VERIFIED DIRECT TESTIMONY OF ANGELA CAMP

Page No.

<u>Introduction</u>

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

A1. My name is Angela Camp. My business address is 801 East 86th Avenue, Merrillville, Indiana 46410. I am a Director of Regulatory and Utility Planning for NiSource Corporate Services Company ("NCSC"), a wholly-owned subsidiary of NiSource Inc. ("NiSource").

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

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

Q3. Please describe your educational and employment background.

A3. I hold a Bachelor of Science Degree from Purdue University in Accounting and a Master of Business Administration Degree from Purdue University, North Central. I began my employment with KPMG LLP in 2005 in the firm's Audit practice. In this role I served as staff auditor and senior auditor. In 2008, I took a position as a Financial Analyst at NCSC where I was primarily responsible for the preparation of the NiSource Form 10-K and Form 10-Q and accounting research. In 2012, I accepted a role as Financial Reporting Manager for NIPSCO and have assumed roles of increasing responsibility within the NIPSCO

Accounting department, including NIPSCO Controller. On November 1, 2019, I accepted the position of Director of Regulatory of NCSC. On January 1, 2021, I accepted my current position of Director of Regulatory and Utility Planning.

Q4. What are your responsibilities as Director of Regulatory and Utility Planning?

A4. As Director of Regulatory and Utility Planning, I am responsible for preparation and coordination of NIPSCO's gas and electric regulatory filings, financial planning and analysis, and budget support services. As it relates to this testimony, I am responsible for analysis and support in the financial planning, forecasting, and budgeting processes for NIPSCO, and coordination with NCSC financial planning.

Q5. Do you hold any professional designations?

A5. I am a Certified Public Accountant ("CPA"), holding a license in the State of Indiana.

Q6. Are you a member of any industry or professional organizations?

A6. I am a member of the Indiana CPA Society.

Q7. Have you previously testified before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory commission?

A7. Yes. Most recently, I submitted testimony before the Commission in NIPSCO's most recent gas rate case in Cause No. 45621. I also filed testimony before the Commission supporting NIPSCO's request for a Certificate of Public Convenience and Necessity to purchase and acquire generation facilities (indirectly through a joint venture structure) in Cause Nos. 45194, 45310, and 45462 and in NIPSCO's request to amend its financing authority in Cause No. 45020.

Q8. What is the purpose of your direct testimony in this proceeding?

A8. The purpose of my direct testimony is to explain and support an overview of (1) the financial planning and budgeting processes used at NIPSCO, and (2) NIPSCO electric utility's 2023 annual financial plan (the "NIPSCO Electric 2023 Financial Plan"), which was finalized in the third quarter of 2022, which is the underlying basis for the rate request in this proceeding. I also sponsor the budget amounts for 2022.

Q9. Are you sponsoring any attachments to your direct testimony in this proceeding?

A9. Yes. I am sponsoring the following attachments, all of which were prepared by me or under my direct supervision.

Attachment 5-A	NiSource Operating and Maintenance Governance Policy
Attachment 5-B	NiSource Capital Budget Governance Policy
Attachment 5-C	NIPSCO Electric forecasted income statement (2023)
Attachment 5-D	NIPSCO forecasted balance sheet (2023)
Attachment 5-E	NIPSCO forecasted statement of cash flows (2023)
Attachment 5-F	NIPSCO 2022 and 2023 Budget Matrix

I also sponsor a portion of the workpapers included in Petitioner's Confidential Exhibit No. 22-S2.

Q10. Are you responsible for the NIPSCO Electric 2023 Financial Plan?

A10. Yes. I am responsible for the management review and support of the NIPSCO Electric 2023 Financial Plan to ensure that it accurately reflects the NIPSCO electric utility's needs.

Overview of NIPSCO's Budgeting and Financial Planning Process

Q11. Please provide a brief summary of your testimony as it relates to NIPSCO's budgeting and financial planning process.

A11. My testimony summarizes the processes used at NiSource and NIPSCO for development of capital and operations and maintenance ("O&M") budgets. My testimony explains the process that is used at NiSource and NIPSCO to develop accurate budgets and financial plans, including engaging leadership and operations personnel and prioritizing safety, reliability, customer service, and compliance. As the historical information presented in my testimony shows, NIPSCO's budgeting process produces budgets that are reliable forecasts of future capital and O&M needs and expenditures.

Q12. What was the financial process utilized to determine the forecasted 2023 information?

A12. As I use the term in my testimony, a financial plan is a forecast of a business entity's revenues, expenses, and capital expenditures for a future period, developed to enable the entity to assess its financial needs and goals and how to achieve them. The financial planning process at NIPSCO currently involves creating an annual financial plan of forward looking monthly financial data. The NIPSCO Electric 2023 Financial Plan, which was finalized in the third quarter of 2022, is utilized as the basis for the forecast in this proceeding.

Q13. Please describe NIPSCO's budgeting and financial planning process for its electric utility.

A13. NIPSCO's budgeting process is a combination of a "top down" and a "grass roots" iterative approach. Top down because total spend amounts for capital and O&M are agreed upon by a leadership team in NIPSCO management, Finance, and Operations, Engineering & Planning. Grass roots because once totals are known, operations develop work plans to identify the resources (labor, materials, contractors, etc.) needed to complete the work for the year. If the resources to complete the work cost more than the agreed "top down" amount, the work is prioritized by focusing on (1) investing in needed infrastructure programs at NIPSCO to continue serving our customers safely and reliably; (2) enhancing processes, performance, safety, and reliability across NIPSCO to provide improved customer service; and (3) investing in projects that would allow NIPSCO to comply directly or indirectly with one or more federal, state, or local mandated requirements. The team building the work plan is technically strong and well versed in the daily operation of all aspects of construction, maintenance, and operations of NIPSCO's electric assets. This team will be responsible for execution against the annual financial plan. These requirements and objectives are then communicated to management and employees, including the Financial Planning team, which is ultimately responsible for the development of the NIPSCO electric utility budgets (O&M and capital). It is the responsibility of these groups, working together, to ensure that (1) the NIPSCO electric utility's budgets are developed in accordance with NIPSCO's overall goals and objectives, and (2) individual NIPSCO electric utility operational requirements are addressed.

Ultimately, revenue assumptions are combined with the NIPSCO electric utility's O&M and capital budgets to arrive at an annual financial plan for the NIPSCO electric utility. The annual financial plan is then reviewed and approved by employees who are accountable for NIPSCO's financial results. NIPSCO electric utility's annual financial plan is ultimately approved by Michael Hooper, President and Chief Operating Officer of NIPSCO. Thus, the underlying basis for the rate request in this proceeding is the NIPSCO Electric 2023 Financial Plan. The revenue assumptions included in the NIPSCO Electric 2023 Financial Plan presented in this proceeding are based upon current NIPSCO electric utility tariff rates, not proposed or anticipated tariff rates coming out of this proceeding.

Q14. Are changes made to the annual financial plan?

A14. No. The annual financial plan is prepared in good faith utilizing the best information that was reasonably available at that time. Sometimes, additional information becomes available after the completion of the annual financial plan. This new information may result in budget reprioritization, or the need for incremental funding. The budget reprioritization process is handled at the budget sponsor level. However, in the event that incremental funding is required, the NIPSCO management team must present its need to the Executive Leadership Team, which is responsible for evaluating the merits of the request and granting incremental funding if deemed necessary.

Q15. Please explain the NIPSCO electric utility's O&M budgeting process in greater detail.

A15. NIPSCO electric utility's O&M budget is developed by the Senior Leadership Team, in conjunction with the Financial Planning department. Preliminary O&M targets are established by Senior Leadership using historical trends over the trailing twelve months, adjusting for known items such as projected merit pay, inflationary increases, one-time anomalies, regulatory commitments, and any other changes that are expected to occur during the plan horizon. Senior Leadership reviews to ensure targets are sufficient to address public safety and reliability needs, compliance requirements, and customer service levels of NIPSCO electric and recommends adjustments if needed. Once targets are reviewed and approved, department budgets are refined and finalized. Department budgets are developed by month, and by cost element (for example, Labor, Materials and Supplies, or Outside Services). Financial Planning holds monthly review meetings with the Senior Leadership Team to discuss month to date results, year to date results, variances to plan, and upsides and risks. The purpose of these meetings is to monitor O&M spend versus the annual financial plan, identify variance drivers (if any), and to discuss possible mitigation strategies (if necessary). A description of NiSource's O&M budgeting process, which is used by NIPSCO, is attached hereto as Attachment 5-A.

Q16. Does the O&M budgeting methodology you describe result in an accurate estimate of expenses to be incurred during 2023?

A16. Yes. The NIPSCO electric utility has experienced a variance of (2.6%), compared to the electric utility's approved O&M budget over the last three years. As shown in Table 1 below, NIPSCO's average budget over the 3-year period 2019 through 2021 was $452.1 million. The average actual spend (for the same period) was $440.4 million. That represents an average annual variance of ($11.8) million, or (2.6%). The annual average variance was authorized during the year and is related to changing business conditions or additional work.

Table 1

3-Year Period (2019-2021) - Average				
	Actual $M	Budget $M	Variance $	Variance %
Total O&M (Includes Directs & Indirects, excludes tracker)	$ 440.4	$ 452.1	$ (11.8)	-2.6%

Given that the NIPSCO electric utility operates in an environment influenced by external factors that are outside of its control, such as weather, this average variance demonstrates a high level of historical O&M budgeting accuracy by the NIPSCO electric utility. Accordingly, these results should provide a high level of confidence and reliability as to the accuracy of the O&M expenses included in the NIPSCO Electric 2023 Financial Plan.

Q17. Please describe the NIPSCO electric utility's capital planning process in greater detail.

A17. NIPSCO electric utility's capital planning process is a collaborative process among the NIPSCO President, other members of the leadership team, Finance, Operations, Engineering & Planning. The leadership team along with Operations, Engineering & Planning are primarily responsible for identifying the capital investment needs for public safety and reliability, compliance requirements, and customer service levels, and for identifying capital plan recommendations, which are reviewed with Financial Planning. The annual financial plan establishes the budget for the year and any reallocations to the budget are approved according to the NiSource Capital Governance Policy. A description of NiSource's capital budgeting process, which is used by NIPSCO, is attached hereto as Attachment 5-B.

Q18. Does the capital budgeting methodology described in this testimony result in an accurate estimate of capital to be expended during 2023?

A18. Yes. The NIPSCO electric utility has experienced a variance of 1%, compared to the electric utility's approved capital budget over the last three years. As shown in Table 2 below, NIPSCO's average budget for the 3-year period 2019-2021 was $442.8 million. The average actual spend (for the same period) was $446.9 million. That represents an average annual variance of $4.1 million, or 1%. The annual average variance was authorized during the year and is related to changing business conditions or additional work.

Table 2

3-Year Period (2019-2021) - Average				
	Actual	**Budget**	**Variance**	
	$M	**$M**	**$**	**%**
Total Capital	$ 446.9	$ 442.8	$ 4.1	1%

This demonstrates budgeting accuracy by the NIPSCO electric utility and, therefore, should provide a level of confidence as to the accuracy of the capital expenses included in the NIPSCO Electric 2023 Financial Plan.

Q19. Please describe how revenues are forecasted for the NIPSCO electric utility's budget.

A19. At a high level, revenues are forecasted for the NIPSCO electric utility's annual financial plan as follows: (1) the Demand Forecasting department aggregates all volumes/customer count and distributes the weather normalized demand forecast; (2) the Energy Supply & Optimization department provides price estimates for both the forecasted fuel and purchased power expense, (3) the Financial Planning department allocates the forecasted fuel and purchased power expense to the revenue classes based on volume; (4) the Regulatory department enters the volumes in pricing models based on historical volumes; and then (5) the Financial Planning department applies rates to revenue classes to determine the margins.

Q20. Does the revenue forecasting methodology described in this testimony result in an accurate estimate of revenues to be achieved during 2023?

A20. Yes, with the caveat that the revenue forecast presented in this case does not reflect proposed or anticipated revenues coming out of this proceeding.

Q21. Was the NIPSCO Electric 2023 Financial Plan prepared in accordance with the processes described in your testimony and attachments?

A21. Yes.

Q22. Was the NIPSCO Electric 2023 Financial Plan consistent with the authority to issue debt that NIPSCO is requesting in its currently-pending financing proceeding?

A22. Yes. The NIPSCO Electric 2023 Financial Plan is consistent with NIPSCO's request for a certificate of authority to issue bonds, notes, or other evidence of indebtedness from time to time over the period January 1, 2023 through December 31, 2024, currently pending in Cause No. 45737.

Q23. How was NIPSCO's 2023 forecasted generally accepted accounting principles ("GAAP") electric utility income statement and consolidated balance sheet developed?

A23. NIPSCO's forecasted electric GAAP utility income statement for the twelve months ended December 31, 2023, as shown in <u>Attachment 5-C</u>, and consolidated balance sheet as of December 31, 2023, as shown in <u>Attachment 5-D</u>, were prepared in accordance with NIPSCO's normal forecasting processes as described in my testimony and attachments. They are based on the consolidation of data provided by business units and various corporate departments. The forecast is fully integrated between the income statement, balance sheet and statement of cash flows.

Q24. How was NIPSCO's 2023 forecasted consolidated GAAP statement of cash flows developed?

A24. NIPSCO's forecasted consolidated GAAP statement of cash flows for the twelve months ended December 31, 2023, as shown in Attachment 5-E, is a function of the items reflected in the forecasted balance sheet. Cash needs dictate the extent of debt and equity that is necessary to operate the business, given the timing of cash inflows and outflows.

Q25. Does NIPSCO's forecasted consolidated GAAP balance sheet fairly and reasonably reflect the account balances expected during 2023?

A25. Yes, at current rates. The forecasted consolidated balance sheet is based on the capital expenditures, operating costs, and capital structure reasonably necessary for the going forward operation of the NIPSCO electric utility. The forecasted consolidated GAAP balance sheet contains the components of rate base as shown in Petitioner's Exhibit No. 3, Attachments 3-A-S2 and 3-B-S2 attached to the Verified Direct Testimony of Jennifer L. Shikany, sponsored by NIPSCO Witness Blissmer.

Budget Amounts for 2022 and 2023

Q26. Please describe Attachment 5-F, NIPSCO 2022 and 2023 Budget Matrix.

A26. Attachment 5-F shows the NIPSCO 2022 and 2023 Budget Matrix. Column A shows the normalized amounts for the Historic Base Period (twelve months ended December 31, 2021). Column B shows the budgeted amounts for the twelve months ended December 31, 2022. Column C shows the budgeted amounts for the twelve months ended December 31, 2023. I am sponsoring the amounts shown in Attachment 5-F, Columns B and C, which represent the budget amounts for 2022 and 2023. The amounts shown Columns B and C in Attachment 5-F are included in Petitioner's Exhibit No. 3, Attachment 3-B-S2 (in Columns E and G) attached to the Verified Direct Testimony of Jennifer L. Shikany. Column D of Attachment 5-F shows where the details of the individual components can be found in Petitioner's Confidential Exhibit No. 22-S2. Each reference is labeled to link to the major components of the revenue requirement (REV, FPP, OM, etc.) followed by a number. For example, REV-1 can be found in the major revenue requirement component of REV or Revenue (Petitioner's Exhibit No. 3, Attachment 3-B-S2) and the number indicates where the reconciliation related to each of the subcomponents and individual amount is shown in Petitioner's Exhibit No. 3, Attachment 3-C-S2. NIPSCO Witness Shikany provides a detailed description of Petitioner's Exhibit No. 3, Attachments 3-B-S2 and 3-C-S2.

NIPSCO Electric Utility's 2023 Forecasted Revenues

Q27. What are the major components of NIPSCO electric utility's revenues?

A27. The majority of NIPSCO electric utility's revenues come from retail sales – defined as revenues from sales to ultimate customers (other than revenues described further below). Other revenue components include:

- Transmission, Distribution, and Storage System Improvement Charge revenues – defined as revenues from NIPSCO electric utility's approved Rider 888 – Adjustment of Charges for Transmission, Distribution and Storage System Improvement Charge;
- Federally Mandated Cost Adjustment revenues – defined as revenues from NIPSCO electric utility's approved Rider 887 – Adjustment of Charges for Federally Mandated Costs;
- Regional Transmission Organization revenues – defined as revenues from NIPSCO electric utility's approved Rider 871 – Adjustment of Charges for Regional Transmission Organization;

- Multi-Value Project revenues – defined as non-jurisdictional revenues from NIPSCO electric utility's FERC approved rates;
- Targeted Market Efficiency Projects revenues – defined as non-jurisdictional revenues from NIPSCO electric utility's FERC approved rates;
- Interregional Market Efficiency Projects revenues – defined as non-jurisdictional revenues from NIPSCO electric utility's FERC approved rates;
- Demand Side Management revenues – defined as revenues from NIPSCO electric utility's approved Rider 883 – Demand Side Management Adjustment Mechanism;
- Transmission revenues – defined as revenues from transmission-only customers from NIPSCO electric utility's FERC approved rates; and
- Other revenues (off-system sales, inter-departmental sales, forfeited discounts, and rent from electric properties).

Q28. What were the major assumptions used in the development of the forecasted 2023 revenues?

A28. The major assumptions used in the development of the forecasted 2023 revenues were customer usage volumes, cost of fuel and purchased power, and approved retail electric utility tariff rates. NIPSCO Witness Bartos discusses the development of the 2023 customer usage forecast and the assumptions underlying that forecast. Included within the revenue component are various subcomponents that are detailed in Petitioner's Exhibit No. 3, Attachment 3-B-S2, REV Module sponsored by NIPSCO Witness Shikany. The information, including calculations, supporting the Revenue Budget is included in Petitioner's Confidential Exhibit No. 22-S2.

NIPSCO Electric Utility's 2023 Forecasted Fuel and Purchased Power Expense

Q29. What are the major components of NIPSCO electric utility's fuel and purchased power expense?

A29. NIPSCO electric utility's fuel and purchased power expense is made up of fuel and purchased power procured for retail revenue, off system sales, and interdepartmental sales.

Q30. What were the major assumptions used in the development of the forecasted 2023 fuel and purchased power expenses?

A30. The major assumptions used in the development of the forecasted 2023 fuel and purchased power expense were the forecasted coal usage, the forecasted price of coal, and the forecasted amount of energy purchases. NIPSCO Witness Campbell discusses the use of PROMOD in the development of these assumptions. Included within the fuel and purchased power expenses component are various subcomponents that are detailed in Petitioner's Exhibit No. 3, Attachment 3-B-S2, FPP Module sponsored by NIPSCO Witness Shikany.

The information, including calculations, supporting the Fuel and Purchased Power Expense Budget is included in <u>Petitioner's Confidential Exhibit No. 22-S2</u>.

<u>NIPSCO Electric Utility's 2023 Forecasted O&M Expenses</u>

Q31. What are the major categories and components of NIPSCO electric utility's O&M expenses?

A31. The major categories of NIPSCO electric utility's O&M expenses are generation, transmission, distribution, operating and maintenance expenses, customer account expenses, and administrative and general expenses.

Q32. What were the major assumptions used in the development of the forecasted 2023 O&M expenses?

A32. The major assumptions used in the development of the forecasted 2023 O&M expenses were a labor expense increase (3% for non-union employees, and 3.5% for union employees), and the results of pension and Other Post-Employment Benefits actuarial reports (as discussed by NIPSCO Witness Shikany). Included within the electric operations component are various subcomponents that are detailed in <u>Petitioner's Exhibit No. 3</u>, Attachment 3-B-S2, O&M Module sponsored by NIPSCO Witness Shikany. The information, including calculations, supporting the O&M Budget is included in <u>Petitioner's Confidential Exhibit No. 22-S2</u>.

<u>NIPSCO Electric Utility's 2023 Forecasted Tax Expenses Other than Income Taxes</u>

Q33. What are the major components of NIPSCO electric utility's tax expenses other than income tax?

A33. NIPSCO electric utility's tax expenses, other than income taxes, consist of property taxes, payroll taxes, and public utility fees.

Q34. What were the major assumptions used in the development of the forecasted 2023 tax expenses, other than income taxes?

A34. The major assumptions used for development of the forecasted 2023 tax expenses, other than income taxes, include forecasted amounts for assessed property value for property tax, and payroll expense for payroll taxes. Included within the other than income taxes component are various subcomponents that are detailed in <u>Petitioner's Exhibit No. 3</u>, Attachment 3-B-S2, OTX Module sponsored by NIPSCO Witness Shikany. The information, including calculations, supporting the Tax Expenses Other than Income Budget is included in <u>Petitioner's Confidential Exhibit No. 22-S2</u>.

<u>**NIPSCO Electric Utility's 2023 Forecasted Capital Expenditures**</u>

Q35. What were the major components used in the development of the forecasted 2023 capital expenditures?

A35. The major components used in the development of the forecasted 2023 capital expenditures are Generation Transition, Growth, Trackers, Maintenance, and Shared Services. A brief description of each is shown below:

<u>Generation Transition</u>

Spend in this category primarily relates to current and planned renewable energy joint venture investments for which NIPSCO has received Orders granting certificates of public convenience and necessity.

<u>Growth Category (also referred to as "New Business")</u>

Spend in this category will typically be non-discretionary in nature and used for any facilities that are required to serve new customers. This category is also used for "Growth Betterment," which are capital investments made in conjunction with a Growth project to serve specific new customers and/or existing customers who are adding load in order to provide increased system capacity to serve other currently unspecified existing or future customer loads.

<u>Tracker Category</u>

Spend in this category is undertaken for purposes of safety, reliability, system modernization, economic development, or compliance. This spend is recovered using regulatory tracker mechanisms such as NIPSCO's electric TDSIC or FMCA.

<u>Maintenance Category</u>

<u>Betterment ("Capacity" or "Compliance")</u>

Spend in this category may be either discretionary or non-discretionary. This category is used for any facilities that are required to improve system reliability or provide additional capacity for existing customers. Projects to address long-term market growth are also included in this category.

This category is also used for any projects needed to remain compliant with internal or external policies that are not "age and condition" related (e.g., new substations, line extensions). This is referred to as "Compliance Betterment."

<u>Replacement (also referred to as "Age and Condition")</u>

Spend in this category may be discretionary or non-discretionary and is used for any facilities that must be replaced (planned or emergency) due to damage or physical deterioration in situations where repair is not cost effective. The majority of projects in this category address aging infrastructure.

<u>Public Improvement (also referred to as "Mandatory Relocation")</u>

Spend in this category is typically non-discretionary and is used for any facilities that must be relocated (moved, rerouted, or transitioned from overhead to underground) to meet the requirements of municipal roadway reconstruction projects. Relocation projects that are done to accommodate requests from existing customers or private entities are also included in this category.

<u>Shared Services Category</u>

Spend in this category includes Information Technology, Facilities, Real Estate, and Security.

Q36. What were the major assumptions used in the development of the forecasted 2023 capital expenditures?

A36. The major assumptions used in the development of the forecasted 2023 capital expenditures were focused on Generation Transition, TDSIC, and FMCA work, maintenance for transmission and distribution not part of TDSIC, growth/new business, and indirect costs. TDSIC capital expenditures are consistent with the overall plans approved by the Commission in NIPSCO's electric TDSIC proceedings (Cause Nos. 44733 and 45557). FMCA capital expenditures are consistent with the overall plans currently pending approval by the Commission in NIPSCO's Electric FMCA proceeding (Cause No. 45700). Transmission and distribution maintenance capital aligned with 2021 spend levels including an annual 3% growth factor after adjusting for one-time projects. Finally, indirect costs include overheads and allowance for funds used during construction (AFUDC) and are forecasted based on recent trends in actuals. Included within the capital structure component are various subcomponents that are detailed in Petitioner's Exhibit No. 3, Attachment 3-B-S2, CS Module sponsored by NIPSCO Witness Shikany. The information, including calculations, supporting the Forecasted Capital Expenses is included in Petitioner's Confidential Exhibit No. 22-S2.

NIPSCO Electric Utility's 2023 Forecasted Rate Base Balances

Q37. What are the major components of NIPSCO electric utility's rate base balances?

A37. NIPSCO electric utility's rate base balances consist of Utility and Common Plant, Accumulated Depreciation and Amortization, Renewable Energy Joint Venture

Investments Regulatory Assets, Schahfer Units 14 and 15 Retirement Regulatory Asset, TDSIC Regulatory Asset, Materials and Supplies, and Production Fuel.

Q38. What were the major assumptions used in the development of the forecasted 2023 other rate base balances?

A38. The major assumptions used in the development of the forecasted 2023 other rate base balances were (1) production fuel (coal) inventory, (2) amount of renewable energy joint venture investments regulatory assets, (3) amount of Schahfer Units 14 and 15 retirement regulatory asset, (4) amount of TDSIC deferrals, and (5) balance of materials and supplies needed to support the business. NIPSCO Witness Blissmer discusses the other rate base balances. Included within the rate base component are various subcomponents that are detailed in Petitioner's Exhibit No. 3, Attachment 3-B-S2, RB Module sponsored by NIPSCO Witness Shikany. The information, including calculations, supporting the RB Module is included in Petitioner's Confidential Exhibit No. 22-XX (S1, S2).

Q39. Does this conclude your prefiled direct testimony?

A39. Yes.

VERIFICATION

I, Angela Camp, Director of Regulatory and Utility Planning for NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Angela Camp

Angela Camp

Date: September 19, 2022

OPERATING AND MAINTENANCE GOVERNANCE POLICY

EFFECTIVE January 1, 2021

Table of Contents

1. Overview of the O&M Governance Policy

1.1. Scope

This Policy applies to all expense incurred supporting the operating and maintaining of gas/electric distribution and electric generation infrastructure.

1.2. Purpose

This Policy is designed to help the Company and management fulfill its responsibilities with respect to O&M expense, ensuring that all stakeholders (customers, employees, regulators, shareholders, etc.) are considered in O&M decisions.

1.3 Process and Role Overview

The NiSource Financial Planning and Analysis (FP&A) Management team establishes financial goals and planning objectives in conjunction with NiSource Inc.'s senior management team and Board of Directors. FP&A leads the process, working with the previously mentioned stakeholders to ensure that financial plans (1) are developed in accordance with State and Corporate strategies and goals and (2) balance safety, reliability, compliance, customer service, and financial commitments. The O&M Governance Policy is an integral part of the overall Financial Planning process and designed to facilitate the following types of decision making and analysis:

a) High level strategic modeling and financial projections,
b) Strategic business planning,
c) Executive execution,
d) Regulatory filings

2. O&M Planning Process

2.1. The O&M planning process is ongoing throughout the year and consists of:

a) Two multi-year Financial Plan updates - the Long Range Financial Plan (LRP) and the Annual Financial Plan (AFP)
b) Monthly variance reporting which measures financial performance relative to the AFP and prior year results
c) Rolling Present Estimate (PE) which is the most up to date full year projection of financial results

2.2. The overall NiSource O&M targets are established by the Chief Financial Officer, SVP of Strategy & Chief Risk Officer, and Vice President of Financial Planning and Analysis and approved by the Executive Leadership Team (ELT).

2.3. Operating Company (ex. Columbia Gas of Pennsylvania, Inc.) and departmental O&M targets are refined and aligned to detailed work plans during the AFP and updated as necessary intra-year through the PE.

2.4. Expenses approved within the O&M plan targets and the PE are determined by considering safety, reliability, compliance, regulatory and strategic objectives, and total cost to customer.

2.5. There are quarterly reviews with Senior Management, including State Presidents, to discuss quarter to date results, year to date results, material variances to plan and/or prior year, and revised full year PE projections.

2.6 Material changes to the O&M plan must be approved by the responsible Executive Council leader and CFO

3. Stakeholder Responsibilities

3.1. FP&A is Responsible for:
a) Maintaining the O&M Governance Policy
b) Facilitating and managing the O&M planning processes
c) Reporting monthly analysis of actual to budgeted and actual to prior year O&M expense
d) Managing and reporting O&M transfers (between departments) and adjustments (over and under runs) to the previously approved O&M plan in the PE projection

3.2. Functional Department Leaders and Segment Finance are responsible for:
a) Identifying the O&M resources needed to achieve State and Corporate goals and strategies
b) Monitoring and controlling O&M expenditures within authorized levels and requesting adjustments to the approved O&M plan using the rolling PE process
c) Reporting operational and financial risks and mitigation strategies within their function to FP&A and Senior Leaders
d) Seek and obtain the approvals outlined in the O&M Governance Policy prior to the commitment of incremental O&M expenditures
e) Execution of the planned work associated with the approved O&M budget
f) Tracking and reporting operational and financial risks

3.3 State Management is responsible for:
a) Balancing safety, reliability, compliance, regulatory, and customer goals and strategies with the approved O&M resources within the State
b) Understanding how shared O&M expenses (corporate or shared gas segment) impact their State and advocate for cost effective, value added service levels
c) Reporting operational and financial risks and mitigation strategies within their State to FP&A and Senior Leaders
d) Review rolling Present Estimate on a monthly basis and inform FP&A of any known material changes to the current year projections

3.4 Senior Management is responsible for:
a) Reviewing and balancing overarching financial and operational goals and risks
b) Ensuring any operational, compliance and regulatory risks are identified and appropriate mitigation plans are developed
c) Ensuring that approved O&M resources adequately and efficiently address safety, reliability, compliance and customer service requirements

CAPITAL GOVERNANCE POLICY

EFFECTIVE April 1, 2021

1. Overview

1.1. Scope

This Policy applies to all activity resulting in the creation of a capital asset, recording of a capital expenditure, any capital investment as well as the recording of a prepaid asset. This Policy does not apply to Treasury Cash Management, Pension and Insurance Captive investments, tax (pre)payments, or general payroll (pre)payments. This policy does not consider the tax rules for determining capitalization of an asset under the Internal Revenue Code. This Policy also does not cover disbursement governance, which has a separate policy.

This Policy applies to both cash and non-cash capital items. Examples of cash items include a cash payment for a capital asset, related abandonment spend or a cash receipt for the sale of a capital asset. An example of a non-cash capital item would be entry into a lease where cash outflows are spread over a period of time, while the value of the leased asset is recorded on the balance sheet at the inception of the lease.

This Policy applies to both operating and finance leases (previously referred to as a capital lease) which are defined under both GAAP and FERC guidelines.

The determination of whether an item is considered a capital expenditure or prepayment shall be governed by appropriate federal and state guidelines in conjunction with GAAP as interpreted by NiSource's Chief Accounting Officer. Operating Companies should consult with Fixed Asset accounting for any guidance or decision which is needed about the capitalization of a cost.

1.2. Purpose of this Policy

The capital allocation process is designed to help NiSource productively invest its capital resources and allow management to fulfill its fiduciary responsibilities to all stakeholders. In order to accomplish this goal, this policy must serve as a control mechanism while maintaining sufficient flexibility to respond quickly to external market opportunities and system needs.

2. Definitions

2.1. Project

A temporary, planned endeavor undertaken to create a unique capital asset or a unique sub ledger prepayment account through the utilization of resources such as labor, materials, and contractor services. A project is identified by Project ID(s) Designed Capital Job Orders. This excludes blanket work orders.

2.2. Abandonments (Cost of Removal)

The cost to remove a capital asset or a unique sub ledger prepayment account through the utilization of resources such as labor, materials and contractor services.

2.3. Blanket Work Order / Job Order

Use of a single work order / job order for groups of small, similar projects to avoid opening many work orders.

2.4. Initiative (also referred to as "regulatory initiative")

An external policy change, such as a new business tariff, regulatory commitment, internal policy or design standard change or other action that could potentially commit NiSource to a project or other capital or prepay investments (e.g. tools, equipment, etc.).

2.5. Capital Growth Category (also referred to as "New Business")

Spend in this category will typically be non-discretionary in nature and shall be used for any facilities that are required to serve new customers. It is recognized that on occasion there may also be discretionary spend opportunities for long-term strategic growth initiatives. This type of spend can be tracked or not tracked but is always considered revenue producing. Projects to address long-term market growth shall also be included in this category.

This category shall also be used for "Growth Betterment", which are capital investments made in conjunction with a Growth project to serve specific new customers and/or existing customers who are adding load in order to provide increased system capacity to serve other unspecified existing or future customer loads.

2.6. Capital Maintenance Category

2.6.1. Betterment (also referred to as "Capacity" or "Compliance")

Spend in this category may be either discretionary or non-discretionary. This category shall be used for any facilities that are required to improve system reliability or provide additional capacity for existing customers. Projects to address long-term market growth shall also be included in this category.

This category shall also be used for any projects needed to remain compliant with internal or external policies that are not "age and condition" related (i.e. pipeline integrity). This is referred to as "Compliance Betterment".

2.6.2. Replacement (also referred to as "Age and Condition")

Spend in this category may be discretionary or non-discretionary and shall be used for any facilities that must be replaced (planned or emergency) due to damage or physical deterioration in situations where repair is not cost effective. The majority of projects in this category address aging infrastructure.

However, there are several other project types that are to be included here such as regulator station rebuilds, corrosion mitigation, small/large volume meter settings, and other capital costs that are not directly related to the installation of transmission, distribution, or electric generation facilities such as capitalized tools/equipment and small facility improvements. Engineering should be consulted for further clarification(s).

2.6.3. Public Improvement (also referred to as “Mandatory Relocation”)
Spend in this category is typically non-discretionary and shall be used for any facilities that must be relocated or raised/lowered to meet the requirements of municipal roadway reconstruction projects. Relocation projects that are done to accommodate requests from existing customers or private entities shall also be included in this category.

2.7. Capital Shared Services Category
Spend in this category includes Information Technology, Facilities, Real Estate, and Security.

2.8. Capital Shifts
Movement of capital to alternate capital categories (e.g. growth, maintenance, and tracker) within an operating company’s capital budget. Operating Company is defined as NIP-E, NIP-G, CKY, COH, CPA, CVA, and CMD.

3. Guidelines for Review & Approval

3.1. Measurement of Capital
Capital should be measured based on fully-loaded costs. This should include direct costs, allocated overhead, Allowance for Funds Used During Construction (AFUDC), taxes other than income (e.g. sales tax) and any Storage, Freight, and Handling costs associated with the capital project. Questions related to the costs that should be included or requests for assistance in estimating the indirect components should be directed to Capital Execution.

If a capital project includes an upfront contribution in aide of construction (CIAC), the approval threshold should be measured based on the gross capital commitment.

3.2. New Projects
All projects need to be approved prior to acquisition, construction of assets, or obligating NiSource to make a capital expenditure or prepayment (e.g. officially entering into contractual agreement whether verbal or written). The purpose of this requirement is to ensure that capital and prepaid cash is deployed in an efficient manner and that the costs incurred are prudent. The level of approval needed is determined by the type of work and size of the project. See Appendix A for required approval thresholds specific to Executive Leadership oversight. Note that additional department level approval requirements may be maintained separately from this policy.

Any project that is part of a previously approved initiative, regardless of project size, does not need a separate business case. For example, if the project mix changes within a regulatory initiative but the capital need for the initiative stays within the approved budget for the respective initiative, then there would be no additional approval required. However, if the project mix changes and increases the capital initiative, there would be required additional approval as described in Appendix B for shifts or Appendix C if such change would increase the overall NiSource-wide capital budget. This approval should include an evaluation by the tax organization related to changes in capital mix, asset location and other tax related capital items.

A higher level of approval can be sought at management discretion. This discretion can relate to anything that management believes warrants additional review. Examples may include a project that is under the approval threshold but includes capacity concerns that could impact customers or provide future commercial opportunities.

3.3. Leases

Both finance and operating leases need to be approved prior to a new lease signature. The renewal of existing leases do not require any corporate approvals. Leases should be measured as the present value of all future obligations (including those past plan horizon) discounted at current cost of capital. See Appendix A for required threshold approvals.

3.4. New Initiatives or Changes to Existing Initiatives

A regulatory policy change, regulatory commitment, or other items that would create a new initiative or adjust an existing initiative and obligate NiSource to a capital commitment or prepayment must also be approved prior to making such commitment. As these commitments may impact NiSource for many years, the period for which an initiative should be measured for approval thresholds is based on the current plan horizon (e.g. current budget year, if impacted, plus at least 4 forecasted years). Renewals that extend, but do not change the program, do not require additional approvals unless explicitly requested by Management (e.g. TDSIC). Each such proposed initiative should be reviewed by NiSource Executive Leadership and seek required approval as described in Appendix A.

3.5. Approval of Changes to the Capital Plan and Intraplan Changes

The Board of Directors approves the current year capital budget. Within this approval the Board of Directors approves the plan target plus a contingency not to equal or exceed $75 million. A deviation from this range that is not approved as a part of a separate business case requires Board of Directors Finance Committee approval. Note that Board of Directors approval of the NiSource capital budget in the Annual Financial Plan does not imply project level Executive Leadership approval in accordance with this policy.

If intraplan changes to capital create a gap in funding compared to current budget, business owners must seek approval according to thresholds outlined in Appendix C. Intraplan approval requests to increase capital should be driven by emergent needs and unforeseen circumstances.

3.6. Capital Shifts

Movement of capital funding within an operating company budget and across categories (e.g. growth, maintenance, tracker and shared services functions) will be reviewed and approved according to Appendix B.

3.7. Project Overruns

Project costs and scopes should be monitored closely and variances to original approval of projects in accordance with this policy should be identified and communicated as soon as possible to the appropriate level of management in accordance with the requirements described in this section. Regardless of magnitude, all known and/or highly probable intraplan capital increases (overruns) as well as capital decreases (underruns) to projects that cannot otherwise be mitigated with or allocated to existing budget dollars should be communicated to Operational level leadership, SVP Regulatory & Utilities Planning, Director of Project Controls, and VP FP&A. Project overruns and mitigation within previously approved programs must be disclosed as soon as known to the Director, Regulatory & Utilities Planning and SVP Regulatory & Utilities Planning subject to Controls Policy.

If an Executive Leadership approved project is expected to overrun its original budget by greater than or equal to $5 million for projects less than $50 million or 10 percent for projects greater than $50 million, the project sponsors must resubmit the project to NiSource Executive Leadership for review and approval. At a minimum, updated review/approval request should include an explanation of overrun and updated financial analysis and customer implications. Risks and opportunities associated with cancelling or discontinuing the project should also be identified.

3.8. Designed Capital Job Order / Work Order Variances

When potential variances of greater than +/- 15% or $30,000 are recognized and the project is less than 75% complete, a revision and re-approval of the job order / work order or project is the preferred action. If that is not possible, variance explanations are required as described below.

Level 1 Variance: Once it is known that the cost of a capital job order / work order or project will vary by greater than +/- 15% or $30,000 (whichever is greater), the project engineer (or project manager if applicable) shall document the explanation outlining the reason for the variance. At a minimum, variance explanations should include a summary of changes by cost category (i.e. material, labor, contractor, overheads) that significantly impacted the cost and an explanation of the cause of those variances (e.g. added scope, material unit costs, unexpected construction challenges, and inclement weather delays). This explanation is to be filed with the job order / work order or project documentation.

Level 2 Variance: As soon as it is known that the cost of a capital job order / work order or project will vary by greater than +/- 25% or $50,000 (whichever is greater), the project engineer (or project manager if applicable) shall document the explanation outlining the reason for the variance. At a minimum, variance explanations should include a summary of changes by cost category (i.e. material, labor, contractor, overheads) that significantly impacted the cost and an explanation of the cause of those variances (e.g. added scope, material unit costs, unexpected construction challenges, and inclement weather delays). This variance explanation must then be circulated for re-approval in accordance with the approval levels described in Appendix A based on the new estimated cost. This explanation is to be filed with the job order / work order or project documentation.

4. Stakeholder Responsibilities

4.1. Financial Planning and Analysis (FP&A)

The FP&A Team is responsible for:

a) Maintaining the Capital Governance Policy in partnership with the Capital Execution team.
b) Business case reviews, working with Operating Companies and Capital Execution to verify economic assumptions, model selection, qualitative factors and fit with the overall corporate strategy. Each completed business case will be routed for approval identified in Appendix A, Appendix B, or Appendix C.
c) Preparing periodic comparisons of forecasted to budgeted capital expenditures. FP&A is responsible for working with the Operating Companies, Capital Execution, Tax and Corporate Accounting teams to gather and verify information to be presented.
d) Managing the approval process for any expenditure that requires Executive Leadership approval and/or Board of Directors approval according to Appendices A, B and C and documenting approvals in the Lotus Notes database.

4.2. Capital Execution

The Capital Execution Team includes Regulatory & Utilities Planning, Major Projects, Project Controls, and Engineering and is responsible for:

a) Identifying the capital investment opportunities that address the infrastructure related public safety and reliability risks, compliance requirements, and customer service needs of the organization and developing the capital plan recommendations.
b) Monitoring and controlling capital expenditures within authorized levels and communicating variances and recommending capital plan adjustments.
c) Coordinating review of projects with appropriate operating company, regulatory, finance, accounting, tax, legal, risk and compliance personnel.
d) Seeking and obtaining the approvals outlined in this Capital Governance Policy prior to the commitment of capital expenditures in partnership with project sponsor(s) and State Leadership.
e) Execution of capital projects approved within the capital program.

4.3. State Leadership

State Leadership includes State Presidents, VP and/or Director Construction, VP of Operations and Directors of Regulatory & Utility Planning and is responsible for:

a) Communicating the regulatory construct, customer, and operating needs to other capital program stakeholders.
b) Approving the proposed capital plan for their operating company.
c) Sponsoring capital plan changes outside of the approved plan.
d) Seeking and obtaining the approvals outlined in this Capital Governance Policy prior to the commitment of capital expenditures in partnership with project sponsor(s) and Capital Execution (e.g. sponsoring business cases presented to Executive Leadership).

4.4. Executive Leadership

Executive Leadership includes the EVP Chief Financial Officer, EVP COO & President NI Utilities, EVP & Chief Experience Officer, SVP Strategy & Chief Risk Officer, and SVP & Chief Safety Officer. Executive Leadership will be responsible for the review and approval or denial of business cases required per Appendices A, B and C.

Appendix A: Guidelines for Review and Approval of Budgeted Projects [1, 2]

	Project Size (Gross)								
Project Type	< $150K	$150K to $300K	$300K to $1.5M	$1.5M to $5M	$5M to $10M	$10M to $20M	$20M to $75M	$75M to $150M	≥ $150M
Growth, Tracker, Maintenance [3]	• Field Engineer • New Business Rep ***or*** Major Account Rep (Growth Only)	• Leader of Field Engineering • New Business Development Lead ***or*** Lead of Large Customer Relations (Growth Only)	• Manager of Engineering • Manager of New Business ***or*** Manager of Large Customer Relations (Growth Only)	• Director of Engineering • Director of New Business ***or*** Director of Large Customer Relations (Growth Only) • Director FP&A (Growth Only)	• VP of Engineering • CCO or VP Customer Operations (Growth Only) • Director FP&A • Director Reg & Utilities Planning • Director Project Controls	• SVP Reg & Utilities Planning • VP, FP&A • State President(s)	• Executive Leadership • CEO	• Board of Directors Finance Committee	• Full Board of Directors
Project Type	< $250K		$250K to $1M	$1M to $3M	$3M to $5M	$5M to $75M		$75M to $150M	≥ $150M
IT, Shared Services (Security, Facilities, and Real Estate) Including Leases	• Shared Services Manager ***or*** IT Manager		• Shared Services Director ***or*** IT Director	• VP of Shared Services ***or*** IT VP, CIO • Director, FP&A	• VP of Shared Services ***or*** IT VP, CIO • VP, FP&A	• Executive Leadership • CEO		• Board of Directors Finance Committee	• Full Board of Directors
Required Documentation	Variable by department					Business Case Presentation[4]			

[1] Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year
[2] Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement
[3] If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs
[4] See Appendix D for presentation content guidelines.

Appendix B: Guidelines for Review & Approval for Intraplan Capital Shifts[1, 2, 3]

Capital Shifts – YTD Cumulative Amounts	<$10M	$10M to $25M	$25M to $100M	$100M to $150M	≥ $150M
Categories - All shifts within an operating company budget between categories (any shift between growth, maintenance, tracker, between tracker programs, and indirect budget)	• SVP Reg & Utilities Planning, ***and/or*** SVP Electric Operations	• SVP Reg & Utilities Planning • VP, FP&A • State President(s)	• Executive Leadership • CEO	• Board of Directors Finance Committee	• Full Board of Directors
All shifts between operating company budgets	• SVP Reg & Utilities Planning, ***and/or*** SVP Electric Operations	• State President(s) • SVP Reg & Utilities Planning • VP, FP&A	• Executive Leadership • CEO	• Board of Directors Finance Committee	• Full Board of Directors
All shifts between utility operating company budgets and shared services	• SVP Reg & Utilities Planning ***and/or*** SVP Electric Operations, ***and/or*** VP/SVP of Shared Service Function	• SVP Reg & Utilities Planning ***or*** VP/SVP of Shared Service Function • State President(s) • VP, FP&A	• Executive Leadership • CEO	• Board of Directors Finance Committee	• Full Board of Directors
Required Documentation	Documented at Monthly Capital Reallocation / Review Meetings / Review at Monthly Gas Segment Finance Council		Business Case Presentation[4]		

[1] Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year
[2] Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement
[3] If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs
[4] See Appendix D for presentation content guidelines.

Appendix C: Guidelines for Review & Approval of Intraplan Capital Plan Increases [1, 2, 3]

Spend Type - YTD Cumulative Amounts	<$25M	$25M to $50M	$50M to $75M	$75M to $150M	≥ $150M
Capital Request that is Incremental to NiSource BOD Approved Plan	• SVP Reg & Utilities Planning ***or*** VP/SVP of Shared Service Function • VP, FP&A	• CFO • SVP Reg & Utilities Planning ***or*** VP/SVP of Shared Service Function • VP, FP&A	• Executive Leadership • CEO	• Board of Directors Finance Committee	• Full Board of Directors
Required Documentation	Documented at Monthly Capital Reallocation / Review Meetings	Documented at Monthly Capital Reallocation / Review Meetings	Business Case Presentation [4]		

[1] Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year
[2] Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement
[3] If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs
[4] See Appendix D for presentation content guidelines.

[1] Review thresholds are applicable to the aggregate expenditure expected for the entire term of the project or initiative (within plan horizon, excluding leases) and not just the current budget year
[2] Titles for approval level may vary. Other equivalent titles / levels within the applicable organizational area meet the requirement
[3] If project is already part of a previously approved program, it will not require a separate business case / approval, including new multi-state programs
[4] See Appendix D for presentation content guidelines.

Appendix D: Business Case Presentation Content Guidelines

Project Description & Overview

- Provide a short introduction describing the project's nature and benefits
- Highlight the project's support of NiSource's strategic initiatives
- Explain what the use of capital will provide to the project (description of assets to be purchased or installed, system description, etc.)
- Project's support of operating goals such as cost management or revenue growth
- Expected project start and completion dates
- Whether the project is an element of an ongoing project or program
- High-level financial impact *(e.g. Annualized Expenditures and Savings, Project NPV, IRR, Income Impact, etc.)*
- Any other notable information (Maps, Routes, Competition, etc.)

Alternative Solutions

- Indicate what alternative solutions were evaluated and why the alternatives were not pursued.
- Describe any bidding process that was performed and include the name of the losing bidders involved in the process.

Agreements

- Legal approval of all agreements is required. Indicate which attorney in the Legal Department has reviewed any agreement(s) that are to be executed as part of this project. Agreements should not be executed until the project has received official approval, and any signatory of agreement(s) needs to be in compliance with the Corporate Accountability Policy.
- List the counterparties, nature, commitment level and term of any agreements to be executed if the capital project is approved. Attach a copy of all agreements as an appendix to this request.
- If helpful, briefly highlight key agreement components such as milestones, covenants, risks, relationships with other projects, etc. If this information resides in other sections, there is no need to be redundant.
- If a lease agreement is involved, indicate the lessor's name, lease term, interest rate, total financed amount, lifetime interest payments, and lifetime total payments. A schedule of lease payments (separating principle and imputed interest amounts) should be attached to the financial analysis.

Accounting & Tax Implications

- Indicate any notable accounting features of the project such as the basis for determining that a lease should be capitalized, or the need to create a new accounting process relating to the project.
- Please provide the name of the person in accounting contacted regarding the proposed accounting treatment.
- All tax assumptions are to be confirmed by the Tax Department. If helpful, describe any notable tax features of the project such as the sales tax assumptions, state tax consequences or selection of an appropriate MACRS depreciation schedule.

- Indicate the name of the person in the tax department consulted with regard to the tax treatment of the project, where applicable.

Risks and Mitigation

Rank potential risks associated with executing the project and applicable mitigation strategies associated with doing the project from Highest to Lowest based on probability - impact (e.g. H-H, H-M, H-L, M-H, M-M, M-L, L-H, L-M, L-L):

- Executing physical work on time/on budget (permits, project management, experience, contractor performance, etc.)
- Regulatory disallowance risk/recovery path and prospects
- Speculative revenue probability if applicable
- Contractual revenue terms and credit risk on that revenue
- Share of obligation on build cost (and counterparty credit risk if applicable)
- Additional Financial Considerations
- Operating
- Market & Customer
- Legal, Compliance & Regulatory
- Environmental, Health & Safety
- Credit
- Strategic
- Any other potential risk

Success Criteria

- Performance measures (output, cost savings, benchmarks, etc.) that define project success
- Schedule of milestones, expected timing, and any payments due at milestones

Exit Strategies (If applicable)

- Triggers for review
- Exit strategy description

Additional Information

Provide other information or attach other documents, memos, presentations, charts, etc. useful in evaluating the project.

Financial Analysis

- Summary of the analysis and the outcome
- Key assumptions used in creating the financial model
- Basis of assumptions for tax rates, interest rates, discount rates, cost of capital, etc.
- Financing assumptions, if any (debt / equity / combination, etc.)

- Sensitivity Analysis - Discuss key project drivers / sensitivities. The sensitivity analysis should also be displayed as a financial table.

Financial Models

Financial models will reflect the project's incremental cash impact to the corporation, including operating earnings income statement impact. In addition, the model should provide following financial metrics:

- Net Present Value of Cash Flows (NPV)
- Internal Rate of Return (IRR)
- Sensitivity Analysis
- Cost to Customer Impact

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Forecasted Electric GAAP Utility Income Statement

Year Ended December 31, 2023

(unaudited and current rates)

(dollars in millions)

Net Revenues		
Total Net Revenue	$	1,252.2
Operating Expenses		
Operation and Maintenance		578.7
Depreciation & Amortization		343.5
Taxes Other Than Income		36.3
Total Operating Expenses		958.5
Operating Income		293.7
Other Income (Deductions)		
Interest on long-term debt		(3.7)
Interest on long-term debt - affiliated		(93.9)
Other , net		11.6
Total Other (Deductions)		(86.1)
Income before Income Taxes		207.6
Income Taxes		32.1
Net Income	**$**	**175.5**

NORTHERN INDIANA PUBLIC SERVICE COMPANY
Forecasted Consolidated GAAP Balance Sheet
(unaudited and current rates)

Year Ended December 31, *(dollars in millions)*		**2023**
ASSETS		
Utility Plant, at original cost		
Total Utility Plant	$	14,398.9
Less: Accumlated provison for depreciation and amortization		(4,773.4)
Net Utility Plant		9,625.5
Other property		1,103.5
Net Property, Plant and Equipment		10,729.0
Current Assets		
Cash and cash equivalents		5.8
Accounts Receivable - Unaffiliated		106.2
Accounts Receivable - Affiliated		3.5
Materials and Supplies		98.1
Electric Production Fuel		15.2
Gas inventory		83.9
Regulatory assets		54.5
Prepayments and Other		111.5
Total Current Assets		478.7
Investments		123.3
Other Non-Current Assets		
Regulatory Assets		743.3
Goodwill		17.8
Deferred charges and other		255.1
Total Other Assets		1,016.2
Total Assets	$	12,347.2

CAPITALIZATION and LIABILITIES

Capitalization

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Forecasted Consolidated GAAP Balance Sheet

(unaudited and current rates)

Year Ended December 31, *(dollars in millions)*		**2023**
Membership Interest	$	1,441.2
Retained earnings		2,787.1
Other Comprehensive Income		0.1
Total Common Stock Equity		4,228.4
Long-term debt		3,244.5
Total Capitalization		7,472.9
Current Liabilities		
Current Portion of Long-Term Debt		2.2
Short-term borrowings		819.3
Accounts payable - unaffiliated		236.8
Accounts payable - affiliated		51.6
Customer deposits and credits		59.5
Taxes accrued		16.2
Interest accrued		30.8
Accrued employment costs		71.9
Regulatory liabilities		59.8
Accrued liability for postretirement and postemployement benefits		1.2
Other Accruals		123.9
Total Current Liabilities		1,473.2
Other Non-Current Liabilities and Deferred Credits		
Deferred income taxes		1,527.4
Deferred investment tax credits		0.6
Accrued liability for postretirement and postemployment benefits		211.6
Regulatory liabilities		910.2
Other noncurrent liabilities		751.2
Total Other Liabilities and Deferred Credits		3,401.0
Total Capitalization and Liabilities	$	12,347.2

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Forecasted Consolidated GAAP Statement of Cash Flows
For the Twelve Months Ended December 31, 2023

(dollars in millions)		
Operating Activities		
Net Income	$	175.5
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and Amortization		343.5
Deferred Income Taxes and Investment Tax Credits		9.7
Stock Compensation Expense and 401(k) Profit Sharing Contribution		9.2
AFUDC Equity		(12.3)
Regulatory Assets/Liabilities		(40.3)
Other OPEB Benefits		(30.5)
Other Non Current Liabilities		(13.2)
Changes in Assets and Liabilities:		
Inventories		29.5
Accounts Payable - Affiliated		1.7
Customer Deposits and Credits		(2.3)
Taxes Accrued		282.1
Interest Accrued		0.7
Other Accruals		(10.0)
Prepayments and Other Current Assets		1.0
Accrued Compensation & Employee Benefits		0.7
Net Cash Flows from (used for) Operating Activities	**$**	**745.0**
Investing Activities		
Capital Expenditures	$	(2,114.4)
Other Investing Activities		177.8
Net Cash Flows from (used for) Investing Activities	**$**	**(1,936.6)**
Financing Activities		
Changes In Affiliated Borrowings		780.0
Issuance Of Common Stock		365.8
Long Term Debt Issuances		85.0
Other Changes To Long Term Debt		(349.4)
Net Cash Flows from (used for) Financing Activities	**$**	**881.4**

Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Budget Twelve Months Ending December 31, 2022	Budget Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Retail Revenue	$ 1,497,370,133	$ 1,449,331,327	$ 1,442,235,389	REV 1
2	Generation Credit	(1,907,486)	(8,117,004)	(11,165,957)	REV 2
3	FMCA Tracker	-	-	-	REV 3
4	ECRM Tracker	-	-	-	REV 4
5	TDSIC Tracker	24,915,077	33,652,936	58,799,968	REV 5
6	RTO Tracker	39,182,325	35,734,366	38,063,866	REV 6
7	DSM Revenue	19,643,233	25,562,531	24,174,449	REV 7
8	Interdepartment Sales	3,653,861	3,332,815	3,256,702	REV 8
9	Off-System Sales	3,471,617	-	-	REV 9
10	Non-jurisdictional Tracker	69,446,257	66,841,160	69,986,082	REV 10
11	Transmission	15,606,964	15,918,553	15,918,553	REV 11
12	Forfeited Discounts	5,251,497	3,604,059	3,604,059	REV 12
13	Miscellaneous Service Revenue	1,046,550	898,663	898,663	REV 13
14	Rent Revenue	2,284,363	2,586,105	2,586,105	REV 14
15	Other Electric Revenue	74,126	-	-	REV 15
16	DRR - Other Revenue	947,909	-	-	REV 16
17	**Total Revenue**	$ 1,680,986,425	$ 1,629,345,511	$ 1,648,357,879	

Footnote 1 - Reference is to where in Petitioner's Confidential Exhibit No. 22 the associated workpapers for these amounts can be found.

Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Budget Twelve Months Ending December 31, 2022	Budget Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Retail Sales	$ 411,731,851	$ 385,772,406	$ 380,938,247	FPP 1
2	Interdepartment Sales	822,728	887,011	860,481	FPP 2
3	**Total Fuel and Purchase Power Costs**	$ 412,554,579	$ 386,659,417	$ 381,798,728	

Footnote 1 - Reference is to where in Petitioner's Confidential Exhibit No. 22 the associated workpapers for these amounts can be found.

Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Budget Twelve Months Ending December 31, 2022	Budget Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Labor	$ 123,584,358	$ 121,976,223	$ 126,579,657	OM 1
2	Electric Operations	117,739,323	136,657,021	177,641,098	OM 2
3	Other Departments	43,641,629	49,781,492	39,171,881	OM 3
4	TDSIC	-	1,738,399	1,738,399	OM 4
5	Non-Recoverable	-	-	-	OM 5
6	Corporate Service Bill	104,887,666	112,909,575	114,108,593	OM 6
7	Corporate Insurance	17,858,619	19,825,477	20,750,016	OM 7
8	Rents & Leases	3,394,100	3,380,484	3,380,484	OM 8
9	Environmental Reserve	-	-	-	OM 9
10	Uncollectible	5,168,607	3,466,743	3,640,168	OM 10
11	STI	9,120,596	8,825,218	9,086,970	OM 11
12	Pension	(16,072,388)	(6,142,436)	(5,644,440)	OM 12
13	OPEB	4,524,806	3,333,780	3,611,846	OM 13
14	Medical Benefits	8,724,698	13,941,327	15,270,432	OM 14
15	Other Benefits	944,104	19,263	19,263	OM 15
16	Other Employee Benefits	7,859,785	6,773,873	6,970,921	OM 16
17	LTIP	658,692	780,740	809,843	OM 17
18	Profit Sharing	758,074	630,314	673,081	OM 18
19	Benefits Administration	1,574,620	842,578	842,578	OM 19
20	RTO	35,799,774	35,734,366	38,063,866	OM 20
21	Cause No. 45159 Amortization	-	-	-	OM 21
22	**Total Operations and Maintenance Expense**	$ 470,167,063	$ 514,474,439	$ 556,714,657	

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Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Projected Twelve Months Ending December 31, 2022	Projected Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Electric Plant Asset Depreciation	$ 287,006,678	$ 291,384,534	$ 310,498,894	DEPR 1
2	Electric Common Depreciation Expense	2,626,866	2,556,765	2,778,451	DEPR 2
3	Cause No. 44688 and 45159 - Tracker Amortization	-	-	-	DEPR 3
4	**Total Depreciation Expense**	$ 289,633,544	$ 293,941,299	$ 313,277,345	

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Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Projected Twelve Months Ending December 31, 2022	Projected Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Electric Plant Asset Amortization	$ 5,915,929	$ 5,358,281	$ 4,186,444	AMTZ 1
2	Electric Common Amortization	13,008,399	14,267,458	13,340,842	AMTZ 2
3	Schahfer Units 14 and 15 Retirement Reg Asset Amortization	9,006,253	50,054,650	55,221,499	AMTZ 3
4	Renewable Reg Asset Amortization	119,085	119,085	9,449,364	AMTZ 4
5	TDSIC Regulatory Asset Amortization	-	-	-	AMTZ 5
6	FMCA CCR 20% Regulatory Asset	-	-	-	AMTZ 6
7	Cause No. 44988 and 45159 Amortization	31,141,324	21,531,337	20,678,341	AMTZ 7
8	COVID Regulatory Asset Amortization	-	-	-	AMTZ 8
9	Sugar Creek Purchase Acquisition	2,540,514	2,540,516	2,540,516	AMTZ 9
10	Electric Rate Case Expense Amortization	-	-	-	AMTZ 10
11	**Total Amortization Expense**	$ 61,731,504	$ 93,871,327	$ 105,417,006	

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Northern Indiana Public Service Company LLC
NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Budget Twelve Months Ending December 31, 2022	Budget Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Property Tax	$ 22,654,681	$ 32,166,395	$ 30,282,030	OTX 1
2	Payroll Taxes	9,566,668	10,460,057	10,938,442	OTX 2
3	Sales Tax	-	-	-	OTX 3
4	URT	22,140,038	23,111,426	23,907,965	OTX 4
5	Public Utility Fee	1,924,458	2,087,529	2,087,529	OTX 5
6	**Total Taxes Other than Income**	$ 56,285,845	$ 67,825,407	$ 67,215,967	

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NIPSCO 2022 and 2023 Budget Matrix
Normalized Twelve Months Ended December 31, 2021, thru Budget Twelve Months Ending December 31, 2023

Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Projected Twelve Months Ending December 31, 2022	Projected Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
	Electric Rate Base				
1	Utility Plant	$ 7,020,936,484	$ 7,647,549,568	$ 8,252,008,653	RB 1
2	Non Jurisdictional Plant	620,743,862	624,628,459	624,628,459	RB 2
3	Common Allocated	323,933,755	354,790,078	384,894,416	RB 3
	Total Electric Utility Plant	$ 7,965,614,101	$ 8,626,968,105	$ 9,261,531,528	
4	Utility Plant Accumulated Depreciation and Amortization	$ (3,698,327,743)	$ (3,867,057,904)	$ (4,069,667,383)	RB 4
5	Non Jurisdictional Plant Accumulated Depreciation and Amortization	(53,660,584)	(69,951,102)	(85,180,974)	RB 5
6	Common Allocated Accumulated Depreciation and Amortization	(212,273,132)	(226,536,230)	(245,419,231)	RB 6
	Total Electric Accumulated Depreciation and Amortization	$ (3,964,261,459)	$ (4,163,545,235)	$ (4,400,267,588)	
	Net Electric Utility Plant	$ 4,001,352,641	$ 4,463,422,869	$ 4,861,263,940	
7	Schahfer Units 14 and 15 Retirement	$ 695,272,917	$ 645,218,268	$ 589,996,769	RB 7
8	Renewable Energy Joint Venture Investments	17,021,755	323,948,949	840,993,617	RB 8
9	Cause Nos. 44688 & 45159 Remainder	40,254,336	31,808,891	23,510,338	RB 9
10	Electric TDSIC Cause Nos. 44733 and 45557	5,528,538	12,827,041	24,558,486	RB 10
11	Electric FMCA	146,440	146,440	545,389	RB 11
12	Materials & Supplies	103,615,049	98,989,010	98,989,010	RB 12
13	Production Fuel	32,190,387	42,263,155	45,271,825	RB 13
	Total Electric Rate Base	$ 4,895,382,062	$ 5,618,624,622	$ 6,485,129,374	

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Line No.	Subcomponent	Normalized Twelve Months Ended December 31, 2021	Budget Twelve Months Ending December 31, 2022	Budget Twelve Months Ending December 31, 2023	Reference [1]
		A	B	C	D
1	Common Equity	$ 3,499,241,723	$ 3,715,950,236	$ 4,228,354,443	CS 1
2	Long-Term Debt	2,488,921,252	2,723,938,468	3,233,952,976	CS 2
3	Customer Deposits	64,811,362	61,842,556	59,541,950	CS 3
4	Deferred Income Taxes	1,353,371,403	1,401,668,240	1,475,673,536	CS 4
5	Post-Retirement Liability	39,472,666	25,677,906	11,773,576	CS 5
6	Prepaid Pension Asset	(433,464,769)	(441,023,052)	(444,293,887)	CS 6
7	Post-1970 ITC	1,226,420	909,366	640,278	CS 7
8	**Total Capital Structure**	$ 7,013,580,057	$ 7,488,963,720	$ 8,565,642,872	

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