VERIFIED DIRECT TESTIMONY OF KEVIN STANLEY

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

A1. My name is Kevin Stanley. My business address is 290 W Nationwide Blvd, Columbus, Ohio 43215. I am employed by NiSource Corporate Services Company ("NCSC"), a wholly owned subsidiary of NiSource Inc., as Controller for Northern Indiana Public Service Company LLC ("NIPSCO" or "Company") and Director of Fixed Assets.

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

A2. I am submitting this testimony on behalf of Joint Petitioners NIPSCO and Gibson Solar Generation LLC.

Q3. Please describe your educational and employment background.

A3. I earned a B.A. degree in accounting and a B.A. degree in computer science from Capital University, and I completed my M.B.A. from Ohio State University. I am a Certified Public Accountant ("CPA") and am licensed in the state of Ohio. I rejoined NiSource as Controller for the Gas Segment in December 2019 and was also made the Controller for NiSource Corporate Services Company in 2021. I moved into my current role in July 2023 as

Controller for NIPSCO Electric and Director of Fixed Asset Accounting. Prior to that, I was Director of Financial Planning and Analysis at Vertiv for nearly three years where I performed planning and finance activities. Before Vertiv, I was employed by Columbia Pipeline Group, which was separated from NiSource in 2015. I joined NiSource originally in 2010 as a senior strategic planning analyst within the finance area and served in roles of increasing responsibility until I left NiSource when Columbia Pipeline Group was spun-off as a standalone company. Prior to joining NiSource, I worked as a risk advisory services staff member at Ernst and Young.

Q4. What are your responsibilities as NIPSCO Controller?

A4. As the Controller and Director of Fixed Assets, I am responsible for providing a variety of finance and accounting services for NiSource companies, including NIPSCO and the related renewables entities. My principal responsibilities include overseeing the Company's financial statement preparation, accounting, and control processes and maintaining NiSource's fixed asset accounting. As a part of these duties, I am responsible for maintaining the processes and controls to identify and record transactions related to NIPSCO and for fixed asset activities, which includes determinations on appropriate capitalization of assets. I am also responsible for the accounting for NIPSCO's renewables entities and related assets.

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

A5. Yes. I recently filed testimony before the Commission in Cause No. 46028 supporting NIPSCO's request for modification of the Commission's Order in Cause No. 45511 (Fairbanks). I have also previously submitted testimony before the State Corporation Commission of Virginia supporting Columbia of Virginia's base rate proceeding in Case No. PUR-2022-00036.

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

A6. The purpose of my direct testimony is to support Joint Petitioners' request for an Order modifying pursuant to Ind. Code § 8-1-2-72, the Commission'sNovember 22, 2023 Order in Cause No. 45926 (the "45926 Order") to approve necessary changes to the ratemaking and accounting treatment for the Gibson Project and approve depreciation rates for the Gibson Project.

Specifically, I describe the proposed modifications to the accounting and ratemaking treatment for the Gibson Project approved pursuant to an Alternative Regulatory Plan ("ARP") in the 45926 Order, that are necessary to allow NIPSCO to defer for recovery through rates in a subsequent rate proceeding the costs incurred for the acquisition and operation of the Gibson Project. The costs NIPSCO proposes to defer for recovery through rates in a subsequent rate proceeding include costs associated with (1) capital investment to complete the purchase of the Gibson Project, including allowance for funds used during construction ("AFUDC"); (2) accrued post-in service carrying charges ("PISCC") on NIPSCO's investments in the Gibson Project; (3) depreciation expense associated with the Gibson Project; and (4) operations & maintenance ("O&M"), property tax, and income tax expense. I also describe NIPSCO's proposed mechanism for sharing tax credits. Finally, I support NIPSCO's request that the Commission approve depreciation rates for the Gibson Project.

Q7. Please describe the accounting treatment for the Gibson Project approved pursuant to an ARP in the 45926 Order.

A7. In the 45926 Order (at 23), NIPSCO received approval of the following four alternative practices, procedures, and mechanisms in connection with the joint venture structure approved in that Cause:

> (a) Because the Gibson Project arose out of the 2019 RFPs, NIPSCO proposed an ARP, seeking to be relieved of or otherwise found to have complied with the requirements established under Ind. Code § 8-1-8.5-5(e).
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> (b) NIPSCO will not be the owner of the generating assets that make up the Gibson Project. Instead, NIPSCO will own an interest in the Joint Venture. NIPSCO seeks approval of the Joint Venture and its structure. NIPSCO further seeks to record its interest in the Joint Venture as a regulatory asset in Account 182.3 and to amortize the amounts so recorded using the amortization rates sought to be approved for the Gibson Project. NIPSCO requests to include in net original cost rate base and in the value of its utility property, for purposes of Ind. Code § 8-1-2-6 and for ratemaking purposes, the balance of the regulatory asset NIPSCO has recorded for the Joint Venture.
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> (c) NIPSCO seeks to recover its payments made to Gibson ProjectCo pursuant to the CFD, through a rate adjustment mechanism administered through the FAC without regard to Ind. Code § 8-1-2-42(d) and without regard to any benchmarks established by the Commission for PPAs.
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> (d) To the extent financing approval is sought and obtained herein, NIPSCO seeks to be relieved of the technical requirements set forth in Ind. Code §§ 8-1-2-79 and 80. These include corporate officer signatures and verifications, the elements in Ind. Code § 8-1-2-79(a)(1) through (6), and the specific provisions to be set forth in the Commission's certificate of authority set forth in Ind. Code § 8-1-2-80(a) and (b).

Due to the proposed change in ownership structure described below, ARP items (b) through (d) are no longer needed. Instead, in this proceeding, NIPSCO is seeking modifications to the accounting treatment described above which would result in NIPSCO's investment in the Gibson Project being accounted for in the more traditional manner.

Q8. Please describe the proposed modifications to the accounting treatment for the Gibson Project approved in the 45926 Order that NIPSCO is seeking in this proceeding.

A8. At a high level, NIPSCO is proposing to wholly own the Gibson Project rather than form a joint venture with a tax equity partner as approved in the 45926 Order. Joint Petitioners Witness Bass discusses the basis for this change in greater detail. This change in ownership structure results in a change in how NIPSCO's investment in the Gibson Project will be reflected for accounting purposes, but ultimately has minimal impact on the ratemaking treatment approved in the 45926 Order because, as the Commission noted in its 45926 Order (at 21), NIPSCO sought "to reflect in rate base as a regulatory asset its costs to own an interest in the Joint Venture in the same manner it would have reflected the costs to build and own the generating assets in Utility Plant in Service had NIPSCO instead been the direct owner of the Gibson Project."

Q9. How does the accounting treatment proposed in this case compare to the accounting treatment approved in the 45926 Order?

A9. As described above, in the 45926 Order, NIPSCO received approval to treat the Gibson Project as non-utility plant and to reflect in its net original cost rate base for ratemaking purposes the net balance of its investment in the Joint Venture, which would be recorded as a regulatory asset (FERC Account 182.3). These approvals are no longer needed under a wholly owned structure.

Instead, NIPSCO now proposes to include the Gibson Project in original cost rate base, earn a return on the rate base, and recover the cost of the Gibson Project, including cost of removal, in depreciation rates. Generally speaking, under the proposed wholly owned structure, the accounting treatment for the Gibson Project will be similar to that for traditional utility plant. NIPSCO will record the entire cost of the Gibson Project as traditional utility plant and rate base. The net book value of the plant will be included in rate base, and the costs of owning and maintaining the plant will be included in cost-of-service. Accumulated deferred income taxes related to accelerated tax depreciation of the facilities would be included in NIPSCO's WACC. NIPSCO also will recover any related AFUDC, carrying charges, and start-up costs recorded as capitalized project costs, which is consistent with other investments in new utility plant.

Q10. Is NIPSCO requesting ratemaking and accounting treatment for the development costs or start-up costs for the Gibson Project?

A10. Yes. NIPSCO has incurred reasonable and necessary costs related to the development of the Gibson Project. These costs are not ongoing in nature and not otherwise captured by the ratemaking process and would typically be recorded on NIPSCO's books as Preliminary Survey and Investigation (FERC account 183) or CWIP. These are costs NIPSCO incurs related to internal resource support and outside services that are reasonable and necessary to develop and finalize the contracts and projects. NIPSCO will record these development costs to FERC account 107 CWIP. These costs will be included as part of the cost of the Gibson Project that will be included in utility plant in NIPSCO's next base rate proceeding. Under the prior joint venture structure, the same costs were to be recorded as a regulatory asset and recovered as part of NIPSCO's investment in the Joint Venture.

Q11. How will costs of operating and maintaining the Gibson Project be accounted for under the proposal in this proceeding as opposed to the approach approved in the 45926 Order?

A11. Again, instead of recovering the cost of the joint venture structures through the ARP as approved in the 45926 Order, NIPSCO will recover the cost of the Gibson Project through traditional ratemaking. Unlike NIPSCO's coal-fired or gas-fired units, there are no fuel or chemical costs related to the solar generation. There are, however, ongoing operating related expenses that would have been incorporated in the CFD price under the previously-approved joint venture structure, such as landowner payments, property taxes, and other maintenance expenses. Under the wholly owned structure, the costs of operating and maintaining the Gibson Project will be included in NIPSCO's cost of service in future rate case proceedings. This is also true of depreciation and the related cost of removal. NIPSCO seeks to defer these operating costs and depreciation to be recovered as a regulatory asset in its next base rate case proceeding. NIPSCO also seeks to calculate a carrying charge on the deferred depreciation until NIPSCO begins recovery of the amounts included in the regulatory asset in a future general rate case proceeding.

Q12. Please summarize the amounts NIPSCO proposes to recover through rates.

A12. In summary, NIPSCO proposes approval and recovery of the eligible revenue requirement amounts associated with the Gibson Project to be included in base rates, including costs associated with:

- Capital investment to be recorded as utility plant to complete the purchase of the Gibson Project, including AFUDC, development and start-up costs, which will be included in rate base;
- Accrued PISCC on NIPSCO's investments in the Gibson Project and accrued PISCC on deferred depreciation, which will be included in rate base;
- Deferred depreciation expense on NIPSCO's investments in the Gibson Project, which will be included in rate base;
- Deferred operating expenses, which will be included in cost-of-service; and
- Ongoing O&M expenses, property tax and depreciation expense including cost of removal associated with the Gibson Project, which will also be included in cost-of-service.

NIPSCO proposes that its investment in the wholly owned Gibson Project, deferred depreciation, and PISCC would be included in its rate base, and

O&M and operating expenses would be included in cost-of-service in a subsequent rate case proceeding. Consistent therewith, in the event the Gibson Project assets would not be placed in service, NIPSCO requests authority to defer costs associated with the Gibson Project, including the previously mentioned start-up and development costs, in a regulatory asset for recovery in a future general rate case or to be capitalized as part of an alternative generation project.

Q13. How will the Gibson Project earn a return during construction, post-in-service, and when placed into rate base?

A13. Under the proposed wholly owned structure, the Gibson Project will record AFUDC while under construction. Once in-service, the Gibson Project will earn carrying charges until recovery begins. Once recovery begins through a base rate case proceeding, AFUDC or carrying charges will cease. At no period will a project dollar earn multiple returns.

Q14. Please describe the authority NIPSCO is seeking with respect to the accrual of AFUDC.

A14. Under the joint venture structure approved in the 45926 Order, NIPSCO applied carrying charges on NIPSCO's investment in the Joint Venture based on NIPSCO's WACC. In this proceeding, NIPSCO seeks to record AFUDC at NIPSCO's calculated rate on project payments while the project is under construction.

Q15. Please describe the authority NIPSCO is seeking with respect to the accrual of carrying charges.

A15. Once in-service, NIPSCO seeks to stop accruing AFUDC and begin accruing PISCC. NIPSCO proposes to accrue PISCC at the cost of debt included in its capital structure instead of its full WACC. Using the cost of debt instead of the full WACC will benefit customers through lower carrying costs for the Gibson Project.

Q16. What initial depreciation rate does NIPSCO propose for the Gibson Project?

A16. For utility ratemaking purposes, NIPSCO does not currently have a Commission-approved depreciation rate for solar assets such as those contemplated by the Gibson Project. Accordingly, NIPSCO proposes that investments made in the Gibson Project be initially depreciated over the expected life of the assets of 30 years, using an annual depreciation rate of approximately 3.3%, which is consistent with the amortization rate approved in the 45926 Order and does not include cost of removal. NIPSCO proposes to evaluate adjustments to these depreciation rates, including collection of cost of removal, and include proposed depreciation rates for these assets in a future formal depreciation study.

Q17. What will be the accounting treatment for the tax credits and how will they be passed back to customers?

A17. NIPSCO will record a regulatory liability representing the amount to pass back to customers through NIPSCO's FAC proceeding (or successor mechanism).

Q18. Has the Commission approved similar ratemaking relief in any other NIPSCO proceedings?

A18. Yes. In its January 17, 2024 Order in Cause No. 45936 relating to NIPSCO's Dunn's Bridge II Solar Generation LLC and Cavalry Solar Generation LLC projects ("Bridge II" and "Cavalry," respectively), the Commission approved identical ratemaking treatment. Specifically, the Commission approved the same ratemaking changes to reflect the fact that NIPSCO would wholly own the projects as opposed to using a joint venture structure originally approved by the Commission in Cause No. 45462. The

Commission authorized NIPSCO to include the eligible revenue requirement amounts associated with the Bridge II and Cavalry solar projects in base rates in NIPSCO's next general rate case. NIPSCO was further authorized to share tax credits with customers through the FAC as is proposed here and to depreciate the Bridge II and Cavalry solar projects over the anticipated 30-year lives of the projects. The Commission further found (p. 28) that "[in] the event the Solar Projects' assets are not placed in service, NIPSCO is authorized to defer costs associated with the Solar Projects in a regulatory asset for recovery in a future general rate case or to be capitalized as part of an alternative generation project." The relief requested herein is consistent with the Commission's findings in Cause No. 45936.

Q19. Does this conclude your prefiled direct testimony?

A19. Yes.

VERIFICATION

I, Kevin Stanley, NIPSCO Controller and Director of Fixed Assets for NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge.

Kevin Stanley
Kevin Stanley

Date: March 22, 2024