to: (A) adapt to changing conditions; and (B)
23 withstand and rapidly recover from disruptions or off-nominal
24 events;

25 Stability – including the ability of the electric system to: (A)
26 maintain a state of equilibrium during: (i) normal and abnormal

conditions; or (ii) disturbances; and (B) deliver a stable source of electricity, in which frequency and voltage are maintained within defined parameters, consistent with industry standards; and

Environmental Sustainability – including: (A) the impact of environmental regulations on the cost of providing electric utility service; and (B) demand from consumers for environmentally sustainable sources of electric generation.

Q29. Is NIPSCO GenCo providing evidence in this Cause to support the requirements set out in Ind. Code § 8-1-2-0.6?

A29. I would first note that under the Commission's General Administrative Order 2023-04, declination of jurisdiction requests are not one of the proceedings in which evidence about the Five Pillars is encouraged. With that said, yes, NIPSCO GenCo is providing a brief discussion on this topic, as approval of GenCo's petition will support the Five Pillars in certain key respects.

Reliability, Resiliency, & Stability

While these three "pillars" are called out independently in Ind. Code § 8-1-2-0.6, they are interdependent in many respects. If NIPSCO is looking at potential load additions of the magnitude discussed and presented in its 2024 IRP, ensuring reliability of its system for its current and future customers will be paramount. At least in the short-term, this means the

1 likely addition of dispatchable generation to serve this load, and GenCo
2 will be the entity that will construct, own, and operate dispatchable
3 generation resources to support the reliability and resiliency of NIPSCO's,
4 Indiana's, and MISO's electric grid. Dispatchable generation can ramp up
5 quickly when needed, has a fuel source that is not dependent on weather,
6 and provides other attributes to support a reliable, resilient, and stable
7 electric grid. Reliable and stable energy will be demanded by any megaload
8 customer based on its load characteristics as discussed above. So long as
9 accredited generation capacity is brought online to match all MWs of load
10 from new customers, the net result should be a more reliable, resilient, and
11 stable system—for the benefit of all NIPSCO's customers. The addition of
12 substation and other electric infrastructure to serve new customers, which
13 GenCo will also own, will similarly provide reliability benefits to the
14 broader NIPSCO system.

Affordability

15 Throughout my testimony, I have emphasized the customer protections
16 that are one of the key drivers of formation and utilization of GenCo. These
17 protections are in direct furtherance of customer affordability, as it ensures

1 NIPSCO's customers are not burdened with the costs of the assets needed
2 to serve megaload customers during the time the customers are on
3 NIPSCO's system and at the time of exit, whether it be the end of a contract
4 term or termination of a contract. Thus, affordability is an integral part of
5 the purpose of GenCo.

Environmental Sustainability

6 I previously discussed the desire of certain megaload customers to have
7 carbon free energy serving at least a portion of their load. It is also no secret
8 that many of the largest tech companies have aggressive corporate
9 sustainability goals and are investing large sums to ensure they are on
10 target to meet those goals. As megaload customers come online, bringing
11 renewable/carbon free energy resources will be part of the solution,
12 furthering environmental sustainability.

13 Additionally, from discussions with several potential megaload customers,
14 if dispatchable generation (such as gas-fired generators) are developed to
15 serve megaload—as GenCo would intend to do—there is also a strong
16 interest by these customers in partnering to develop solutions to reduce the
17 carbon emissions—including carbon capture, utilization, and storage,

1 hydrogen fuel, and other potential technologies. Such solutions are also
2 alternatives that were evaluated in NIPSCO's 2024 IRP and will continue to
3 be evaluated by NIPSCO even if megaload customers do not decide to
4 locate in NIPSCO's service territory. Partnership with these customers in
5 exploring and developing carbon solutions for gas-fired generation has the
6 potential to support environmental sustainability. These are opportunities
7 enabled by the formation and use of NIPSCO GenCo.

DECLINATION REQUEST

8 **Q30. May the Commission issue an order declining to exercise jurisdiction**
9 **over NIPSCO GenCo?**

10 A30. Yes. Under Ind. Code § 8-1-2.5-5, "on the request of an *energy utility* ... the
11 commission may enter an order, after notice and hearing, that *the public*
12 *interest requires* the Commission to commence an orderly process to decline
13 to exercise, in whole or in part, its jurisdiction over either the energy
14 utility...." (Emphasis added). Absent a proceeding under Ind. Code § 8-1-
15 2.5-5, NIPSCO GenCo's status as a public utility could trigger other
16 regulatory obligations (such as needing a CPCN in accordance with Ind.
17 Code ch. 8-1-8.5, financing requirements under Ind. Code §§ 8-1-2-76

1 through 80, and various other public utility requirements). This proceeding
2 is a request for such relief and for the Commission to determine if public
3 interest warrants it declining jurisdiction (per Ind. Code § 8-1-2.5-5(b)).

4 **Q31. Is NIPSCO GenCo an energy utility?**

5 A31. Yes. Indiana Code § 8-1-2.5-2 defines “energy utility,” in part, as a public
6 utility within the meaning of Ind. Code § 8-1-2-1. As described in the
7 Petition initiating this Cause and my testimony, NIPSCO GenCo intends to
8 construct, own, and operate generation facilities and related assets and to
9 enter into certain contracts with NIPSCO to enable NIPSCO to supply retail
10 service to megaload customers in its service territory. Accordingly,
11 NIPSCO GenCo would be considered a “public utility” within the meaning
12 of Ind. Code § 8-1-2-1. This determination means it is an “energy utility”
13 under Ind. Code § 8-1-2.5-2 as well.

14 **Q32. Did the Indiana General Assembly explain why such relief for an energy**
15 **utility should be available?**

16 A32. Yes. Ind. Code. 8-1-2.5-1 sets forth the following legislative findings:

17 (1) That the provision of safe, adequate, efficient, and
18 economical retail energy services is a continuing goal of the
19 commission in the exercise of its jurisdiction.

1 (2) That competition is increasing in the provision of energy
2 services in Indiana and the United States.

3 (3) That traditional commission regulatory policies and
4 practices, and certain existing statutes are not adequately
5 designed to deal with an increasingly competitive environment
6 for energy services and that alternatives to traditional regulatory
7 policies and practices may be less costly.

8 (4) That an environment in which Indiana consumers will have
9 available state-of-the-art energy services at economical and
10 reasonable costs will be furthered by flexibility in the regulation
11 of energy services.

12 (5) That flexibility in the regulation of energy services providers
13 is essential to the well-being of the state, its economy, and its
14 citizens.

15 (6) That the public interest requires the commission to be
16 authorized to issue orders and to formulate and adopt rules and
17 policies that will permit the commission in the exercise of its
18 expertise to flexibly regulate and control the provision of energy
19 services to the public in an increasingly competitive
20 environment, giving due regard to the interests of consumers
21 and the public, and to the continued availability of safe,
22 adequate, efficient, and economical energy service.

23 These legislative findings outline the factors at play as NIPSCO seeks to
24 encourage megaload customers to locate within its service territory—
25 especially the competition with other utilities across the country for these
26 types of customers and the need for flexibility in regulation.

1 **Q33. What must the Commission consider when evaluating whether its**
2 **declination of jurisdiction will serve the public interest?**

3 A33. In determining whether the public interest would be served, Ind. Code § 8-
4 1-2.5-5(b) directs the Commission to consider:

5 (1) Whether technological or operating conditions, competitive
6 forces, or the extent of regulation by other state or federal
7 regulatory bodies render the exercise, in whole or in part, of
8 jurisdiction by the commission unnecessary or wasteful.

9 (2) Whether the commission's declining to exercise, in whole or
10 in part, its jurisdiction will be beneficial for the energy utility,
11 the energy utility's customers, or the state.

12 (3) Whether the commission's declining to exercise, in whole or
13 in part, its jurisdiction will promote energy utility efficiency.

14 (4) Whether the exercise of commission jurisdiction inhibits an
15 energy utility from competing with other providers of
16 functionally similar energy services or equipment.

17 **Q34. How will the Commission's limited declination of jurisdiction over**
18 **NIPSCO GenCo's construction, ownership, and operation of generating**
19 **facilities and related assets serve the public interest?**

20 A34. Having NIPSCO GenCo construct, own, and operate the generation
21 facilities and related assets isolates the risk associated with these potential
22 customers from NIPSCO's current customer base, but it also brings the
23 benefits of this unprecedented economic development to NIPSCO's

1 customers and to Indiana. The exemptions from the various provisions of
2 Ind. Code ch. 8-1-8.5 are to eliminate provisions that have limited
3 application to this structure and are also to assure speed-to-market, which
4 is necessary to attract these megaload customers. Because NIPSCO GenCo
5 will not provide service at the retail level, other sections listed in
6 Attachment A to the Petition (*e.g.*, Ind. Code § 8-1-2-42) simply have no
7 application. Other sections are unnecessary given the sophistication of the
8 megaload customers. Exemption from the various financing provisions is
9 important to attract the capital necessary, do so quickly enough, and
10 provide flexibility to accomplish the needed speed-to-market.

11 The Commission's exercise of jurisdiction under many of the chapters or
12 sections identified in Attachment A to the Petition is unnecessary and
13 wasteful as contemplated by Ind. Code § 8-1-2.5-5(b)(1). Further, because
14 this structure supports NIPSCO's service to highly sophisticated megaload
15 customers, competitive forces will demand reliable service at competitive
16 prices, making declination of many of the chapters or sections identified in
17 Attachment A to the Petition beneficial for NIPSCO GenCo and its customer
18 (NIPSCO) and will promote energy utility efficiency as contemplated by

1 Ind. Code §§ 8-1-2.5-5(b)(2) and (3). The Commission will continue to
2 maintain visibility into NIPSCO as the only customer of NIPSCO GenCo.

3 Importantly, exercise of Commission jurisdiction inhibits NIPSCO GenCo
4 and NIPSCO from competing with others in this space as contemplated by
5 Ind. Code § 8-1-2.5-5(b)(4). As I explain throughout my testimony,
6 megaload customers are highly sophisticated, demand high service, and
7 have many choices available to them when determining where to make
8 developments. The requested limited declination of jurisdiction will enable
9 NIPSCO to support Indiana's efforts to position itself to compete effectively
10 with other states to attract this economic development by providing a
11 vehicle for speed-to-market, which is critical to these megaload customers.
12 It is important that NIPSCO be able to attract these customers, insulate
13 current NIPSCO customers from any attendant risks, while also allowing
14 interested stakeholders, including NIPSCO customers and the State of
15 Indiana, to enjoy the benefits of such unprecedented economic
16 development. This is the type of alternative to traditional regulatory
17 policies and practices contemplated by Ind. Code. ch. 8-1-2.5 that the
18 Commission should be allowed the flexibility to permit.

1 Q35. Is NIPSCO GenCo's formation, approval of this declination of
2 jurisdiction petition, and NIPSCO's use of NIPSCO GenCo as proposed
3 consistent with Indiana's regulatory structure?

4 A35. Yes. I acknowledge that the precise structure being proposed is not
5 identical to the way in which NIPSCO typically serves residential,
6 commercial, and industrial customers under its current electric service
7 tariff. However, based on authorization from the General Assembly, such
8 as Indiana Code ch. 8-1-2.5, the Commission has demonstrated a
9 willingness to consider non-traditional regulatory mechanisms and
10 concepts, so long as they are consistent with the Commission's authority
11 and are just, reasonable, and in the public interest.

12 Approval of GenCo's application for declination of jurisdiction is not
13 materially different from similar applications filed by independent power
14 producers, who come to the Commission in advance of construction
15 seeking declination with the intent to either enter into a power purchase
16 agreement with or sell the completed asset to an Indiana utility once the
17 asset reaches its in-service date. The fact that NIPSCO and GenCo will have
18 the same corporate parents is a difference when comparing to other

1 developers' declination applications, but the overall arrangement is
2 relatively comparable.

3 Ultimately, as discussed throughout my testimony, NIPSCO will be the
4 retail electric service provider for any megaload customer that locates
5 within its electric service territory, and NIPSCO will maintain the
6 obligation to procure energy and capacity to serve that customer load.
7 GenCo will be used to develop generation resources and will contract with
8 NIPSCO to provide this generation, which will be utilized to serve
9 NIPSCO's increasing capacity and energy requirements. This is fully
10 consistent with the overall regulatory regime in Indiana.

11 **Q36. Did NIPSCO GenCo perform a careful evaluation of the relevant statutes**
12 **to determine which to seek Commission declination of jurisdiction from?**

13 A36. Yes. As shown in Attachment A to the Petition, NIPSCO GenCo carefully
14 evaluated applicable statutes, chapter-by-chapter and section-by-section, to
15 determine applicability to its intended activities and seeks only declination
16 of jurisdiction of those that are necessary to further the public interest,
17 anchored in the principles of: (1) protecting existing customers; (2) serving
18 new customers with speed and flexibility; and (3) maintaining NIPSCO's

1 financial integrity. Attachment A to the Petition lists each statute for which
2 at least partial declination is sought and provides support why declination
3 is appropriate. It also specifically explains how the public interest would
4 be served by the declination of each chapter or section as framed by the
5 public interest considerations of Ind. Code § 8-1-2.5-5(b).

6 **Q37. Why is GenCo seeking declination of Ind. Code 8-1-8.5?**

7 A37. I explained the traditional process of obtaining approval of new generation
8 resources above, which includes seeking issuance of a CPCN before
9 beginning construction on a generation resource. From my understanding
10 of this section, there are two reasons why it is appropriate for the
11 Commission to decline jurisdiction regarding Ind. Code 8-1-8.5. First, the
12 primary purpose for a CPCN is to make a determination of a need for a
13 project to protect customers from unnecessary capital expenditures. This
14 protection is not necessary, as GenCo will not have retail customers, as
15 NIPSCO will be GenCo's only "customer." Second, the prohibition in Ind.
16 Code 8-1-8.5-2 that "a public utility may not begin the construction,
17 purchase, or lease of any [] facility for the generation of electricity" before a
18 CPCN is issued presents a significant impediment to bringing online the

1 generation resources necessary to serve megaload customers under the
2 timeline they desire to be served. Instead of using GenCo, if NIPSCO were
3 to instead present a generation resource for approval based on its 2024 IRP,
4 it could not begin construction until after an approximate 240-day review
5 by the Commission, and NIPSCO likely would also not be willing to enter
6 into binding contracts with turbine suppliers, potential engineering,
7 procurement, and construction (EPC) contractors, and the like until after a
8 Commission order were received. This would delay development of
9 generation by at least 12 months, and potentially much longer based on the
10 tightness of current markets for key components for gas-fired generation
11 resources. As noted above, this could lead to NIPSCO and Indiana losing
12 out on the investment and economic development opportunities from
13 many of these customers.

14 Again, allowing GenCo to undertake construction activities without a
15 CPCN is reasonable because NIPSCO's retail customers will not be
16 responsible for costs GenCo incurs. The Commission will, however, have
17 authority to review and approve the contractual arrangements between
18 NIPSCO—GenCo, and NIPSCO—megaload customer, which provides an

1 additional reason that declination is appropriate. Finally, it is also my
2 understanding that granting declination of the requirement to obtain a
3 CPCN is typical in Commission declination proceedings filed by
4 independent power producers.

5 **Q38. Is there anything additional you would like to add as to why approval of**
6 **NIPSCO GenCo's petition should be approved?**

7 A38. Yes. While it is not an explicit factor under Ind. Code § 8-1-2.5, it is
8 important that approval of GenCo's petition will further the public policy
9 goals of the State of Indiana to attract these kinds of project developers and
10 further Indiana's economic development pipeline. This public policy is
11 clear from the passage of Ind. Code § 6-2.5-15,⁶ which provides significant
12 incentives to data centers who locate in Indiana in the form of sales and use
13 tax exemptions for anywhere between 25 and 50 years. NIPSCO shares the
14 desire to encourage economic growth and development and bring the
15 attendant benefits to northern Indiana and throughout the state, and

⁶ Information about these incentives can be found on the Indiana Economic Development Corporation's website at: <https://iedc.in.gov/indiana-advantages/investments/data-center-sales-tax-exemption/overview>.

1 formation and utilization of NIPSCO GenCo as described herein is essential
2 to allow NIPSCO to do so.

3 **Q39. Will NIPSCO GenCo publish notice of the filing of this case in each**
4 **county where it provides electric service?**

5 A39. Yes. Attachment 1-C will be a copy of each of the Publishers' Affidavits
6 associated with the notices published in accordance with the law and
7 Commission practice. This attachment will be organized alphabetically by
8 county and will be filed with the Commission once all the Publishers'
9 Affidavits have been received.

10 **Q40. Does this conclude your prefiled direct testimony?**

11 A40. Yes.

VERIFICATION

I, Vincent A. Parisi, President and Chief Operating Officer of Northern Indiana Public Service Company LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Vincent A. Parisi

Date: April 11, 2025

VERIFIED DIRECT TESTIMONY OF VINCENT A. PARISI~~ERIN E. WHITEHEAD~~

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

2 A1. ~~My name is Erin E. Whitehead. My business address is 150 West Market~~
3 ~~Street, Suite 600, Indianapolis, Indiana 46204. My position is Vice President~~
4 ~~of Regulatory Policy and Major Accounts for Northern Indiana Public~~
5 ~~Service Company LLC ("NIPSCO").~~My name is Vincent A. Parisi and my
6 business address is 801 E. 86th Ave., Merrillville, Indiana 46410. I am
7 President and Chief Operating Officer for Northern Indiana Public Service
8 Company LLC ("NIPSCO" or "Company").

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

10 A2. I am submitting this testimony on behalf of NIPSCO Generation LLC
11 ("NIPSCO GenCo" or "GenCo"), a wholly owned subsidiary of NIPSCO
12 Holdings II LLC ("NIPSCO Holdings II").¹

¹ NIPSCO Holdings II wholly owns NIPSCO and was formed for the purposes of NIPSCO's recent minority interest sale. NIPSCO Holdings II is a subsidiary of NiSource Inc. ("NiSource"). (NiSource, through its wholly owned subsidiary NIPSCO Holdings I LLC, owns 80.1% of NIPSCO Holdings II and a minority interest partner owns 19.9% of NIPSCO Holdings II.)

1 Q3. Please briefly describe your educational and business experience.

2 A3. ~~I am a graduate of the University of Indianapolis, with a Bachelor of Science~~
3 ~~in Accounting. Upon graduating, I was employed by Pricewaterhouse-~~
4 ~~Coopers in its State and Local Tax Group. In October 2003, I accepted a~~
5 ~~position with Duke Energy in its Corporate Tax Department. In that~~
6 ~~position, I was responsible for the filing and payment of property taxes in~~
7 ~~Indiana, Ohio, Kentucky, North Carolina, and South Carolina. In October~~
8 ~~2011, I accepted a position in the Corporate Tax Department at NiSource~~
9 ~~Corporate Services Company ("NCSC"). In February 2013, I was promoted~~
10 ~~to Director, State and Local Taxes, where I was responsible for NiSource~~
11 ~~property, excise, utility receipts, and sales and use taxes. This included~~
12 ~~oversight of NIPSCO's state and local taxes, as well as all other NiSource~~
13 ~~subsidiaries. In January 2015, I accepted a position in NIPSCO's Public~~
14 ~~Affairs Department, where I was responsible for external affairs in Howard,~~
15 ~~Miami, Fulton, White, Cass, Carroll, Jasper, Benton, Newton, and Pulaski~~
16 ~~counties. In August 2016, I accepted the position of Director of Regulatory~~
17 ~~Policy, and I accepted my current position of Vice President of Regulatory~~
18 ~~Policy and Major Accounts in June 2020. I earned a bachelor's degree in~~
19 ~~economics from The Ohio State University and completed my law degree~~

1 graduating magna cum laude from Capital University Law School. I also
2 received a Masters of Law from Capital University in business and tax.
3 Prior to accepting my current position in March 2024, I was President and
4 Chief Operating Officer of Columbia Gas of Ohio, Inc. ("Columbia").
5 Before joining Columbia, I was President of the U.S. Utilities for AES Corp
6 and was the President and CEO of Indianapolis Power & Light Company
7 and Dayton Power and Light Company. Before joining AES, I served as
8 Columbia's Vice President of External and Customer Affairs. In that role, I
9 led Columbia's customer and stakeholder experience which included
10 economic development, large customer relationships, government affairs
11 (federal & state), regulatory affairs, customer care and compliance, energy
12 efficiency, community affairs and communications. Before joining
13 Columbia, I held various senior leadership roles for Gas Natural Inc. and
14 Interstate Gas Supply, Inc.

15 **Q4. Have you previously testified before the Indiana Utility Regulatory**
16 **Commission ("Commission") or any other regulatory commission?**

17 A4. Yes. I submitted testimony before the Commission in support of ~~(1)~~
18 NIPSCO's currently pending electric rate case proceeding in Cause No.

1 46120. I have also provided testimony for Interstate Gas Supply, Inc. before
2 the Public Utilities Commission of Ohio in Case Nos. 08-0072-GA-AIR, 08-
3 0073-GA-ALT, 08-0074-GA-AAM, 08-0075-GA-AAM, 08-1344-GA-EXM,
4 10-2395-GA-CSS, 10-2929-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-
5 0349-EL-SSO, 11-0350-EL-SSO, 12-1230-EL-SSO, 12-1842-GA-EXM, and 12-
6 2637-GA-EXM on behalf of Ohio Gas Marketers Group. ~~(2) NIPSCO's~~
7 ~~electric rate case proceeding in Cause No. 45772, (3) NIPSCO's gas rate case~~
8 ~~proceeding in Cause No. 45621, (4) NIPSCO's requests for a certificate of~~
9 ~~public convenience and necessity ("CPCN") to purchase and acquire~~
10 ~~generation (indirectly through joint venture structures) in Cause Nos.~~
11 ~~45462, 45511, 45524, and 45529, and (5) NIPSCO's request for a CPCN for~~
12 ~~federally mandated projects in Cause No. 45007.~~

13 **Q5. What is the purpose of your direct testimony?**

14 A5. The purpose of my direct testimony is to support NIPSCO GenCo's request
15 for the Commission to decline jurisdiction over certain aspects of
16 Petitioner's operations. Specifically, I provide background about the
17 increased level of interest NIPSCO is seeing from megaload customers, the
18 role NIPSCO GenCo will play in NIPSCO's overall plan to serve such

1 customers, how approval of this application will further the Five Pillars,
2 and a description of NIPSCO GenCo's request for declination of
3 jurisdiction, including how approval will serve the public interest.

4 **Q6. Are you sponsoring any attachments to your direct testimony?**

5 A6. Yes. I am sponsoring the following attachments, all of which were prepared
6 by me or under my direction and supervision.

7

Attachment 1-A	Verified Petition
Attachment 1-B	Mega Load – Applicant Intake Form
Attachment 1-C	Publisher's Affidavits

8
9 **Q7. Please provide an overview of NIPSCO GenCo's request in this**
10 **proceeding.**

11 A7. Pursuant to Ind. Code § 8-1-2.5-5, NIPSCO GenCo is requesting that the
12 Commission issue an order declining jurisdiction over certain aspects of
13 GenCo's purchase, ownership, development, financing, construction, and
14 operation of generating facilities and related assets.² The specific sections

² Throughout my testimony, I use the terminology of "construction, ownership, and operation of generating facilities and related assets" for consistency. I note, however, that NIPSCO GenCo will also potentially own and operate the substation and transformation equipment utilized to provide service to megaload customers and may also enter into power purchase agreements with third parties that will be utilized (along with GenCo-owned generation) to provide energy and capacity to NIPSCO.

1 of the Indiana Code for which declination is being requested are delineated
2 in Attachment A to the Petition.

INTEREST FROM POTENTIAL MEGALOAD CUSTOMERS

3 **Q8. Please provide any relevant background about what led to the formation**
4 **GenCo.**

5 A8. NIPSCO, like many other electric utilities across the country, is facing an
6 unprecedented level of interest from customers that desire to locate in
7 NIPSCO's electric service territory. These inquiries are different than usual
8 in two respects. First, there is the sheer number of inquiries. In its 2024 IRP
9 public stakeholder advisory meeting held June 24, 2024,³ NIPSCO reported
10 that it had received more than 30 inquiries from potential new customers
11 over the prior 12 months. NIPSCO has continued to receive requests since
12 that time. Second, and just as important, is the magnitude of the requests
13 of the potential electric load. Historically, a new business customer may
14 inquire about a few megawatts ("MW") of service, and an inquiry for 10-20
15 MW has been considered a large load addition. The overwhelming
16 majority of the inquiries NIPSCO is seeing are for *hundreds* of MW, and in

³ nipsco.com/docs/librariesprovider11/rates-and-tariffs/irp/2024-irp-stakeholder-advisory-meeting-2-final.pdf?sfvrsn=3131e151_6. See slides 16-25.

1 some cases *thousands* of MW, and they are generally related to development
2 of data centers. Based on the magnitude of potential electric load, NIPSCO
3 refers to these potential customers as “megaload customers.”

4 **Q9. What are the typical characteristics of megaload customers and the type**
5 **of service they demand?**

6 A9. While there are various types of megaload customers, generally speaking,
7 the majority that NIPSCO has encountered are either large tech companies
8 seeking to locate data centers, or data center developers who will either
9 “lease” space in their data centers to a third party or who may look to
10 develop a data center campus to a certain point and then sell to another,
11 larger corporation who will own and operate the data center. The largest
12 of the megaload customers, who are most actively developing projects
13 across the world, are very financially capable—with many of them being
14 among the largest corporations in the world. Typically, these companies
15 are also incredibly financially savvy—including having experience in
16 energy markets and rate structures in numerous states and regions across
17 the U.S. and the world.

Regarding load characteristics, generally speaking, these types of customers are emphasizing the desire for service to begin as soon as possible and to ramp up quickly. Once service begins, their load operates at a very high load factor as compared to a manufacturer or other commercial customer—although, there is some variation amongst the types of data centers based on their intended purpose (*e.g.*, cloud-based web services, artificial intelligence, machine learning, etc.). Another distinguishing factor is the demand for highly reliable and stable electric service. Most of these types of customers are seeking duplicate feeds for increased reliability and are willing to pay the costs associated with the necessary infrastructure.

Q10. What factors are contributing to this influx of inquiries to potentially locate large projects in NIPSCO's electric service territory?

A10. While there are numerous factors that contribute to the desire to locate in NIPSCO's service territory, the most relevant are:

- Low risk of natural disasters;
- A reliable electric system with a robust transmission network;
- Availability of land at relatively affordable prices;

- 1 • Desirable access to water and fiber;
- 2 • Proximity to key customers and metropolitan areas (such as
- 3 Chicago);
- 4 • Chicagoland's and Northern Indiana's strong skilled labor
- 5 availability;
- 6 • Indiana's pro-business economic environment and available tax
- 7 incentives from the State; and
- 8 • Indiana's legislative and regulatory environment.

NIPSCO AND NIPSCO GENCO

9 **Q11. With the increased level of interest from megaload customers in locating**
10 **in NIPSCO's electric service territory, how is NIPSCO approaching this**
11 **opportunity, and what are the fundamental considerations that NIPSCO**
12 **has focused on when developing its strategy to serve megaload**
13 **customers?**

14 **A11.** NIPSCO has approached this opportunity intentionally and thoughtfully.
15 As it evaluated different options and ultimately developed its current
16 strategy, there were three primary considerations that NIPSCO has focused
17 on: (1) protecting existing retail customers; (2) serving new megaload
18 customers with speed and flexibility; and (3) maintaining NIPSCO's
19 financial integrity. First and foremost, NIPSCO is focused on ensuring that
20 its existing retail customers are reasonably protected from risks related to

1 serving megaload customers. This includes protections related to (a)
2 paying the costs associated with serving new load and (b) significant
3 stranded costs if/when a new megaload customer exits NIPSCO's system.
4 Second, NIPSCO wants to meet the needs and requirements of potential
5 megaload customers—including the need to provide electric service as
6 timely as reasonably possible and to provide optionality in the types of
7 generation resources a customer may desire to serve their electric needs.
8 NIPSCO's focus has been development of an approach that is consistent
9 with Indiana's regulatory environment, even if it will not be identical to the
10 more traditional electric service tariff structure. Finally, NIPSCO must
11 maintain its financial integrity to serve its existing customers now and in
12 the future. NIPSCO is only interested in serving megaload customers that
13 are financially and technically qualified to develop megaload projects and
14 are also willing to compensate NIPSCO appropriately for the service it
15 provides. NIPSCO is not willing to undertake transactions and
16 relationships that pose undue risk to its ability to serve its current retail
17 customers. Each of these considerations is further discussed below.

1 Q12. Understanding that Indiana is a state that is attractive to megaload
2 customers, please discuss the competitiveness of the electric utility space
3 and the importance of NIPSCO GenCo in enabling NIPSCO and Indiana
4 to attract megaload customers.

5 A12. As I explained above, the megaload space is leading to never-before-seen
6 growth in demand for electricity. While demand is growing rapidly,
7 supply of electricity is struggling to keep pace, as the necessary
8 infrastructure and resources necessary to produce and deliver energy take
9 a period of many months, or years in many cases, to construct. This has led
10 to extreme competition (1) by megaload developers to find utilities who can
11 serve electric load in as short of a time as possible and (2) by electric utilities
12 and other providers to attract these megaload customers to their electric
13 systems.

14 As further discussed below, NIPSCO GenCo is a key element of NIPSCO's
15 overall plan to attract and ultimately serve megaload customers. Utilizing
16 GenCo enables speed-to-market, which is important to many megaload
17 customers, and allows NIPSCO to develop the type of resources that large

1 customers may desire—but without those costs being borne by NIPSCO's
2 current retail customers.

3 **Q13. What type of assets will NIPSCO GenCo construct, own, and operate?**

4 A13. Assuming approval of this petition, NIPSCO GenCo would construct, own,
5 and operate electric generation and related facilities, such as the substation
6 and transformation equipment that connects to NIPSCO's transmission
7 lines and allows customers to be served. NIPSCO GenCo does not currently
8 anticipate owning any transmission lines, and to the extent proposed in the
9 future, it would seek the requisite approval from the Commission.

10 **Q14. Please describe the relationships between NIPSCO, NIPSCO GenCo, and**
11 **megaload customers.**

12 A14. NIPSCO will be the retail electric provider for all megaload customers.
13 NIPSCO will maintain the obligation to serve customers' energy and
14 capacity and will operate as the market participant in Midcontinent
15 Independent System Operator, Inc. ("MISO"), serving customers and
16 ensuring balancing of load.

17 NIPSCO GenCo will develop generation assets and be obligated pursuant
18 to a full requirements agreement (such as a PPA) with NIPSCO to supply

1 all energy and capacity to NIPSCO. GenCo will be regulatorily required to
2 satisfy its requirements to NIPSCO based upon the Commission's approval
3 of such contractual arrangements.

4 NIPSCO and the megaload customer will enter a special contract that will
5 address the provision of electric service to the customer. The special
6 contract will include provisions that will enable the customer insight into
7 the operation of GenCo and provide the customer with some influence
8 regarding engagement with the assets and operation of GenCo, as more
9 fully discussed below. NIPSCO will bill the megaload customer consistent
10 with the terms and conditions of the special contract.

11 **Q15. Will GenCo have any retail customers?**

12 A15. No. NIPSCO GenCo will not have any retail customers, as NIPSCO will be
13 the retail electric service provider for all customers in its electric service
14 territory—including any new megaload customers that may locate in
15 NIPSCO's service territory.

16 **Q16. How many customers will GenCo have?**

17 A16. NIPSCO GenCo will have only one customer—NIPSCO. Subject to the
18 Commission's approval in a separate proceeding, which will be filed at a

1 later time, NIPSCO and NIPSCO GenCo will enter into a power purchase
2 (or similar) agreement, whereby all energy and capacity from GenCo's
3 generation assets will be sold to NIPSCO and utilized by NIPSCO to serve
4 megaload customers.⁴

5 **Q17. How does NIPSCO GenCo fit into NIPSCO's overall approach to serve**
6 **megaload customers?**

7 A17. GenCo is key to NIPSCO's overall approach, as it is GenCo that will
8 construct, own, and operate the generation facilities and related assets
9 necessary to serve new megaload customers. As noted above, NIPSCO
10 GenCo and NIPSCO will be separate companies, although both are
11 subsidiaries of NIPSCO Holdings II. This separation will allow the assets
12 used to serve megaload customers to be "ringfenced" from the assets
13 owned and operated by NIPSCO to serve its current retail customers. The
14 protection this provides to NIPSCO's current customers is more fully
15 discussed below and is a key part of why GenCo was formed.

⁴ To the extent NIPSCO GenCo has energy and capacity beyond what is needed for NIPSCO to serve its retail load, NIPSCO GenCo may also offer excess energy and capacity in the wholesale market.

Financial Integrity

1 **Q18. Please further explain how NIPSCO is approaching serving potential**
2 **megaload customers with respect to NIPSCO's overall financial integrity**
3 **and the financial risk that may be imposed on NIPSCO.**

4 A18. All stakeholders—NiSource and its shareholders, NIPSCO and its
5 customers, the Commission, and many others—have an aligned interest in
6 ensuring the ongoing financial integrity of NIPSCO. This includes
7 maintaining NIPSCO's current credit rating and ensuring NIPSCO has
8 access to necessary capital at a reasonable cost. Due to the size of the loads
9 being discussed, the related size of the capital investment required to
10 interconnect and serve a megaload customer, and the speed at which capital
11 will be required to be deployed to meet these customers' desired in-service
12 dates, this presents new and different challenges to NIPSCO as compared
13 to serving a smaller, more traditional customer through its current electric
14 retail service tariff.

15 **Q19. How does this inform NIPSCO's approach to discussions with and**
16 **ultimately providing service to potential megaload customers?**

1 A19. Understanding that NIPSCO has an obligation to serve its existing
2 customers and to reasonably plan for growth within its service territory,
3 NIPSCO is not willing to undertake providing what is essentially a new
4 type of service if it would potentially jeopardize NIPSCO's financial
5 integrity and impact its ability to serve its retail customers. As discussed
6 more fully below, NIPSCO has formed GenCo to allow a separate corporate
7 entity to develop the necessary generation facilities to meet the
8 requirements of megaload customers.

9 Relatedly, this prospective financial risk also informs how NIPSCO has
10 interacted with the numerous companies who have inquired about
11 NIPSCO's willingness and ability to serve a large load. NIPSCO requires
12 such entities to complete a "Mega Load – Applicant Intake Form," which is
13 attached to my testimony as Attachment 1-B. One of the key purposes of
14 the intake form is to allow the credit quality or corporate financial health of
15 the applicant to be evaluated. This allows NIPSCO to focus its efforts on
16 counterparties who are financially and technically qualified to develop
17 megaload projects and willing and able to enter into arrangements that

1 protect NIPSCO's existing customers and compensate NIPSCO
2 appropriately for the service it provides.

3 **Q20. What flexibility does NIPSCO GenCo provide, as compared to the**
4 **traditional structure of serving customers under an electric service tariff?**

5 A20. Having a separate corporate entity to construct, own, and operate the type
6 of generation resources that will be housed in GenCo allows for greater
7 optionality in terms of how investments will be financed, which can occur
8 without impacting NIPSCO's balance sheet. It also allows investment
9 decisions and capital investments to occur earlier in time than under the
10 traditional structure. Specifically, rather than needing to file for approval
11 of a new generation resource and waiting to make major investments and
12 start construction until approval is received, decisions can be made earlier
13 in time—allowing service to megaloading customers to occur more quickly
14 than otherwise could occur. This is appropriate based on the customer
15 protections that GenCo also provides, which is discussed immediately
16 below.

17 Creation and utilization of GenCo also allows for flexibility in terms of
18 scalability. If NIPSCO were expecting only a few, relatively small

1 megaload customers to locate in its service territory, the potential of
2 utilizing a more traditional model may be more attractive. However, when
3 the potential load growth is expected to be thousands of MWs,⁵ the
4 complexity of ensuring reliable service (in terms of energy and capacity)
5 while adequately protecting existing customers increases, and having this
6 structure helps to facilitate flexibility that is not available under a more
7 traditional model.

Customer Protections

8 **Q21. If GenCo were not formed and utilized as proposed, how would NIPSCO**
9 **traditionally serve customers with loads of this size and how would the**
10 **related investments needed to serve such customers be handled?**

11 A21. Under a more traditional approach, NIPSCO would evaluate the requests
12 for load additions—including through its Integrated Resource Planning
13 (“IRP”) process—and identify how much and what types of generation are
14 needed to serve current and expected load—including reasonably expected
15 additions from megaload customers. NIPSCO would then bring a

⁵ In NIPSCO's 2024 IRP, submitted to the Commission on December 9, 2024, its “Reference Case” assumes 2,600 MW of megaload growth by 2035, and NIPSCO also evaluated a load sensitivity of up to 8,600 MW of growth by 2035.

1 generation resource to the Commission for approval based upon an
2 identified need in an IRP. Assuming approval of that request and issuance
3 of a certificate of public convenience and necessity ("CPCN"), NIPSCO then
4 could begin construction and under certain circumstances could also begin
5 recovery of costs from customers during construction. Once completed,
6 NIPSCO would seek Commission approval for inclusion of the capital and
7 operating and maintenance ("O&M") costs for the generation resources in
8 a base rate case proceeding, which would be recovered from all customers,
9 with costs being allocated amongst NIPSCO's various customer classes
10 (e.g., residential, commercial, and industrial) pursuant to a cost-of-service
11 study. At that point, NIPSCO would have authority to recover the full costs
12 of the new generation from all customers—even if some of the expected
13 load that led to the identified need never materializes or does materialize,
14 but later leaves NIPSCO's system or significantly reduces its load.

15 For sake of clarity, I am not suggesting there is anything fundamentally
16 wrong with a more traditional approach to ownership and operation of the
17 assets necessary to serve megaload customers. Although there are ways to
18 attempt to protect current customers under this type of process to some

1 degree—including use of minimum contract terms, minimum load factors,
2 exit fees, etc.—this type of approach presented challenges to NIPSCO in
3 terms of the three fundamental considerations outlined above, including
4 reasonably protecting customers.

5 **Q22. Please elaborate further about how NIPSCO GenCo will allow NIPSCO**
6 **to ensure reasonable protection of its existing customers as compared to**
7 **more traditional ownership by NIPSCO.**

8 A22. GenCo is the lynchpin to NIPSCO's overall strategy, as it will be GenCo
9 that constructs, owns, and operates the assets necessary to serve megaload
10 customers—meaning these assets will not be included in NIPSCO's rate
11 base and the costs will not be recovered from its current customers. Having
12 ownership and the related capital and O&M costs outside of NIPSCO
13 protects NIPSCO's current customers from the costs of generation
14 recovered during construction and operation (construction work in
15 progress (CWIP), depreciation, fuel costs, O&M, etc.), as well as continuing
16 to pay for a generation asset that may no longer be needed if a megaload
17 customer were to terminate a contract or leave following expiration of a
18 contract term.

1 Q23. Are you saying there will be no new NIPSCO assets that will be required
2 to serve megaload customers that would be recovered as part of
3 NIPSCO's traditional rate base from all customers?

4 A23. No. That is not the case. It is possible that there will be some investments
5 that NIPSCO (not GenCo) will make and seek to include in rate base for
6 recovery from all customers through the traditional ratemaking process.
7 This would be the case if investments are identified that support and have
8 benefits for the broader NIPSCO electric system that are needed as a large
9 load(s) comes online. For example, if a new transmission line were needed
10 based on the addition of a new megaload customer, but that transmission
11 line also enables interconnection of generation or load as part of NIPSCO's
12 traditional customer base, the transmission line may be recovered from the
13 new and existing customers. With that said, NIPSCO reasonably expects
14 that the large majority of investments related to serving megaload
15 customers will be owned by GenCo—meaning current customers will not
16 be financially responsible for those costs. If investments are necessary that
17 also benefit the broader NIPSCO electric system, megaload customers
18 would also share in the cost responsibility for such assets.

1 **Q24. Are you saying that NIPSCO GenCo will always own the assets it**
2 **constructs and that there is no chance NIPSCO will ever own these assets**
3 **and use them to serve its existing customers?**

4 A24. No. There is the potential that NIPSCO could have an identified need for
5 generation resources (or a discreet need for capacity and/or energy) and
6 that GenCo could have a resource that is not being fully utilized that could
7 meet NIPSCO's need. This could present a situation where GenCo's assets
8 are the most reasonable and/or economic solution for NIPSCO. If this were
9 to occur, GenCo and NIPSCO (as public utilities and energy utilities under
10 the Commission's jurisdiction) would be required to present any such
11 arrangement to the Commission for review and approval—including
12 approval of an appropriate purchase price for any asset. GenCo is not
13 seeking declination of the authority of the Commission over sales, transfers,
14 assignments, etc. of assets between utilities under Ind. Code 8-1-2-83.

15 **Q25. If NIPSCO's current customers are not financially at risk for the assets**
16 **GenCo owns, then where does that risk lie?**

17 A25. This risk will be shared by NIPSCO Holdings II and NiSource and their
18 respective owners/shareholders (through ownership of GenCo) and

1 megaload customers (through minimum demand charges, collateral
2 requirements, etc.).

Speed and Flexibility

3 **Q26. Please explain the need to provide electric service to megaload customers**
4 **as timely as possible and the desire for specific types of generation**
5 **resources.**

6 A26. Speed-to-market has been a priority for the overwhelming majority of the
7 potential megaload customers with whom NIPSCO has spoken. Utilizing
8 GenCo to construct, own, and operate generation facilities presents an
9 opportunity to significantly reduce the time it takes to bring new generation
10 online as compared to the traditional regulatory model, which is discussed
11 further below. The ability to serve megaload customers as early as possible
12 is a key factor that can allow NIPSCO to differentiate itself from other
13 electric utilities, and using GenCo allows this to happen.

14 Many of the megaload customers NIPSCO has had discussions with have
15 corporate sustainability and carbon free energy goals with a strong desire
16 to have input into resource decisions to serve their load. Having GenCo
17 construct, own, and operate the generation that will be used by NIPSCO to

1 serve the new load also provides greater flexibility than under traditional
2 regulation, where the economics of a project and customer affordability are
3 key to the Commission's evaluation.

4 A Commission order denying GenCo's requests for relief in this proceeding
5 would potentially inhibit NIPSCO's ability to serve these megaload
6 customers quickly, to develop the types of generation resources megaload
7 customers are seeking, and to reduce the risk to its other customers from
8 such service. The result would be that some or many of the megaload
9 customers who desire to locate in Indiana or northern Indiana specifically,
10 may look elsewhere for their projects—taking with them billions of dollars
11 in investment and the numerous related benefits to the State of Indiana.

12 **Q27. Is it reasonable to allow megaload customers to have some level of input**
13 **into the generation resources GenCo will own and be financially**
14 **responsible for?**

15 A27. Yes. This goes directly back to the protections NIPSCO is ensuring are in
16 place, as the generation decisions a particular customer is making will not
17 be paid for by NIPSCO's current customers. Instead, through the proposed
18 NIPSCO GenCo structure, the megaload customer will be financially

1 responsible for all costs associated with its resource choices. Additionally,
2 many of the largest and most well-qualified potential megaload customers
3 have corporate sustainability goals and are only willing to enter into
4 arrangements with a utility that has a willingness to partner in furtherance
5 of those sustainability goals. It is, therefore, very important to offer these
6 megaload customers some level of input into the generation resources they
7 will be financially responsible for.

IND. CODE § 8-1-2-0.6 ("FIVE Pillars")

8 **Q28. Please describe Ind. Code § 8-1-2-0.6.**

9 A28. Ind. Code § 8-1-2-0.6 is the codification of the Five Pillars (reliability,
10 affordability, resiliency, stability, and environmental sustainability)
11 recommended by the 21st Century Energy Policy Development Task Force
12 ("Task Force") in its November 2020 Final Report. The Task Force
13 recommended these Pillars serve as the lens through which policy decisions
14 about Indiana's generation resource mix should be made. Section 0.6 also
15 requires consideration of the Five Pillars in connection with ratemaking
16 constructs. The Five Pillars are:

17 Reliability – including: (A) the adequacy of electric utility
18 service, including the ability of the electric system to supply the

1 aggregate electric demand and energy requirements of end use
2 customers at all times, taking into account: (i) scheduled; and (ii)
3 reasonably expected unscheduled; outages of system elements;
4 and (B) the operating reliability of the electric system, including
5 the ability of the electric system to withstand sudden
6 disturbances such as electric short circuits or unanticipated loss
7 of system components.

8 Affordability – including ratemaking constructs that result in
9 retail electric utility service that is affordable and competitive
10 across residential, commercial, and industrial classes;

11 Resiliency – including the ability of the electric system or its
12 components to: (A) adapt to changing conditions; and (B)
13 withstand and rapidly recover from disruptions or off-nominal
14 events;

15 Stability – including the ability of the electric system to: (A)
16 maintain a state of equilibrium during: (i) normal and abnormal
17 conditions; or (ii) disturbances; and (B) deliver a stable source of
18 electricity, in which frequency and voltage are maintained
19 within defined parameters, consistent with industry standards;
20 and

21 Environmental Sustainability – including: (A) the impact of
22 environmental regulations on the cost of providing electric
23 utility service; and (B) demand from consumers for
24 environmentally sustainable sources of electric generation.

25 **Q29. Is NIPSCO GenCo providing evidence in this Cause to support the**
26 **requirements set out in Ind. Code § 8-1-2-0.6?**

27 **A29.** I would first note that under the Commission's General Administrative
28 Order 2023-04, declination of jurisdiction requests are not one of the
29 proceedings in which evidence about the Five Pillars is encouraged. With

1 that said, yes, NIPSCO GenCo is providing a brief discussion on this topic,
2 as approval of GenCo's petition will support the Five Pillars in certain key
3 respects.

Reliability, Resiliency, & Stability

4 While these three "pillars" are called out independently in Ind. Code § 8-1-
5 2-0.6, they are interdependent in many respects. If NIPSCO is looking at
6 potential load additions of the magnitude discussed and presented in its
7 2024 IRP, ensuring reliability of its system for its current and future
8 customers will be paramount. At least in the short-term, this means the
9 likely addition of dispatchable generation to serve this load, and GenCo
10 will be the entity that will construct, own, and operate dispatchable
11 generation resources to support the reliability and resiliency of NIPSCO's,
12 Indiana's, and MISO's electric grid. Dispatchable generation can ramp up
13 quickly when needed, has a fuel source that is not dependent on weather,
14 and provides other attributes to support a reliable, resilient, and stable
15 electric grid. Reliable and stable energy will be demanded by any megaload
16 customer based on its load characteristics as discussed above. So long as
17 accredited generation capacity is brought online to match all MWs of load

1 from new customers, the net result should be a more reliable, resilient, and
2 stable system—for the benefit of all NIPSCO's customers. The addition of
3 substation and other electric infrastructure to serve new customers, which
4 GenCo will also own, will similarly provide reliability benefits to the
5 broader NIPSCO system.

Affordability

6 Throughout my testimony, I have emphasized the customer protections
7 that are one of the key drivers of formation and utilization of GenCo. These
8 protections are in direct furtherance of customer affordability, as it ensures
9 NIPSCO's customers are not burdened with the costs of the assets needed
10 to serve megaload customers during the time the customers are on
11 NIPSCO's system and at the time of exit, whether it be the end of a contract
12 term or termination of a contract. Thus, affordability is an integral part of
13 the purpose of GenCo.

Environmental Sustainability

14 I previously discussed the desire of certain megaload customers to have
15 carbon free energy serving at least a portion of their load. It is also no secret
16 that many of the largest tech companies have aggressive corporate

1 sustainability goals and are investing large sums to ensure they are on
2 target to meet those goals. As megaload customers come online, bringing
3 renewable/carbon free energy resources will be part of the solution,
4 furthering environmental sustainability.

5 Additionally, from discussions with several potential megaload customers,
6 if dispatchable generation (such as gas-fired generators) are developed to
7 serve megaload—as GenCo would intend to do—there is also a strong
8 interest by these customers in partnering to develop solutions to reduce the
9 carbon emissions—including carbon capture, utilization, and storage,
10 hydrogen fuel, and other potential technologies. Such solutions are also
11 alternatives that were evaluated in NIPSCO's 2024 IRP and will continue to
12 be evaluated by NIPSCO even if megaload customers do not decide to
13 locate in NIPSCO's service territory. Partnership with these customers in
14 exploring and developing carbon solutions for gas-fired generation has the
15 potential to support environmental sustainability. These are opportunities
16 enabled by the formation and use of NIPSCO GenCo.

DECLINATION REQUEST

1 **Q30. May the Commission issue an order declining to exercise jurisdiction**
2 **over NIPSCO GenCo?**

3 A30. Yes. Under Ind. Code § 8-1-2.5-5, “on the request of an *energy utility* ... the
4 commission may enter an order, after notice and hearing, that *the public*
5 *interest requires* the Commission to commence an orderly process to decline
6 to exercise, in whole or in part, its jurisdiction over either the energy
7 utility....” (Emphasis added). Absent a proceeding under Ind. Code § 8-1-
8 2.5-5, NIPSCO GenCo’s status as a public utility could trigger other
9 regulatory obligations (such as needing a CPCN in accordance with Ind.
10 Code ch. 8-1-8.5, financing requirements under Ind. Code §§ 8-1-2-76
11 through 80, and various other public utility requirements). This proceeding
12 is a request for such relief and for the Commission to determine if public
13 interest warrants it declining jurisdiction (per Ind. Code § 8-1-2.5-5(b)).

14 **Q31. Is NIPSCO GenCo an energy utility?**

15 A31. Yes. Indiana Code § 8-1-2.5-2 defines “energy utility,” in part, as a public
16 utility within the meaning of Ind. Code § 8-1-2-1. As described in the
17 Petition initiating this Cause and my testimony, NIPSCO GenCo intends to

1 construct, own, and operate generation facilities and related assets and to
2 enter into certain contracts with NIPSCO to enable NIPSCO to supply retail
3 service to megaload customers in its service territory. Accordingly,
4 NIPSCO GenCo would be considered a "public utility" within the meaning
5 of Ind. Code § 8-1-2-1. This determination means it is an "energy utility"
6 under Ind. Code § 8-1-2.5-2 as well.

7 **Q32. Did the Indiana General Assembly explain why such relief for an energy**
8 **utility should be available?**

9 A32. Yes. Ind. Code. 8-1-2.5-1 sets forth the following legislative findings:

10 (1) That the provision of safe, adequate, efficient, and
11 economical retail energy services is a continuing goal of the
12 commission in the exercise of its jurisdiction.

13 (2) That competition is increasing in the provision of energy
14 services in Indiana and the United States.

15 (3) That traditional commission regulatory policies and
16 practices, and certain existing statutes are not adequately
17 designed to deal with an increasingly competitive environment
18 for energy services and that alternatives to traditional regulatory
19 policies and practices may be less costly.

20 (4) That an environment in which Indiana consumers will have
21 available state-of-the-art energy services at economical and
22 reasonable costs will be furthered by flexibility in the regulation
23 of energy services.

(5) That flexibility in the regulation of energy services providers is essential to the well-being of the state, its economy, and its citizens.

(6) That the public interest requires the commission to be authorized to issue orders and to formulate and adopt rules and policies that will permit the commission in the exercise of its expertise to flexibly regulate and control the provision of energy services to the public in an increasingly competitive environment, giving due regard to the interests of consumers and the public, and to the continued availability of safe, adequate, efficient, and economical energy service.

These legislative findings outline the factors at play as NIPSCO seeks to encourage megaload customers to locate within its service territory—especially the competition with other utilities across the country for these types of customers and the need for flexibility in regulation.

Q33. What must the Commission consider when evaluating whether its declination of jurisdiction will serve the public interest?

A33. In determining whether the public interest would be served, Ind. Code § 8-1-2.5-5(b) directs the Commission to consider:

(1) Whether technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies render the exercise, in whole or in part, of jurisdiction by the commission unnecessary or wasteful.

(2) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will be beneficial for the energy utility, the energy utility's customers, or the state.

(3) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency.

(4) Whether the exercise of commission jurisdiction inhibits an energy utility from competing with other providers of functionally similar energy services or equipment.

Q34. How will the Commission's limited declination of jurisdiction over NIPSCO GenCo's construction, ownership, and operation of generating facilities and related assets serve the public interest?

A34. Having NIPSCO GenCo construct, own, and operate the generation facilities and related assets isolates the risk associated with these potential customers from NIPSCO's current customer base, but it also brings the benefits of this unprecedented economic development to NIPSCO's customers and to Indiana. The exemptions from the various provisions of Ind. Code ch. 8-1-8.5 are to eliminate provisions that have limited application to this structure and are also to assure speed-to-market, which is necessary to attract these megaload customers. Because NIPSCO GenCo will not provide service at the retail level, other sections listed in Attachment A to the Petition (*e.g.*, Ind. Code § 8-1-2-42) simply have no application. Other sections are unnecessary given the sophistication of the

1 megaload customers. Exemption from the various financing provisions is
2 important to attract the capital necessary, do so quickly enough, and
3 provide flexibility to accomplish the needed speed-to-market.

4 The Commission's exercise of jurisdiction under many of the chapters or
5 sections identified in Attachment A to the Petition is unnecessary and
6 wasteful as contemplated by Ind. Code § 8-1-2.5-5(b)(1). Further, because
7 this structure supports NIPSCO's service to highly sophisticated megaload
8 customers, competitive forces will demand reliable service at competitive
9 prices, making declination of many of the chapters or sections identified in
10 Attachment A to the Petition beneficial for NIPSCO GenCo and its customer
11 (NIPSCO) and will promote energy utility efficiency as contemplated by
12 Ind. Code §§ 8-1-2.5-5(b)(2) and (3). The Commission will continue to
13 maintain visibility into NIPSCO as the only customer of NIPSCO GenCo.

14 Importantly, exercise of Commission jurisdiction inhibits NIPSCO GenCo
15 and NIPSCO from competing with others in this space as contemplated by
16 Ind. Code § 8-1-2.5-5(b)(4). As I explain throughout my testimony,
17 megaload customers are highly sophisticated, demand high service, and
18 have many choices available to them when determining where to make

1 developments. The requested limited declination of jurisdiction will enable
2 NIPSCO to support Indiana's efforts to position itself to compete effectively
3 with other states to attract this economic development by providing a
4 vehicle for speed-to-market, which is critical to these megaload customers.
5 It is important that NIPSCO be able to attract these customers, insulate
6 current NIPSCO customers from any attendant risks, while also allowing
7 interested stakeholders, including NIPSCO customers and the State of
8 Indiana, to enjoy the benefits of such unprecedented economic
9 development. This is the type of alternative to traditional regulatory
10 policies and practices contemplated by Ind. Code. ch. 8-1-2.5 that the
11 Commission should be allowed the flexibility to permit.

12 **Q35. Is NIPSCO GenCo's formation, approval of this declination of**
13 **jurisdiction petition, and NIPSCO's use of NIPSCO GenCo as proposed**
14 **consistent with Indiana's regulatory structure?**

15 A35. Yes. I acknowledge that the precise structure being proposed is not
16 identical to the way in which NIPSCO typically serves residential,
17 commercial, and industrial customers under its current electric service
18 tariff. However, based on authorization from the General Assembly, such

1 as Indiana Code ch. 8-1-2.5, the Commission has demonstrated a
2 willingness to consider non-traditional regulatory mechanisms and
3 concepts, so long as they are consistent with the Commission's authority
4 and are just, reasonable, and in the public interest.

5 Approval of GenCo's application for declination of jurisdiction is not
6 materially different from similar applications filed by independent power
7 producers, who come to the Commission in advance of construction
8 seeking declination with the intent to either enter into a power purchase
9 agreement with or sell the completed asset to an Indiana utility once the
10 asset reaches its in-service date. The fact that NIPSCO and GenCo will have
11 the same corporate parents is a difference when comparing to other
12 developers' declination applications, but the overall arrangement is
13 relatively comparable.

14 Ultimately, as discussed throughout my testimony, NIPSCO will be the
15 retail electric service provider for any megaload customer that locates
16 within its electric service territory, and NIPSCO will maintain the
17 obligation to procure energy and capacity to serve that customer load.
18 GenCo will be used to develop generation resources and will contract with

1 NIPSCO to provide this generation, which will be utilized to serve
2 NIPSCO's increasing capacity and energy requirements. This is fully
3 consistent with the overall regulatory regime in Indiana.

4 **Q36. Did NIPSCO GenCo perform a careful evaluation of the relevant statutes**
5 **to determine which to seek Commission declination of jurisdiction from?**

6 A36. Yes. As shown in Attachment A to the Petition, NIPSCO GenCo carefully
7 evaluated applicable statutes, chapter-by-chapter and section-by-section, to
8 determine applicability to its intended activities and seeks only declination
9 of jurisdiction of those that are necessary to further the public interest,
10 anchored in the principles of: (1) protecting existing customers; (2) serving
11 new customers with speed and flexibility; and (3) maintaining NIPSCO's
12 financial integrity. Attachment A to the Petition lists each statute for which
13 at least partial declination is sought and provides support why declination
14 is appropriate. It also specifically explains how the public interest would
15 be served by the declination of each chapter or section as framed by the
16 public interest considerations of Ind. Code § 8-1-2.5-5(b).

17 **Q37. Why is GenCo seeking declination of Ind. Code 8-1-8.5?**

1 A37. I explained the traditional process of obtaining approval of new generation
2 resources above, which includes seeking issuance of a CPCN before
3 beginning construction on a generation resource. From my understanding
4 of this section, there are two reasons why it is appropriate for the
5 Commission to decline jurisdiction regarding Ind. Code 8-1-8.5. First, the
6 primary purpose for a CPCN is to make a determination of a need for a
7 project to protect customers from unnecessary capital expenditures. This
8 protection is not necessary, as GenCo will not have retail customers, as
9 NIPSCO will be GenCo's only "customer." Second, the prohibition in Ind.
10 Code 8-1-8.5-2 that "a public utility may not begin the construction,
11 purchase, or lease of any [] facility for the generation of electricity" before a
12 CPCN is issued presents a significant impediment to bringing online the
13 generation resources necessary to serve megaload customers under the
14 timeline they desire to be served. Instead of using GenCo, if NIPSCO were
15 to instead present a generation resource for approval based on its 2024 IRP,
16 it could not begin construction until after an approximate 240-day review
17 by the Commission, and NIPSCO likely would also not be willing to enter
18 into binding contracts with turbine suppliers, potential engineering,
19 procurement, and construction (EPC) contractors, and the like until after a

1 Commission order were received. This would delay development of
2 generation by at least 12 months, and potentially much longer based on the
3 tightness of current markets for key components for gas-fired generation
4 resources. As noted above, this could lead to NIPSCO and Indiana losing
5 out on the investment and economic development opportunities from
6 many of these customers.

7 Again, allowing GenCo to undertake construction activities without a
8 CPCN is reasonable because NIPSCO's retail customers will not be
9 responsible for costs GenCo incurs. The Commission will, however, have
10 authority to review and approve the contractual arrangements between
11 NIPSCO—GenCo, and NIPSCO—megaload customer, which provides an
12 additional reason that declination is appropriate. Finally, it is also my
13 understanding that granting declination of the requirement to obtain a
14 CPCN is typical in Commission declination proceedings filed by
15 independent power producers.

16 **Q38. Is there anything additional you would like to add as to why approval of**
17 **NIPSCO GenCo's petition should be approved?**

1 A38. Yes. While it is not an explicit factor under Ind. Code § 8-1-2.5, it is
2 important that approval of GenCo's petition will further the public policy
3 goals of the State of Indiana to attract these kinds of project developers and
4 further Indiana's economic development pipeline. This public policy is
5 clear from the passage of Ind. Code § 6-2.5-15,⁶ which provides significant
6 incentives to data centers who locate in Indiana in the form of sales and use
7 tax exemptions for anywhere between 25 and 50 years. NIPSCO shares the
8 desire to encourage economic growth and development and bring the
9 attendant benefits to northern Indiana and throughout the state, and
10 formation and utilization of NIPSCO GenCo as described herein is essential
11 to allow NIPSCO to do so.

12 **Q39. Will NIPSCO GenCo publish notice of the filing of this case in each**
13 **county where it provides electric service?**

14 A39. Yes. Attachment 1-C will be a copy of each of the Publishers' Affidavits
15 associated with the notices published in accordance with the law and
16 Commission practice. This attachment will be organized alphabetically by

⁶ Information about these incentives can be found on the Indiana Economic Development Corporation's website at: <https://iedc.in.gov/indiana-advantages/investments/data-center-sales-tax-exemption/overview>.

1 county and will be filed with the Commission once all the Publishers'
2 Affidavits have been received.

3 **Q40. Does this conclude your prefiled direct testimony?**

4 **A40. Yes.**

VERIFICATION

I, Vincent A. Parisi, President and Chief Operating Officer of Erin E. Whitehead, Vice President, Regulatory Policy and Major Accounts for Northern Indiana Public Service Company LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Vincent A. Parisi

Erin E. Whitehead

Date: April 11, January 10, 2025