
VERIFIED DIRECT TESTIMONY OF NICK BLY

1 **Introduction**

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

3 A1. My name is Nick Bly. My business address is 290 W Nationwide Blvd,
4 Columbus, Ohio 43215. I am the Manager of Corporate Consolidation in
5 Financial Planning & Analysis ("FP&A") for NiSource Corporate Services
6 Company ("NCSC"), a wholly-owned subsidiary of NiSource Inc.
7 ("NiSource")

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

9 A2. I am submitting this testimony on behalf of Northern Indiana Public Service
10 Company LLC ("NIPSCO" or the "Company").

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

12 A3. I received a Bachelor of Science degree in Business Administration with a
13 concentration in Accounting and minor in Philosophy and Religious
14 Studies from Winthrop University in Rock Hill, South Carolina in May
15 2006. My career began in the audit practice of Deloitte in Columbus, Ohio,
16 where I first was exposed to the utility industry, as my main client from

1 2008-2010 was an electric utility. In 2010, I began working for NCSC as a
2 Senior Financial Analyst in a Consolidation Accounting role. In the
3 following years, I also served as a Lead Analyst in Corporate Development,
4 Lead Analyst in Corporate Budgeting, Manager in Corporate FP&A, and
5 Manager in Treasury before leaving NCSC in 2016. From 2017 – 2020, I was
6 a partial owner and an Officer of JadeTrack, Inc. serving in a
7 multifunctional finance and operations role. In October 2020, I re-joined
8 NCSC and assumed my current role. Lastly, I am a Certified Public
9 Accountant and Certified Treasury Professional.

10 **Q4. What are your responsibilities as Manager of Corporate Consolidation?**

11 A4. As Manager of Corporate Consolidation, my principal responsibilities
12 include budgeting and forecasting operations and maintenance (“O&M”)
13 expenses for the corporate functions and the overhead costs of total NCSC.
14 In carrying out these duties, I am responsible for a number of activities,
15 including developing formal financial plans with budget owners, monthly
16 reporting and variance analysis, updating the current year forecast through
17 the present estimate process, and other *ad hoc* financial support for the
18 corporate functions of NCSC.

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

3 A5. Yes. I testified before the Commission in NIPSCO's most recent gas rate
4 case in Cause No. 45621, as well as in Columbia Gas of Pennsylvania's gas
5 rate case in Docket No. R-2022-3031172.

6 **Q6. Are you sponsoring any attachments to your direct testimony in this**
7 **Cause?**

8 A6. Yes. I am sponsoring Attachment 6-A, which was prepared by me or under
9 my direction and supervision. I also sponsor a portion of the workpapers
10 included in Petitioner's Confidential Exhibit No. 22-S2.

11 **Q7. What is the purpose of your testimony?**

12 A7. The purpose of my testimony is to provide background on the NCSC
13 budgeting process and how that relates to the financial plan for NIPSCO. I
14 also support the O&M expenses associated with services provided by
15 NCSC to NIPSCO, and any adjustments to those expenses for the period
16 beginning January 1, 2022 and ending December 31, 2022 (the "2022 Budget
17 Period"), and the period beginning January 1, 2023 and ending December
18 31, 2023 (the "Forward Test Year").

1 NCSC Budget Development Process

2 **Q8. Can you describe the NCSC annual budget development process?**

3 A8. The NCSC budget development process, regarding timing and duration, is
4 consistent with the NIPSCO planning process, as discussed by NIPSCO
5 Witness Camp. The budget process used to develop the Forward Test Year
6 was the NIPSCO Electric 2023 Financial Plan.

7 Targets for the NCSC functions (a.k.a. "Direct Expenses") are grounded in
8 a trailing 12-month historical spend with inflation adjustments each year
9 thereafter, and as necessary adjusted for items such as, but not limited to,
10 non-recurring expenses, future planned work, or strategic initiatives to
11 develop final targets. Once targets are established, budgeted expenses are
12 delineated by cost categories such as labor, materials, outside services, and
13 other expenses. In addition to Direct Expenses, overhead costs (a.k.a.
14 "Indirect Expenses") such as incentive compensation, benefits, taxes, and
15 depreciation are calculated to arrive at a total cost.

16 The Vice President of Planning and Analysis reviews the completed
17 budgets for reasonableness and an understanding of material changes for
18 both the whole of the budgets and the allocation to each of the operating

1 companies. The Corporate Service Fee is distributed to each operating
2 company as an input to their planning process upon approval from the Vice
3 President of Financial Planning and Analysis.

4 **Q9. How is the allocation of NCSC budgeted expense to NIPSCO**
5 **determined?**

6 A9. Allocations are based on historical distributions to each operating company
7 and adjusted as necessary to best represent expense budgeted in future
8 periods. Direct Expenses are allocated at the functional level. Employee-
9 related Indirect Expenses are based on labor. Depreciation is allocated
10 based on historical distributions for existing assets and planned additions
11 are based on the TI (technology) allocator; please refer to NIPSCO Witness
12 Gode for information on the TI allocator.

13 **Q10. Is the budget reviewed throughout the year?**

14 A10. Yes. On a monthly basis an analysis that compares budget to actual results
15 is completed and reviewed. This analysis provides key drivers for
16 variances for both monthly and year-to-date results. In addition to monthly
17 variance analysis, updates are conducted with function leaders that provide
18 forecast updates for the current year and any impact to future years, this is

1 known as the Present Estimate.

2 **NCSC O&M Expenses in the 2022 Budget Period**

3 **Q11. What is the level of NCSC O&M expenses in the 2022 Budget Period for**
4 **NIPSCO Electric?**

5 A11. The level of NCSC O&M expenses in the 2022 Budget Period for NIPSCO
6 Electric are \$112,909,575 as shown on Attachment 6-A, Page 1, Line 5.

7 **Q12. Please explain the variance in NCSC O&M expenses represented on**
8 **Attachment 6-A, Page 1, Line 3 between the period beginning January 1,**
9 **2021 and ending December 31, 2021 (the "Normalized Historic Base**
10 **Year") and the period beginning January 1, 2022 and ending December**
11 **31, 2022 (the "2022 Budget Period").**

12 A12. The Normalized Historic Base Year is calculated and sponsored by NIPSCO
13 Witness Gode. The variance in NCSC O&M expenses between the
14 Normalized Historic Base Year and the 2022 Budget Period is an increase of
15 \$8,021,909. The primary drivers of the increase are inflation and
16 depreciation. Using the CPI-All Urban Consumers Inflation average for the
17 12-months ended May 31, 2022 of 5.2% shown on Attachment 6-A, Page 2,
18 Line 13 inflation accounts for \$5.5 million of the increase. Depreciation

1 accounts for \$3.3 million for which the primary driver is IT Modernization,
2 which was initiated to drive transformation value for NiSource and its
3 affiliates, including NIPSCO. The initiative spans several years with the
4 goals of modernizing our technology portfolio along with closing any
5 critical capability gaps. The program includes planned investments that
6 align with the NiSource (and NIPSCO) strategic framework, which includes
7 investments to advance and improve safety, operational performance, and
8 customer satisfaction. The IT Modernization plan is reviewed regularly to
9 make necessary adjustments based on current customer needs to deliver the
10 highest value initiatives in a timely manner.

11 **NCSC Projected O&M Expenses in Forward Test Year**

12 **Q13. What is the level of NCSC O&M expenses in the Forward Test Year for**
13 **NIPSCO Electric?**

14 A13. The level of NCSC O&M expenses in the Forward Test Year for NIPSCO
15 Electric is \$114,108,593 as shown on Attachment 6-A, Page 1, Line 9.

16 **Q14. Please explain the variance in O&M expenses between the 2022 Budget**
17 **Period and the Forward Test Year represented on Attachment 6-A, Page**
18 **1, Line 7.**

1 A14. The variance for NCSC O&M expenses is an increase of \$1,199,017 or 1.1%,
2 which is well below inflation of 5.2% as previously mentioned.

3 **Q15. Please explain the ratemaking adjustments to the Forward Test Year**
4 **represented on Attachment 6-A, Page 1, Line 15.**

5 A15. The ratemaking adjustment to the Forward Test Year is an increase of
6 \$725,589 or 0.6%.¹ Adjustments were made to decrease the Forward Test
7 Year for (1) non-recoverable items such as charitable donations, lobbying,
8 advertising, and membership fees (Attachment 6-A, Page 1, Line 12), and
9 (2) profit sharing (Attachment 6-A, Page 1, Line 13). Details of the non-
10 recoverable items are presented on Attachment 6-A, Page 3. An adjustment
11 was made to increase the Forward Test Year for an employee benefits
12 update provided by AON Hewitt, a third-party actuarial firm (Attachment
13 6-A, Page 1, Line 14). Details of the update are presented on Attachment 6-
14 A, Page 4. The NCSC expenses expected to be allocated to NIPSCO Electric
15 in the Forward Test Year (after ratemaking adjustments) (the "Normalized
16 Forward Test Year") are \$114,834,181 as shown in Attachment 6-A, Page 1,

¹ Petitioner's Exhibit No. 3, Attachment 3-C-S2, Adjustment OM 6-23R.

1 Line 17.

2 **Q16. Is the Normalized Forward Test Year level of \$114,834,181 shown on**
3 **Attachment 6-A, Page 1, Line 17 representative of the NCSC O&M**
4 **expenses necessary to provide ongoing safe and reliable service at**
5 **reasonable rates?**

6 A16. Yes. The Normalized Forward Test Year level of NCSC O&M expenses is
7 reasonable and representative of NIPSCO's ongoing cost of providing
8 service. The Normalized Forward Test Year level of NCSC O&M expense
9 is justified by the projected needs of NIPSCO to serve its customers.

10 **Q17. Does this conclude your prefiled direct testimony?**

11 A17. Yes.

VERIFICATION

I, Nick Bly, Manager of Corporate Consolidation in Financial Planning & Analysis of NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Nick Bly

Date: September 15, 2022

Northern Indiana Public Service Company
NiSource Corporate Services Company (NCSC) Test Year Expenses - Normalized with Pro-forma Adjustments
Adjusted Historical Base Period - Twelve Months Ended 12/31/2021
Budget Period - Twelve Months Ended 12/31/2022
Forward Test Year - Twelve Months Ended 12/31/2023

<u>Line No.</u>	<u>Ref</u>	<u>Description</u>	<u>Amount</u>		
1	Gode Testimony	2021 Normalized Historic Base Year	\$	104,887,666	
2					
3	= Line 5 - Line 1	<i>Increase(Decrease) to Budget Period</i>	\$	8,021,909	
4					
5		2022 Budget Period	\$	112,909,575	
6					
7	= Line 9 - Line 5	<i>Increase(Decrease) to Forward Test Year</i>	\$	1,199,017	
8					
9		2023 Forward Test Year	\$	114,108,593	
10					
11		<u>Ratemaking Adjustments</u>			
12	[.3]	Charity, Lobbying, Advertising, and Memberships	\$	(1,046,134)	
13		Profit Sharing	\$	(261,781)	
14	[.4]	AON Hewitt Employee Benefits Update	\$	2,033,504	
15		2022 Ratemaking Increase / (Decrease)	\$	725,589	0.64%
16					
17		<u>2023 Normalized Forward Test Year</u>	\$	<u>114,834,181</u>	

**CPI-All Urban Consumers (Current Series)
12-Month Percent Change**

Series Id: CUUR0000SA0L1E

Not Seasonally Adjusted

Series Title: All items less food and energy in U.S. city average, all urban consumers, not seasonally adjusted

Area: U.S. city average

Item: All items less food and energy

Base Period: 1982-84=100

Years: 2012 to 2022

Source: U.S. Dept. of Labor

Line No.	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	2012	2.3	2.2	2.3	2.3	2.3	2.2	2.1	1.9	2.0	2.0	1.9	1.9	2.1
2	2013	1.9	2.0	1.9	1.7	1.7	1.6	1.7	1.8	1.7	1.7	1.7	1.7	1.8
3	2014	1.6	1.6	1.7	1.8	2.0	1.9	1.9	1.7	1.7	1.8	1.7	1.6	1.7
4	2015	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.9	1.9	2.0	2.1	1.8
5	2016	2.2	2.3	2.2	2.1	2.2	2.2	2.2	2.3	2.2	2.1	2.1	2.2	2.2
6	2017	2.3	2.2	2.0	1.9	1.7	1.7	1.7	1.7	1.7	1.8	1.7	1.8	1.8
7	2018	1.8	1.8	2.1	2.1	2.2	2.3	2.4	2.2	2.2	2.1	2.2	2.2	2.1
8	2019	2.2	2.1	2.0	2.1	2.0	2.1	2.2	2.4	2.4	2.3	2.3	2.3	2.2
9	2020	2.3	2.4	2.1	1.4	1.2	1.2	1.6	1.7	1.7	1.6	1.6	1.6	1.7
10	2021	1.4	1.3	1.6	3.0	3.8	4.5	4.3	4.0	4.0	4.6	4.9	5.5	3.6
11	2022	6.0	6.4	6.5	6.2	6.0								6.2
12														
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20														

Twelve Months Ended May 2022 (Average) **5.2%**

**Northern Indiana Public Service Company
Ratemaking Adjustments
December 31, 2021, 2022 and 2023**

**Line
No.**

Ref.

2021		
1		
2	Charitable Contribution	\$ 51,014
3	Gifts	\$ 66,826
4	Lobbying Activity	\$ 38,571
5	Miscellaneous CE	\$ 10,086
6	Non-Deductible Expense	\$ 1,828
7	Non-Recoverable Advertising	\$ 234,821
8	Non-Recoverable Vendor	\$ 474,925
9	Non-Recoverable Work Order	\$ 58,472
10	Promotional Advertising	\$ 1,548
11	Dues & Memberships	\$ 6,430
12	Grant Total	\$ 944,521

13
14

2022		
15		
16	Inflation Rate	5.2%
17	Inflation Adjustment	\$ 49,509
18	Total	\$ 994,030

[.2] line 18

19
20

2023		
21		
22	Inflation Rate	5.2%
23	Inflation Adjustment	\$ 52,104
24	Total	\$ 1,046,134

[.2] line 18

**Northern Indiana Public Service Company
 Ratemaking Adjustments
 Hewitt Report Update
 December 31, 2022 and 2023**

Line No.	Description	2023*
1	OPEB	8,510
2	Pension	(58,798)
3	Medical	488,808
4	401K	554,846
5	Dental	(4,023)
6	Group Life	13,771
7	Long Term Disability	17,639
8	Profit Sharing	37,136
9	Vision	1,547
10	Other Benefits	13,307
11	OPEB Non-Service	217,388
12	Pension Non-Service	780,508
13	Subtotal	2,070,639
14	Less: Profit Sharing Increase	(37,136)
15		
16	Total	2,033,504 [.4]

*Represents increase over base budget amount