

Northern Indiana Public Service Company LLC
Cause No. 45621

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**INDIANA UTILITY
REGULATORY COMMISSION**

VERIFIED DIRECT TESTIMONY OF KIMBERLY CARTELLA

TABLE OF CONTENTS

I.	Introduction	1
II.	Employee Compensation and Benefits	4
III.	Reasonableness and Competitiveness of Compensation Expense	5
IV.	Union Compensation.....	8
V.	Non-Union Compensation	9
VI.	Incentive Compensation and Profit Sharing.....	11
VII.	Detail of Comparative Compensation Analyses	22
	A. Comparative Analysis for Non-Union Compensation.....	23
	B. Performance Adjustments (Merit Increases).....	26
VIII.	Employee Benefits.....	27
IX.	Conclusion	36

1 **I. INTRODUCTION**

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

3 A1. My name is Kimberly Cartella. My business address is 3101 N. Ridge Rd.,
4 Lorain, Ohio 44055. I am employed by NiSource Corporate Service
5 Company ("NCSC") as Director of Compensation.

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

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

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

10 A3. I received a Bachelor of Science degree in Financial Planning from Purdue
11 University in 1992. I am a certified Professional in Human Resources (PHR)
12 and a Certified Compensation Professional (CCP). I have worked for
13 NiSource in a human resources capacity since 1999. I have held the position
14 of Director Compensation at NiSource since January 2019. Prior to that, I
15 was Manager of Compensation, Senior Compensation Analyst, Senior
16 Human Resource Consultant, and Executive/ College Recruiter.

17 **Q4. What are your responsibilities as Director of Compensation?**

1 A4. As Director of Compensation, I develop and implement strategies for broad
2 based compensation and incentive programs provided to the employees of
3 NiSource Inc. ("NiSource") and its subsidiaries, including NIPSCO.

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

6 A5. I have not previously testified before the Commission. I have provided
7 testimony before the Massachusetts Department of Public Utilities on
8 multiple occasions supporting compensation and benefits strategies and
9 costs. Additionally, I have provided testimony supporting compensation
10 and benefits in Columbia Gas of Pennsylvania, Columbia Gas of Kentucky,
11 Columbia Gas of Maryland, and Columbia Gas of Ohio base rate cases.

12 **Q6. What is the purpose of your direct testimony?**

13 A6. The purpose of my direct testimony is to support NiSource total rewards,
14 which includes supporting details for total rewards programs, policies, and
15 philosophies including base compensation/wages, incentive compensation,
16 and employee benefits such as healthcare and dental coverage. I also set
17 forth comparative analyses to establish the reasonableness and

1 competitiveness of the wages, salaries, and incentive compensation
2 provided to employees.

3 **Q7. Are you sponsoring any attachments to your testimony in this Cause?**

4 A7. Yes. I am sponsoring the following attachments, all of which were either
5 prepared by me or under my direction and supervision:

<u>Attachment No.</u>	<u>Description</u>
Attachment 12-A	NIPSCO Non-Union Salary Analysis
Attachment 12-B	NCSC Salary Analysis
Attachment 12-C	Non-Union Merit Increase Market Data

6

7 **Q8. How is your testimony organized?**

8 A8. Section II discusses the Company's overall approach to employee
9 compensation, including base pay (wages and salaries) and incentive
10 compensation as part of total cash compensation, and benefits. Section III
11 presents documentation to support the reasonableness and competitiveness
12 of the Company's compensation expenses. Sections IV through VI describe
13 the Company's non-union compensation, merit increases, all incentive
14 compensation, and profit sharing components. Section VII provides
15 detailed analyses that demonstrate that the total cash compensation paid to
16 employees by NIPSCO and NCSC is reasonable and competitive in relation

1 to other utilities and general industry employers in the general areas where
2 NIPSCO operates. Section VIII describes the Company's health and dental
3 benefit plans and associated cost-containment efforts.

4 **II. EMPLOYEE COMPENSATION AND BENEFITS**

5 **Q9. Please describe NiSource's total rewards philosophy.**

6 A9. NiSource's total rewards philosophy is to compensate employees and
7 provide benefits that are competitive in comparison to the utility industry,
8 as well as general industry (non-utility) employers, in order to attract, retain
9 and motivate employees who are qualified to perform the functions needed
10 by the Company. This philosophy enables the Company to meet its
11 obligations to provide safe, reliable and affordable service to its customers.
12 This philosophy is consistent across all NiSource companies.

13 **Q10. In defining and implementing the total rewards strategy and programs,**
14 **does NiSource obtain any assistance from outside human resource**
15 **experts?**

16 A10. Yes. For compensation and certain health and welfare benefits, NiSource
17 regularly relies on the advice and guidance provided by Mercer, a global
18 consulting leader in talent, health, retirement, and investments. Mercer

1 assists NiSource in setting competitive salary ranges and evaluating and
2 recommending changes to employee health and welfare benefit plans.

3 In addition, Aon and Alight Solutions, global human resource consulting
4 firms, assist NiSource in actuarial analysis and administration of pension
5 and health and welfare benefits.

6 **Q11. What are the various elements of a competitive total rewards program?**

7 A11. A competitive total rewards program includes market-driven base
8 compensation (rewarding employees in a manner that is competitive with
9 the external job market), market-driven performance adjustments/merits,
10 long- and short-term incentives, profit sharing, and health and welfare
11 benefits. The mix of these elements differs for various levels in the
12 organization. For purposes of my testimony, I will focus on merit increases,
13 long-term incentives, short-term incentives, health and welfare benefits,
14 and profit sharing, which are all included in the total rewards program.

15 **III. REASONABLENESS AND COMPETITIVENESS OF COMPENSATION EXPENSE**

16 **Q12. What analysis have you conducted that confirms the reasonableness and**
17 **competitiveness of NIPSCO and NCSC's wages, salaries and total**
18 **compensation?**

1 A12. Attachment 12-A through Attachment 12-C support the Company's test-
2 year levels for total compensation. Utility and general industry data was
3 used to allow for comparison of NIPSCO and NCSC's compensation to the
4 relevant labor markets in either the North Central region or the energy
5 industry. My supporting attachments are as follows:

6 Attachment 12-A: NIPSCO Non-Union Salary Analysis –
7 compares NIPSCO non-union average base salaries and total
8 cash compensation to the average salaries and total cash
9 compensation paid by North Central utility and general
10 industry companies.

11 Attachment 12-B: NCSC Salary Analysis – compares NCSC
12 average base salaries and total cash compensation to the
13 average salaries and total cash compensation paid by utility
14 and general industry companies in the North Central regions.

15 Attachment 12-C: Non-Union Merit Increase Market Data –
16 compares NIPSCO's granted 2020 and 2021 merit increases
17 for employee groups to national, utility, and regional actual
18 increases in 2020 and projected increases for 2021.

19 **Q13. What are the different groups of employees that you address throughout**
20 **your testimony?**

21 A13. Throughout my testimony, I make reference to three employee groups that
22 exist within NIPSCO. Exempt is the employee group that includes all
23 salaried/management employees. Union is the group whose employment
24 terms and conditions are covered by a bargaining unit agreement.

1 Nonexempt refers to hourly employees not covered by a bargaining unit
2 agreement.

3 **Q14. What is your conclusion about the reasonableness and competitiveness**
4 **of the Company's compensation and benefits package?**

5 A14. The Company's compensation is competitive when compared to the
6 compensation at a similar group of employers in the North Central region
7 of the United States. The Company's benefits are also competitive when
8 compared to a similar group of employers. I provide support for these
9 conclusions throughout the remainder of my testimony.

10 **Q15. Why did you focus on the North Central region in your analysis?**

11 A15. The reason for the comparison to the North Central region is that a large
12 number of NCSC positions are staffed either in Merrillville, Indiana or in
13 Columbus, Ohio, which are both included in the North Central region data.
14 The North Central region specifically includes Idaho, Iowa, Illinois,
15 Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana,
16 Nebraska, North Dakota, Ohio, South Dakota, West Virginia, Wisconsin
17 and Wyoming.

1 **IV. UNION COMPENSATION**

2 **Q16. How many bargaining unit contracts exist for represented employees at**
3 **NIPSCO?**

4 A16. NIPSCO has two bargaining unit (union) contracts. They are the United
5 Steelworkers of America Local 12775 (Physical) and the United
6 Steelworkers of America Local 13796 (Clerical).

7 **Q17. How are the Company's union wage rates and benefits established**
8 **through collective bargaining?**

9 A17. Collective bargaining consists of negotiations between an employer and a
10 bargaining unit (union) in order to establish wages, benefits and conditions
11 of employment. The result of the collective bargaining process is a
12 collective bargaining agreement that establishes the terms for wages and
13 benefits for affected employees. During the collective bargaining process,
14 NIPSCO assesses changes in the overall compensation packages offered to
15 union employees to ensure that the total compensation and benefits levels
16 remain reasonable and commensurate to other union and non-union
17 employees at similar levels within NiSource. Wherever possible, NIPSCO
18 encourages its union employees to join in the benefit programs offered to

1 non-union employees in order to streamline the administration of the
2 benefit programs and provide the most value to the employees and their
3 families at the least cost.

4 **Q18. When do wage increases under the bargaining unit contracts take effect?**

5 A18. Wage increases for both bargaining unit contracts were 2.75% effective
6 January 1, 2020 and 3% effective January 1, 2021. Both bargaining unit
7 contracts will expire March 31, 2022. As of the filing of this testimony,
8 negotiations for the new contracts have not yet begun. The negotiations are
9 anticipated to be conducted early 2022.

10 **V. NON-UNION COMPENSATION**

11 **Q19. How is base compensation for non-union employees determined?**

12 A19. The base compensation for the Company's non-union employees is
13 measured against base compensation for employees in similar positions at
14 other employers. More specifically, internal NIPSCO and NCSC positions
15 have been compared to external market positions. In order to establish
16 parity with other employers vying for qualified workers in NiSource's labor
17 markets, base compensation is set within a range that is established around
18 the market median for individual jobs.

1 **Q20. How does the Company establish the range within which non-union base**
2 **pay can fluctuate around the market median?**

3 A20. The established salary range is 75 percent to 125 percent of the market
4 median. This range allows individual leaders to differentiate base pay
5 compensation among employees in similar jobs with varied skills,
6 experiences and level of responsibility.

7 **Q21. How does the Company determine that its compensation is competitive**
8 **with the labor market?**

9 A21. Attachment 12-A compares NIPSCO base salaries and total cash
10 compensation to utility and general industry companies in the North
11 Central region. Attachment 12-B compares NCSC base salaries and total
12 cash compensation to utility and general industry companies in the North
13 Central regions. I will explain in more detail later in my testimony.

14 **Q22. Have you compared the Company's non-union merit adjustments to**
15 **those of other utility and general industry companies to determine if they**
16 **are reasonable?**

17 A22. Yes. Attachment 12-C compares the Company's granted merit increases
18 and the increases projected for employee groups regionally and nationally

1 and for utilities and general industry in 2020 and 2021. The results show
2 that the Company's exempt and non-union, non-exempt merit adjustments
3 are aligned with the actual 2020 and projected 2021 market increases.

4 **VI. INCENTIVE COMPENSATION AND PROFIT SHARING**

5 **Q23. Explain the Company's incentive compensation and profit sharing**
6 **programs that are part of the total rewards program.**

7 A23. As part of the total rewards program explained earlier in my testimony,
8 NiSource maintains two incentive compensation programs and one profit
9 sharing program. The two incentive compensation programs include the
10 annual Corporate Incentive Plan ("CIP") and the Long-Term Incentive Plan
11 ("LTI"). The purpose of CIP and LTI is to align rewards with the
12 Company's vision and strategies surrounding safety, customer, and
13 financial metrics. Participants are eligible to receive incentive awards based
14 upon their performance and the performance of NiSource and the
15 Company. The Profit Sharing Plan is an element of the Company's
16 Retirement Savings Plan and supports employees' saving for retirement.

17 **Q24. Is CIP an important component of total compensation for NIPSCO and**
18 **NCSC to be effective in recruiting and retaining employees and to drive**
19 **strategic priorities for the Company?**

1 A24. Yes. CIP is designed to drive and reinforce strategies important to the
2 Company, which include safety, customer, and financial metrics. Specific
3 goals are included in exempt employees' annual objective plans. These
4 goals are critical in reinforcing key Company initiatives, including goals
5 related to safety, customer, financial, execution, and people oriented
6 initiatives. A recent survey conducted by Aon shows that incentive
7 compensation is an important element of competitive total rewards in the
8 labor market both within the utility industry and the broader general
9 industry. The following is an excerpt from the Highlights and Trends
10 section of The Aon 2019 Variable Compensation Measurement ("VCM")
11 Report-U.S. Edition:

12 Even with the changing economic environment variable pay
13 budgets have continued to remain significantly higher than
14 amounts budgeted for salary increases. While salary
15 increases have hovered at or around 3% for the past six years,
16 variable pay budgets have consistently been in double digits.

17 Highlights and Trends

18 Variable pay plans continue to be a critical component of most
19 VCM participants' total compensation offerings. The Aon
20 VCM report continues to support the trend that organizations
21 are increasingly turning to variable pay as a means to attract,
22 retain, and reward performance while traditional merit
23 increase budgets remain at record low levels. In 2019, a

1 median 99% of total US employees who were eligible for at
2 least one type of variable pay actually received an award.

3 Prevalence of Variable Compensation

4 The frequency of companies with at least one broad-based
5 variable pay plan continues to increase since 1994 when we
6 first started recording this information. According to Aon's
7 Salary Increase Survey, in 1995, 59% of U.S. organizations
8 indicated they had at least one broad-based variable pay plan
9 in place. By 2019, 90% of U.S. organizations had implemented
10 a broad-based variable pay plan.

11 Not only have more U.S. organizations in the database
12 introduced broad-based variable compensation in recent
13 years, organizations also have changed the look of their
14 variable pay plans.

15 Individual performance plan measures or modifiers give
16 managers the power to reward and retain their top
17 performers.

18 Therefore, to remain competitive in the labor market, it is important to
19 provide CIP compensation as part of total compensation. If the Company
20 maintains a competitive base compensation but does not provide incentive
21 compensation, it follows that total compensation will lag the competition
22 and employees will have larger total compensation opportunities at other
23 employers providing competitive compensation inclusive of incentives.

24 **Q25. Is individual employee performance a factor for CIP?**

25 A25. Yes for exempt (salaried) employees. A portion of each exempt employee's
26 annual total rewards is tied to the performance results of the measures in

1 the CIP and individual performance. Under the terms of the incentive plan,
2 a discretionary amount is available to exempt employees based on
3 individual performance as determined by an employee's supervisor. I
4 describe the employee incentive level and performance evaluation process
5 below.

6 **Q26. How are incentive levels and incentive ranges determined under the CIP?**

7 A26. Each employee is placed in a job scope level, which is based generally on
8 their responsibility level within the organization. Each job scope level has
9 an associated incentive level and incentive opportunity range, beginning at
10 a threshold or "trigger" level, which provides an incentive of 50 percent of
11 a "target." The incentive opportunity range increases through the "target"
12 level up to the "stretch" level, which provides an incentive of 150 percent
13 of the "target."

14 Here is an example of how incentive levels and ranges are utilized. Front
15 line supervisors are in a job scope level that provides a target incentive
16 opportunity of 12 percent of base pay. The trigger and stretch levels are 50
17 percent below and above the target percentage, respectively. Therefore, the
18 incentive range for a front line supervisor is:

	Trigger	Target	Stretch
	6%	12%	18%

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Q27. How does the incentive level factor into the appropriate level of total cash compensation for each employee?

A27. The job scope level structure provides a framework for overall compensation, career advancement and leveling across the enterprise. The incentive opportunity is one component of an employee's total cash compensation, along with base pay, and therefore affects the potential value of total cash compensation. An incentive opportunity range is associated with each broad level, which determines the minimum and maximum incentive payout opportunity as a percentage of base pay for exempt employees and as a percentage of base pay plus overtime and other premium pay for non-exempt employees. The total value of base pay and incentive compensation determines the overall total cash compensation opportunity available to employees.

Q28. How does NIPSCO ensure that employees are committed to meeting the needs of customers, such as service quality and service reliability, and how does this fit into the incentive program?

1 A28. The discretionary portion of the CIP is based on individual performance
2 linked to goals in safety, customer, financial, execution, and people
3 categories. Performance management is executed through the annual
4 evaluative process embodied in the Objectives Form.

5 A NIPSCO employee's Objectives Form contains annual performance
6 objectives and articulates the means of measuring the employee's progress
7 in relation to the established objectives. Each employee is actively involved
8 in the development of his or her objectives, with input from his or her
9 supervisor, and the employee's progress is reviewed and discussed with
10 the employee periodically throughout the year. The annual performance
11 objectives are also used as an aid in determining the amount of a merit
12 increase for an employee.

13 The use of the objectives process to establish goals to measure employees'
14 performance is important in reinforcing the proper focus on key initiatives
15 and goals designed to continuously remain focused on safety and customer
16 service and reinforce cost containment. Examples of goals that support
17 improved customer service include: reduce emergency response time to 45
18 minutes to serve customers in a timely manner, communicate with the

1 customer and stakeholders around project work and planned outages, and
2 achieve targets for percent of customer appointments met. Examples of
3 safety goals include: meet individual target of zero recordable safety
4 incidents, DART injuries (days away, restricted, or transferred), and
5 preventable vehicle collisions; execute to a safety driven culture by
6 conducting weekly safety meetings with assigned front line workers.

7 **Q29. In general, how is incentive compensation awarded?**

8 A29. If incentive plan measures are met, an incentive pool is established. The
9 percentage of an individual employee's base pay that is available for the
10 cash incentive is dependent upon their job scope level. For exempt
11 employees, the employee's individual performance and achievement of
12 predetermined goals as determined by his or her supervisor is also factored
13 into the amount of the incentive awarded. Incentive payments are made in
14 February or March of the year following the year for which performance is
15 measured, e.g. 2020 plan year incentive was paid in 2021.

16 **Q30. Has NIPSCO included incentive plan costs in the budget?**

17 A30. Yes. As it is an important piece to overall total rewards earned by NIPSCO
18 employees, the Company has included in the cost of service and is

1 requesting recovery of the "target" level of expense for all employees.
2 Target is most representative of an expected, normal level of on-going CIP
3 expense. The target level represents the annual CIP expense as if there were
4 no adjustments for achieving results above or below expected level of
5 performance.

6 **Q31. Is LTI an important component of total compensation for NIPSCO and**
7 **NCSC to be effective in recruiting and retaining executive employees?**

8 A31. Yes. As mentioned earlier in this section and as supported by the Aon
9 survey results, LTI is designed to attract and retain executive talent. LTI
10 awards are a common element of compensation at key management levels
11 of organizations throughout the United States, including major utilities
12 and, as such, are an important component of total compensation. These LTI
13 awards allow NiSource and the Company to compete in the market to
14 attract and retain individuals at executive levels. It would be difficult for
15 NiSource to accomplish this objective without this element of total
16 compensation.

17 **Q32. Please explain how NiSource awards LTI.**

1 A32. LTI is part of the Company's total rewards package and was in place during
2 the Historic Base Year (the period beginning January 1, 2020, and ending
3 December 31, 2020) and 2021 Budget Period (the period beginning January
4 1, 2021, and ending December 31, 2021). Performance Share Units and
5 Restricted Stock Units are granted to employees at the level of Vice
6 President and above. Performance Share Units are vested after achieving
7 specific performance goals that include customer, safety, environmental,
8 diversity, cumulative net operating earnings per share, and relative total
9 shareholder return goals. Restricted Stock Units are vested based upon
10 achievement of individual conditions as outlined in an award agreement,
11 which includes restrictions based upon the continued service of the
12 employee.

13 **Q33. Do the Company's LTI awards provide customer benefits?**

14 A33. Yes. As mentioned above, a portion of the LTI awards are directly tied to
15 the achievement of customer, safety, environmental, diversity, and
16 financial goals. For the reasons I have previously described, LTI is a key
17 component of the Company's total rewards program. If the Company is to
18 provide high-quality service to its customers, it is imperative that it be able
19 to attract and retain high quality talent, and to do so, all aspects of the total

1 rewards package, including LTI for executive level employees, must be
2 competitive with other industry employers. If not, the Company places
3 itself at high risk of losing talent to competitors. This would create a loss of
4 valuable skills and would have a significant financial impact in the form of
5 turnover costs, which would ultimately be borne by the Company's
6 customers.

7 **Q34. What are the customer, safety, environmental, and diversity goals?**

8 A34. Examples of goals included in the LTI program are: top decile results in the
9 National Safety Council Barometer Survey, top quartile performance in the
10 J.D. Power Gas Utility and Electric Residential Customer Satisfaction
11 Studies, reduction of greenhouse gas emissions, and improved diversity of
12 the workforce.

13 **Q35. Has the Company included the cost of its LTI Plan in its cost of service?**

14 A35. Yes. The Company has included recovery of the "target" level of expense
15 for all employees in its cost of service. The target level is most
16 representative of an expected, normal level of on-going LTI expense. The
17 target level represents the annual LTI compensation expense as if there

1 were no adjustments for achieving results above or below expected level of
2 performance (target).

3 **Q36. Does the Company have a Profit Sharing Plan?**

4 A36. Yes. Company contributions for Profit Sharing are deposited into
5 employees' Retirement Savings Plan accounts, which provide an important
6 element of employee savings. These contributions to the Retirement
7 Savings Plan have become even more important as more traditional
8 elements of retirement savings, including defined benefit plans, are no
9 longer offered to exempt new hires on or after January 1, 2010, and non-
10 exempt new hires on or after January 1, 2013. Absent these contributions,
11 the Company would have to make other adjustments to its compensation
12 package, such as increases to base pay, to remain competitive in the market
13 for quality employees.

14 **Q37. Has NIPSCO included the costs of its profit sharing plan in the budget?**

15 A37. Yes. As it is an important piece to overall compensation earned by NIPSCO
16 employees, profit sharing for all employees is included in the test year
17 expenses. NIPSCO Witness Newcomb sponsors an adjustment to remove
18 profit sharing (Adjustment 7-22R).

1 **VII. DETAIL OF COMPARATIVE COMPENSATION ANALYSES**

2 **Q38. Has NIPSCO performed comparative analyses to demonstrate the**
3 **reasonableness and competitiveness of its salaries / wages and total cash**
4 **compensation levels?**

5 A38. Yes. As mentioned previously, utility and general industry data was used
6 to allow for comparison between NIPSCO and NCSC's compensation in the
7 relevant labor markets. Reasonable compensation is defined as
8 salaries/wages and total cash compensation levels being within +/-10% of
9 market based salaries/wages and total cash compensation. The following
10 analyses show that compensation levels for NIPSCO and NCSC are
11 reasonable and competitive when compared with other regional utilities
12 and general industry employers.

13 **Q39. What source material did you rely upon in preparing these analyses?**

14 A39. I used utility and general industry surveys that provided survey job
15 descriptions, a list of participating organizations, a variety of levels in
16 multiple functional areas, clearly defined data elements (i.e., base salary,
17 total cash) and appropriate scope data (i.e., utility industry in the North
18 Central Geographical Region). The survey data, as outlined below, is relied

1 upon by the Company to establish market-driven base pay on an ongoing
2 basis.

A. Comparative Analysis for Non-Union Compensation

3 **Q40. What source material was used in creating Attachment 12-A and**
4 **Attachment 12-B?**

5 A40. I relied on Mercer Benchmark Database, US Mercer Total Compensation
6 Survey for the Energy Sector, Willis Towers Watson American Gas
7 Association (AGA), Willis Towers Watson General Industry Compensation
8 Surveys Results, and Willis Towers Watson General Industry
9 Compensation surveys to develop Attachment 12-A and Attachment 12-B.
10 The surveys provide competitive salary information by region for jobs
11 within the gas utility industry and the general industry. These surveys
12 include salary information from the North Central region.

13 **Q41. Please review the comparative analysis performed in relation to non-**
14 **union total cash compensation.**

15 A41. Attachment 12-A, titled NIPSCO Non-Union Salary Analysis, provides a
16 comparison of NIPSCO's average non-union base salaries and total cash
17 compensation to the average base salaries and total cash compensation of

1 utility and general industry employers in the North Central region of the
2 United States.

3 **Q42. What were the results of your analysis?**

4 A42. Attachment 12-A shows that the average annual base salary paid by the
5 Company for study positions is \$90,172, with total cash compensation of
6 \$94,847, as compared to an average base salary of \$94,599 paid by
7 employers in the North Central region, with average total cash
8 compensation of \$102,857. When compared based on base salary and total
9 cash compensation, the Company is paying at competitive levels for
10 utilities and general industries in the North Central region. Specifically, the
11 Company is 4.7 percent below the market in base pay and 7.8 percent below
12 in total cash compensation. Reasonable compensation is defined as
13 salaries/wages and total cash compensation levels being within +/-10% of
14 market based salaries/wages and total cash compensation. Attachment 12-
15 A demonstrates that NIPSCO's non-union base salaries and total cash
16 compensation are reasonable and competitive.

17 **Q43. Please review the comparative analysis performed in relation to non-**
18 **union salary.**

1 A43. Attachment 12-B, titled NCSC Salary Analysis, provides a comparison of
2 salaries for NCSC staff as compared to utility and general industry salaries
3 in the North Central region. Attachment 12-B compares average NCSC staff
4 base salaries and total cash compensation to the average salaries and total
5 cash compensation of North Central utility and general industry
6 companies.

7 **Q44. What were the results of your analysis?**

8 A44. Attachment 12-B shows that the average annual base salary paid by NCSC
9 for study positions is \$88,837, and total cash compensation was \$94,261. The
10 average base salary paid by North Central employers is \$95,930, and total
11 cash compensation was \$106,371. NCSC base salaries were 7.4 percent
12 below and total cash compensation was 11.4 percent below companies in
13 the North Central region. Reasonable compensation is defined as
14 salaries/wages and total cash compensation levels being within +/-10% of
15 market based salaries/wages and total cash compensation. Even though the
16 Company is slightly lagging the market in total cash compensation,
17 Attachment 12-B demonstrates that NCSC's base salaries and total cash
18 compensation are reasonable and competitive.

B. Performance Adjustments (Merit Increases)

1 **Q45. Did the Company and NCSC grant performance adjustments to non-**
2 **union employees in 2020 and 2021, and are these costs included in the**
3 **cost of service?**

4 A45. Yes. As shown in Attachment 12-C, non-union employees of the Company
5 and NCSC received a 3.0 percent annual performance / merit increase in
6 2020 and 2021.

7 **Q46. What source material was used in creating Attachment 12-C?**

8 A46. I relied upon two survey sources that covered a large number of companies
9 within the utility and general industry sectors, provided data for the North
10 Central region, and provided median merit increase information. These
11 surveys were the 2020-2021 Salary Budget Survey by WorldatWork and
12 2020-2021 Salary Increase and Turnover Study by Aon.

13 **Q47. Please review the comparative analysis performed in relation to non-**
14 **union performance / merit adjustments.**

15 A47. Attachment 12-C, titled Non-Union/Merit Increase Market Data, provides
16 a comparison of the Company's merit increases, for non-union employees

1 in 2020 and 2021, to those for other utilities and general industry employers.

2 The data is categorized nationally and regionally.

3 **Q48. What were the results of your analysis?**

4 A48. Attachment 12-C shows that the Company's merit increases in 2020 and
5 2021 were at market with other companies within the region and the utility
6 industry.

7 **VIII. EMPLOYEE BENEFITS**

8 **Q49. What are the benefits offered by the Company to attract and retain**
9 **qualified employees?**

10 A49. Benefits are an important component of any compensation structure and
11 are necessary to ensure the Company is able to attract and retain qualified
12 employees. The Company's benefit plans correspond to the plans offered
13 throughout the NiSource system, including health and welfare plans
14 (health care coverage, dental coverage, vision care, term life insurance and
15 disability insurance), retirement savings plans, and paid time off (vacation,
16 holiday and sick pay).

17 **Q50. How do the Company and NCSC ensure the reasonableness and**
18 **competitiveness of its benefit offerings?**

1 A50. With regard to employee benefits, NCSC ensures their reasonableness and
2 competitiveness of the level of such benefits by periodically comparing
3 them, at an individual plan level and as a package, against the benefit
4 programs of other employers. As part of this process, the benefits offered
5 by the Company through its affiliation with NiSource are compared to the
6 benefits offered at energy companies, including investor-owned utilities.
7 The total value and the employer-paid portion of the benefits are rated on
8 a standardized value scale that reflects the deviation of the NiSource
9 primary benefit offerings from the average offered by other employers.

10 **Q51. Is it necessary to provide health care and dental coverage to employees?**

11 A51. Yes. Health care coverage, including dental care coverage, is important to
12 Company employees and their families. The Company's experience has
13 demonstrated that quality health care and dental coverage helps to attract
14 and retain employees and encourages longevity with the Company.
15 Therefore, health care and dental coverage plans are offered to all
16 employees of the Company, from field personnel to executives.

17 **Q52. Does the Company incur its own health care and dental care costs or are**
18 **these costs incurred by NCSC on behalf of the Company?**

1 A52. NCSC obtains and incurs the costs associated with health care coverage for
2 Company employees and retirees.

3 **Q53. How does NCSC obtain such coverage?**

4 A53. Benefit coverage is competitively bid through a request-for-proposal
5 process. Proposals are solicited from insurance carriers and/or third party
6 administrators. These proposals are reviewed and finalists are selected
7 based upon the financial stability of the carrier or third-party administrator,
8 the breadth of its provider network, network provider discounts,
9 administrative capabilities, and price. Finalists are interviewed and further
10 negotiations take place regarding pricing for the services offered. Carriers
11 and third-party administrators are selected based upon their ability to
12 provide quality service in the most cost-efficient manner.

13 **Q54. How has the Company attempted to reduce and control its health care**
14 **costs?**

15 A54. NCSC, on behalf of the Company, has undertaken many initiatives to limit
16 the cost of providing health and dental care to Company employees. NCSC
17 continues to review plan coverage and to search for more efficient ways to
18 offer and administer plan coverage. More costly health care indemnity

1 plans have been replaced with more efficient preferred provider
2 organization ("PPO" and "High Deductible ("HD") PPO") plans, and the
3 Company self-insures many of its plans, which reduces underwriting
4 margins. Plans that offer coverage through provider networks are used as
5 often as possible to take advantage of provider discounts. Opt-out credits
6 are paid to those employees who have alternative health care coverage and
7 elect not to participate in the plans. These credits are offered at a fraction
8 of the cost that would otherwise be required to provide coverage for the
9 employees who opt-out. Such programs have been offered to both union
10 and non-union employees. Additionally, the Company offers two high
11 deductible PPOs and a health savings account for participants in these two
12 high deductible plans. As with other parts of its business, the Company
13 enjoys some purchasing power due to its affiliation with NiSource in order
14 to ensure competitive rates from its carriers. In addition, corporate-wide
15 programs offer a larger pool of covered participants, which provides for a
16 larger spread of risk. The larger risk pool helps contain increases in health
17 and dental care costs.

18 **Q55. How are costs of the health care plans determined?**

1 A55. NCSC engages a consultant to help determine the estimated cost of health
2 care plans for the upcoming year. NCSC self-insures many of its plans,
3 which means that the Company's actual plan experience is used to
4 determine estimates of future costs.

5 The Company's consultant uses underwriting techniques, based on
6 actuarial guidelines, to project the future plan's costs for the self-funded
7 plans. The key factor in projecting future results is the prior experience of
8 a group, especially when the group consists of a large population. This
9 experience is specific to NiSource's entire covered population. The process
10 of forecasting past claims experience into the future takes into account plan
11 designs, trends and group credibility. Adjustments to methodology may
12 be made in certain situations. Examples of situations that may result in an
13 adjustment include changes to plan design, significant increases or
14 decreases in the covered population due to acquisitions or divestitures, or
15 when specific language is negotiated in a collective bargaining agreement.
16 These processes are widely accepted with the insurance market as the
17 standard to establishing budget and premium levels that are appropriate to
18 cover future risks.

1 **Q56. Please explain trend and group credibility.**

2 A56. The primary components of the medical trend include the following:

- 3 • Inflation in unit prices for the same services
- 4 • Changes in utilization of the same services
- 5 • Out-of-pocket leveraging
- 6 • New technology/services (increases or decreases depending on the
7 mix and cost of services)
- 8 • Cost shifting from public payors (Medicare and Medicaid) to private
9 plan payors
- 10 • Population aging

11 The trend factors used in the projections fall within the framework
12 established by the Actuarial Standards Board of the American Academy of
13 Actuaries, which has responsibility for the development of actuarial
14 standards of practice used by all professional organizations.

15 Credibility reflects a degree of confidence and accuracy in using the past
16 group's specific information in projecting future costs. A mixture of the size
17 of the group and the period of time the data reflects determines a group's
18 credibility. Generally, the larger the group and/or the longer the period of
19 available historical information, the greater the degree of confidence and
20 accuracy of using a past group's specific data to project the future costs.

1 NiSource working rates are projected using experience based on over 3,000
2 member life years. This amount of experience is fully credible based on
3 generally accepted actuarial guidelines.

4 **Q57. How does the Company assess how its employee benefit programs**
5 **compare to other companies?**

6 A57. On behalf of the Company, NCSC through Aon performs a benefit index
7 study to compare benefits at a program level and as a package against the
8 benefit programs of a market basket of similar offerings at other employers.
9 The standard Company benefit offerings are compared to the benefits
10 offered at other energy companies, including investor-owned utilities. The
11 most recent study was conducted in July 2019 by Aon.

12 Company employees share in a percentage-of-cost basis in the cost of the
13 health plans made available to them. The percentage of the costs employees
14 share is 25% for non-exempt non-union, while exempt employees pay 30%
15 of the costs. For employees in the bargaining units, their percentage cost
16 share is 25% and is subject to collective bargaining.

17 **Q58. What were the results of the latest Aon study regarding NiSource and the**
18 **Company's benefits offerings?**

1 A58. The study shows that the overall employer-paid value of NiSource's
2 benefits plans is 4.8 percent below the median of the selected energy
3 industry cohort. The Company has concluded from the results of the study
4 that its benefits are reasonable as compared with the offerings from other
5 employers in the labor markets.

6 **Q59. Has the Company pursued any benefit cost containment measures?**

7 A59. Yes. The Company has pursued a number of cost containment measures to
8 help control the cost of providing health and retirement benefits to its
9 employees.

- 10 • The Company has eliminated costly indemnity and HMO plans,
11 increased PPO medical plan deductibles, co-pays and co-insurance
12 and has actively promoted and increased enrollment in effective cost
13 containment and cost share high deductible medical plans.
- 14 • The Company self-insures many of its health plans, utilizing
15 Anthem as its benefits administrator, which reduces underwriting
16 margins.
- 17 • Anthem's medical provider network provides very competitive

1 medical provider discounts for its PPO and HDPPPO self-insured
2 plans compared to other national carriers.

3 • Introduced an Anthem Integrated Health Management system that
4 provides registered nurse counseling to employees and dependents
5 for the most cost efficient and effective medical treatment options.

6 • The Company has converted from a Final Average Pay pension
7 formula to a less costly Account Balance pension formula. This
8 conversion for nonexempt, non-union employees was effective
9 January 1, 2013, and for union employees varies from January 1, 2013
10 through 2015. Exempt employees were converted on January 1,
11 2010.

12 • Eliminated pension and post-retiree medical and life insurance for
13 the majority of new hires and replaced with a more shared company
14 and employee subsidy, 401k plan and health savings account
15 retirement savings model. This took place for exempt employees
16 effective January 1, 2010, non-exempt nonunion effective January 1,
17 2013, and for union employees from January 1, 2011 through January
18 1, 2014.

1 IX. CONCLUSION

2 Q60. What is your conclusion about the reasonableness and competitiveness
3 of the Company's compensation and benefits package?

4 A60. As supported throughout my testimony and attachments, the Company's
5 compensation and benefits are competitive when compared to the
6 compensation at a similar group of employers, and this total compensation
7 is reasonable and supports the ability to attract and retain talented
8 employees.

9 Q61. Does this conclude your prefiled direct testimony?

10 A61. Yes

VERIFICATION

I, Kimberly K. Cartella, Director of Compensation of NiSource Corporate Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.


Kimberly K. Cartella

Date: September 29, 2021

NIPSCO Non-Union Salary Analysis¹
Comparison of NIPSCO Non-Union Base Salaries & Total Cash Compensation to Survey Data in the North Central Region

<u>Job Title</u>	<u>NIPSCO Annual Base Salary (Average)</u>	<u>NIPSCO Annual Total Cash Compensation (Average)</u>	<u>Survey Annual Base Salary (Average)</u>	<u>Survey Annual Total Cash Compensation (Average)</u>
(2)	(3)	(3), (4)	(5)	(5)
Assigner	\$60,127	\$61,824	\$53,972	\$57,293
Construction Coordinator 2	\$78,878	\$81,028	\$69,642	\$72,199
Leader Field Engineering	\$112,245	\$120,060	\$130,369	\$144,608
Leader Field Operations	\$94,915	\$101,135	\$106,105	\$117,423
Engineer Level I	\$75,204	\$76,394	\$74,475	\$78,749
Engineer Level II	\$81,905	\$85,928	\$85,868	\$92,262
Engineer Level III	\$94,124	\$99,067	\$106,999	\$116,342
Sr Engineer	\$108,156	\$114,430	\$122,264	\$135,673
Team Leader CCC	\$77,958	\$82,937	\$79,263	\$86,688
Technical Trainer 2	\$88,164	\$92,641	\$76,403	\$81,766
Overall Average	\$90,172	\$94,847	\$94,599	\$102,857
% Above/(Below) Market			-4.7%	-7.8%

Footnotes

(1) Northern Indiana Public Service Company Data as of 12/31/20.

(2) These jobs were utilized because the Company had multiple incumbents matched to the NiSource job title on 12/31/20.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NIPSCO employees matched to the NiSource job title and dividing the aggregate result by the number of NIPSCO employees matched to the title.

(4) Total Cash Compensation equals base salary plus actual incentive paid to employees.

(5) Survey data shown is from the 2019 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2020 and includes companies from the North Central region, which consists of the following states:

Mercer: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, West Virginia, Wisconsin and Wyoming

Willis Towers Watson: Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin and Wyoming

NCSC Salary Analysis¹Comparison of NCSC Base Salaries & Total Cash Compensation to Survey Data in the North Central Region

<u>Job Title</u> (2)	NCSC		North Central Region	
	<u>Annual Base Salary</u> (Average) (3)	<u>Annual Total Cash</u> <u>Compensation (Average)</u> (3), (4)	<u>Survey Annual Base</u> <u>Salary (Average)</u> (5)	<u>Survey Annual Total Cash</u> <u>Compensation (Average)</u> (5)
	Assigner 1	\$48,511	\$49,767	\$56,566
Assistant General Counsel	\$204,390	\$239,144	\$182,697	\$224,996
Associate Gas System Design Engineer 2	\$84,730	\$88,005	\$85,868	\$92,262
Billing Specialist	\$43,941	\$45,041	\$46,001	\$48,739
Environmental Principal	\$109,554	\$116,059	\$115,700	\$132,709
Executive Administrative Assistant	\$68,673	\$70,510	\$66,655	\$68,464
Facility Damage Coordinator	\$53,399	\$54,779	\$59,818	\$61,935
HR Coordinator	\$44,832	\$46,115	\$56,324	\$58,014
IT Ops Analyst	\$73,618	\$76,897	\$84,373	\$88,795
Land Agent II	\$75,336	\$79,537	\$84,550	\$90,449
Lead Architect	\$131,396	\$138,417	\$133,466	\$147,968
Lead Business Analyst	\$108,837	\$112,650	\$114,429	\$127,410
Lead Financial Analyst	\$95,466	\$101,042	\$109,133	\$119,915
Lead IT Ops Analyst	\$107,380	\$114,014	\$122,317	\$133,630
Manager Regulatory	\$122,301	\$134,278	\$132,648	\$150,891
New Business Rep Senior	\$70,176	\$74,414	\$92,102	\$118,906
New Business Representative 2	\$55,447	\$57,177	\$71,939	\$82,724
Principal Engineer	\$120,537	\$127,957	\$130,369	\$144,608
Procurement Consultant	\$81,637	\$84,309	\$92,612	\$99,571
Project Manager 2	\$90,400	\$93,475	\$102,320	\$109,923
Quality Assurance Specialist	\$49,313	\$50,990	\$60,795	\$64,541
Sr Counsel	\$163,985	\$179,199	\$152,448	\$178,868
Sr Customer Service Rep	\$42,691	\$43,908	\$44,762	\$46,992
Sr Financial Analyst	\$75,503	\$78,242	\$81,426	\$86,832
Sr HR Consultant	\$96,860	\$102,794	\$109,794	\$119,783
Sr IT Ops Analyst	\$90,591	\$95,136	\$103,858	\$111,242
Sr Standards Engineer	\$109,486	\$115,984	\$122,264	\$135,673
Team Leader CCC	\$60,200	\$63,220	\$79,263	\$86,353
Technical Support Specialist 2	\$97,314	\$102,347	\$106,999	\$116,342
Technical Trainer 2	<u>\$88,591</u>	<u>\$92,422</u>	<u>\$76,403</u>	<u>\$81,766</u>
Overall Average	\$88,837	\$94,261	\$95,930	\$106,371
% Above/(Below) Market - North Central			-7.4%	-11.4%

Footnotes

(1) NiSource Corporate Service Company Data as of 12/31/2020.

(2) These jobs were utilized because the Company had multiple incumbents matched to the NiSource job title on 12/31/2020.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NCSC employees matched to the NiSource job title and dividing the aggregate result by the number of NCSC employees matched to the title.

(4) Total Cash Compensation equals base salary plus actual incentive paid to employees.

(5) Survey data shown is from the 2019 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2020 and includes companies from the North Central region, which consists of the following states (this regional data was used because this region contains a majority of the NCSC employees):

Mercer: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, West Virginia, Wisconsin and Wyoming

Willis Towers Watson: Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin and Wyoming

Non-Union Merit Increase Market Data

	<u>Actual 2020 % Merit Increase (Median)</u>	<u>Projected 2021 % Merit Increase (Median)</u>
2020-2021 WorldatWork Salary Budget Survey		
<i>National</i>		
Officers & Executives	3.0%	3.0%
Exempt Salaried	3.0%	3.0%
Non-Exempt Salaried	3.0%	3.0%
Non-Exempt Hourly Nonunion	3.0%	3.0%
<i>Utilities</i>		
Officers & Executives	3.0%	3.0%
Exempt Salaried	3.0%	3.0%
Non-Exempt Salaried	3.0%	3.0%
Non-Exempt Hourly Nonunion	3.0%	3.0%
2020-2021 Salary Increase and Turnover Study - AON		
<i>National</i>		
	(Excluding Zeros)	
Executives	3.2%	3.0%
Management	3.1%	3.0%
Professional- Individual Contributor	3.0%	3.0%
Support - Individual Contributor	3.0%	2.9%
Hourly	2.9%	2.9%
<i>Utilities</i>		
Executives	3.5%	2.9%
Management	2.9%	2.8%
Professional- Individual Contributor	2.9%	2.7%
Support - Individual Contributor	2.9%	2.8%
Hourly	2.8%	2.8%
<i>Central/Midwest States (Includes OH, IN, MI, IL, MO, IA, MIN, WI, KS, NE, SD, ND)</i>		
Executives	3.2%	3.0%
Management	3.0%	2.9%
Professional- Individual Contributor	3.0%	2.9%
Support - Individual Contributor	2.9%	2.9%
Hourly	2.9%	2.9%
NiSource	<u>Actual</u>	<u>Actual</u>
Executive	0.0%	3.0%
Director	0.0%	3.0%
All Other Exempt	3.0%	3.0%
Non-Exempt & Nonunion Hourly	3.0%	3.0%