STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-2-42, 8-1-2-42.7 AND 8-1-2-61 FOR (1) AUTHORITY TO MODIFY ITS RETAIL RATES AND CHARGES FOR GAS UTILITY SERVICE THROUGH A PHASE IN OF RATES; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL OF A NEW SALES RECONCILIATION ADJUSTMENT MECHANISM; (4) APPROVAL OF REVISED GAS DEPRECIATION RATES APPLICABLE TO ITS GAS PLANT IN SERVICE; (5) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING BUT NOT LIMITED TO APPROVAL OF CERTAIN DEFERRAL MECHANISMS FOR PENSION, OTHER POST-RETIREMENT BENEFITS, AND LINE LOCATE EXPENSES; AND (6) TO THE EXTENT NECESSARY, APPROVAL OF ANY OF THE RELIEF REQUESTED HEREIN PURSUANT TO IND. CODE CH. 8-1-2.5.	)	**CAUSE NO. 45967**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 2-S – SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE

March 25, 2024

Respectfully submitted,

Thomas R. Harper
Attorney No 16735-53
Deputy Consumer Counselor

NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC
CAUSE NO. 45967
SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Heather R. Poole, and my business address is 115 W. Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as the Director of the Natural Gas Division.

Q: Are you the same Heather R. Poole who previously filed testimony in this Cause?

A: Yes. My direct testimony was filed as Public's Exhibit No. 2 on January 31, 2024.

Q: What is the purpose of your settlement testimony?

A: My settlement testimony supports the Stipulation and Settlement Agreement ("Agreement") between the Parties in this Cause: Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner"), the OUCC, the NIPSCO Industrial Group ("Industrial Group"), Citizens Action Coalition of Indiana, Inc. ("CAC"), Direct Energy Marketing ("Direct Energy"), and Steel Dynamics, Inc. ("SDI"), (collectively, the "Settling Parties"). The Agreement resolves all issues between the Settling Parties in this Cause. I discuss the pertinent matters agreed to in the Agreement, such as the cost of equity, depreciation expense, amortization expense, original cost rate base, capital structure, pro forma operating revenues, and pro forma expense adjustments. I discuss terms of the Agreement related to NIPSCO's proposed balancing accounts for Pension/Other Post-Employment Benefits ("OPEB") accounts and line locates expense, as well as NIPSCO's proposed Sales Reconciliation Adjustment. I also discuss customer service charges and rate design.

Q: Is the Agreement a product of arms-length negotiations between the Settling Parties?

A: Yes. The Agreement represents a compromise reached in the settlement negotiation process, with give and take by all the Settling Parties. The Settling Parties devoted considerable time and effort to fairly balance NIPSCO's interests and those of NIPSCO's customers.

II. AFFORDABILITY

Q: What does Ind. Code § 8-1-2-0.5 state about affordability?

A: The statute declares that affordability should be protected when utilities invest in infrastructure necessary for system operation and maintenance.

Q: Does the Agreement address affordability?

A: Yes. The Agreement significantly reduces NIPSCO's requested revenue increase through rate design and in additional ways as discussed below, thereby further protecting affordability.

Q: How much has NIPSCO's rate request been reduced because of the Agreement?

A: NIPSCO originally proposed an increase to revenues of $161,897,007, for a percentage increase of 16.29% including gas costs. This produces a net operating income of $260,663,791. The OUCC recommended reducing the revenue increase to $80,071,726, for a percentage increase of 8.03% including gas costs. This produces a net operating income of $233,886,511.

The Settling Parties agree that NIPSCO's base rates will be designed to produce a $243,239,741 return on rate base, which results in total revenue of $1,114,923,631. The agreed revenue requirement represents a $120,948,338 increase in revenue, which is a $40,948,669 decrease from the amount originally requested by NIPSCO in its case-in-chief.

III. RATE BASE

Q: What value did the Settling Parties assign to rate base in this Cause?

A: The Settling Parties agree to an original cost rate base of $3,484,810,045. This reflects NIPSCO's forecasted rate base proposed in its case-in-chief, which was not disputed by the Settling Parties. The Settling Parties agree NIPSCO will exclude the net book value of technology costs to set up the billing and enrollment functionality for its Green Path Rider from its rate base at Step 1 and Step 2 as established in this Cause.

IV. COST OF EQUITY AND CAPITAL STRUCTURE

Q: What cost of equity did NIPSCO and the OUCC propose in this Cause?

A: NIPSCO proposed a 10.70% cost of equity, while the OUCC's case-in-chief recommended a 9.25% cost of equity.

Q: What cost of equity have the Settling Parties agreed to in this Cause?

A: The Settling Parties agree to a 9.75% cost of equity, representing a decrease in NIPSCO's currently authorized cost of equity of 9.85%. The OUCC considers this a fair and reasonable result when combined with other considerations and compromises made in this Agreement.

Q: What Weighted Average Cost of Capital ("WACC") have the Settling Parties agreed to?

A: The Settling Parties agree the capital structure will include NIPSCO's actual prepaid pension asset and post-retirement liability as proposed by NIPSCO. The Settling Parties agreed to a WACC of 6.98%.

Q: What fair return results from the Agreement when the WACC is applied to Petitioner's rate base?

A: The Settling Parties stipulate and agree the WACC resulting from Petitioner's capital structure multiplied by Petitioner's net original cost rate base yields a fair return of no more than $243,239,741.

V. PRO FORMA REVENUES

Q: What revenue adjustments do the Settling Parties agree to in this Cause?

A: The Settling Parties agree NIPSCO's pro forma revenues should be the same as reflected in NIPSCO's case-in-chief.

VI. PRO FORMA EXPENSES

Q: What Operation and Maintenance ("O&M") expense adjustments do the Settling Parties agree to in this Cause?

A: The Settling Parties agree NIPSCO's pro forma O&M expenses should be decreased by $8,235,386, as follows:

- Labor Adjustment (Adjustment OM 1) - reduction of $341,910;
- Uncollectible Expense (Adjustment OM 11) – reduction of $11,499;
- Gas Operations Expense (Adjustment OM 2) – reduction of $1,945,844; and
- Other Reduction of $5,936,131.

Q: What Depreciation expense adjustment do the Settling Parties agree to in this Cause?

A: The Settling Parties agree to a $4,900,000 reduction to proposed Depreciation expense. The resulting depreciation accrual rates are shown in Joint Exhibit B attached to the Agreement. There is a slight difference in the accrual rates derived from the updated depreciation study and the depreciation expense to which the Settling Parties agree of $499, as noted in the Agreement. NIPSCO will continue to use the depreciation rates applicable to its common plant as approved by the Indiana Utility Regulatory Commission ("Commission") in NIPSCO's last electric general rate proceeding in Cause No. 45772.

Q: What Amortization expense adjustment do the Settling Parties agree to in this Cause?

A: The Settling Parties agree to a $4,361,479 reduction to Amortization expense as follows:

- Gas Rate Case Expense Amortization adjusted to $375,000, reflecting a 4-year amortization period with a cap of expenses of $1,500,000, for a reduction of $737,216 from NIPSCO's case-in-chief filing; and
- Cause No. 45621 Amortization adjusted to $3,624,363, resulting in two additional years of amortization now ending in August 2028, for a reduction of $3,624,263.

The Settling Parties agree to NIPSCO's proposed:

- 4-year amortization period for the TDSIC Regulatory Asset Amortization;
- 4-year amortization period for the FMCA Regulatory Asset Amortization; and
- 9-month amortization period for the Cause No. 44988 Regulatory Asset (rate case expense and then-deferred TDSIC balance).

At the end of each item's amortization period, NIPSCO agrees to file a compliance filing to take that amount out of base rates.

Q: What Taxes Other Than Income Taxes adjustment do the Settling Parties agree to in this Cause?

A: The Settling Parties stipulate that NIPSCO's forecasted pro forma Taxes Other Than Income Taxes expense should be decreased by $28,761, as follows:

- Payroll Taxes (Adjustment OTX-2) – reduction of $26,156; and
- Public Utility Fee (Adjustment OTX-5) – reduction of $2,604.

VII. REGULATORY MECHANISMS

Q: What do the Settling Parties agree to on NIPSCO's proposed balancing accounts?

A: The Settling Parties agree NIPSCO's proposed pension/OPEB, and line locate balancing accounts are withdrawn from this case.

Q: What do the Settling Parties agree to on NIPSCO's proposed Sales Reconciliation Adjustment?

A: The Settling Parties agree NIPSCO's proposed Sales Reconciliation Adjustment is withdrawn from this case, to be replaced by an annual Weather Normalization Adjustment ("WNA") mechanism. The Settling Parties agree to NIPSCO's methodology of the WNA mechanism presented in the Verified Rebuttal Testimony of John D. Taylor (Petitioner's Exhibit No. 16-R), with the following changes:

- The billed amount for Rates 311, 315, 321 and 325 Customers shall be subject to the WNA for each customer's usage starting on October 1, through May 31. Inclusion of May in NIPSCO's WNA for purposes of Settlement is in recognition of the distinctive characteristics of NIPSCO's service territory, including, but not limited to, the weather patterns unique to its service territory during May, particularly the lake effect weather during May.

- NIPSCO will calculate the weather normalization revenue adjustment for each month of October through May and will accumulate those to be filed in a WNA filing in June or July each year. The filing will have at least a 60-day timeline – 30 days for the OUCC and other interested parties to review and 30 days for the Commission to issue an order, which is similar to NIPSCO's GCA process. NIPSCO will provide workpapers to the OUCC monthly to facilitate the OUCC's review of the filing when made. NIPSCO will also make workpapers available to all intervenors in each proceeding, subject to the appropriate non-disclosure protections for any confidential information.
- The WNA will be charged to customers over the same time period it was accumulated (starting on October 1 and ending on May 31) to ensure, to the greatest practical extent, customers who use no gas in the summer months are not providing a subsidy.
- The second year of the WNA filing and all subsequent years will include a reconciliation of the filed WNA revenue and actual WNA revenue from the prior winter period set out in the prior year filing, with that variance returned to or recovered from customers in the next winter period.
- If NIPSCO implements a new billing system, NIPSCO will evaluate the new system to determine its ability to calculate weather normalization on a real time basis and apply the WNA to customers' bills in real time as is generally the practice of other Indiana gas utilities. If NIPSCO implements a new billing system without the ability to calculate the WNA on a real time basis, NIPSCO

shall, upon selecting such billing system, provide explanations to the OUCC and CAC as to why a billing system with that capability was not chosen.

The Settling Parties agree NIPSCO will continue to recover lost margins related to NIPSCO's 2024-2026 Gas Energy Efficiency Plan via the existing DSM tracking mechanism.

VIII. AMI PROJECT

Q: What have the Settling Parties agreed to regarding the AMI Project?

A: The Settling Parties agree NIPSCO's proposed AMI Project should be approved. NIPSCO will prepare proposed AMI Opt-Out Language to be included in its Gas Tariff to be reviewed and included in a 30-day filing. The Settling Parties agree NIPSCO will make an annual compliance filing to include the following information:

- The number of gas AMI communication modules planned to be installed in the previous calendar year;
- The number of gas AMI communication modules installed in the previous calendar year;
- The number of gas AMI communication modules remaining to be installed;
- The current cost estimate for the installation of the gas AMI communication modules;
- The actual costs incurred in the previous calendar year for the gas AMI Upgrade Project, any changes from previous estimates, and the identified cause;
- The total costs incurred to date for the gas AMI Upgrade Project;
- The actual costs incurred in the previous calendar year for the AMI Network deployment, any changes from the project estimates, and the identified cause; and

- An explanation of any factors that have affected costs for the AMI Upgrade Project.

The foregoing annual compliance filings are to be made by the end of the first quarter of each year, and NIPSCO will report the information based upon the prior calendar year and estimated information about the current calendar year. The Settling Parties agree this obligation shall terminate after NIPSCO has completed its AMI Project and made a subsequent compliance filing.

IX. IMPLEMENTATION AND RATE BASE UPDATE MECHANISM

Q: How will the new rates be implemented?

A: The Settling Parties agree the rate change will be implemented on a services-rendered basis after NIPSCO's new tariff has been approved by the Commission's Energy Division.

Q: What rate base update mechanism do the Settling Parties agree to?

A: The Settling Parties agree NIPSCO should be authorized to modify its base rates and charges in two steps as described below.

Step 1 Rates will be based on the agreed revenue requirement as adjusted to reflect the actual original cost of NIPSCO's rate base, actual capital structure, and associated annualized depreciation and amortization expense as of June 30, 2024. Following the issuance of a Final Order in this Cause, Phase 1 rates will go into effect on an interim subject to refund basis, pending a 60-day review process for all parties to review and present any objections. If needed to resolve any objections, the Commission will conduct a hearing and rates will be trued up, retroactive to the date such rates were put into place.

Step 2 Rates will be based on the agreed revenue requirement as of December 31, 2024, as adjusted to reflect the actual original cost of NIPSCO's rate base, actual capital structure, and associated annualized depreciation and amortization expense as of December 31, 2024. In NIPSCO's Step 2 rate update filing, the Settling Parties agreed the utility plant in service ("UPIS") portion of rate base will be the lesser of (i) NIPSCO's forecasted additions to test-year-end Total Utility Plant of $1,354,396,680, or (ii) NIPSCO's actual additions to Total Utility Plant as of December 31, 2024. Step 2 rates will take effect on a services-rendered basis after the new tariffs have been approved by the Commission's Energy Division, on an interim subject to refund basis, pending a 60-day review process for all parties to review and present any objections. If needed to resolve any objections, the Commission will conduct a hearing and rates will be trued up, retroactive to the date such rates were put into place.

To the extent the actual revenue requirement resulting from either Step 1 or Step 2 is different from $1,114,923,631 as provided in the affordability section above, the difference shall be reflected by changing the rates in an across-the-board fashion.

The Settling Parties agree the forecasted additions to Utility Plant in Service serve as a cap in calculating the actual rate base that is ultimately submitted as part of NIPSCO's Step 2 Compliance Filing. However, the forecasted additions to Utility Plant in Service are only a cap for purposes of this proceeding (not a cap for purposes of a future general rate case or for purposes of NIPSCO's capital trackers).

X. REVENUE ALLOCATION

Q: What revenue allocation do the Settling Parties agree upon?

A: The Settling Parties stipulate to the allocation of the agreed $120,948,338 revenue increase among classes as shown below.

	Margin Revenues at Current Rates	Revenue Increase	Percentage Increase on Margin
Rate 211	$376,460,321	$78,331,049	20.81%
Rate 215	$2,852,398	$593,506	20.81%
Rate 221	$121,103,007	$25,198,208	20.81%
Rate 225	$17,878,181	$3,719,958	20.81%
Rate 228 HP	$42,228,571	$12,039,229	28.51%
Rate 228 DP	$17,784,217	$1,066,388	6.00%
Rate 234	$69,452	-	0.00%
Rate 238	$6,043,060	-	0.00%
Total	$584,419,207	$120,948,338	20.70%

The agreed upon TDSIC allocators are shown in Joint Exhibit C attached to the Agreement. In its next gas rate case, NIPSCO will prepare alternative studies using Design Day demand and peak-and-average methodologies. All parties reserve the right to take positions on cost of service without regard to the agreed allocation in this case.

XI. RATE DESIGN

Q: What rate design have the Settling Parties agreed upon?

A: The Settling Parties agree to monthly customer charges for residential, multi-family, and small gas service at $16.50, $20.75, and $67.00, respectively. The Settling Parties agree to increase the monthly customer charges for Large

Transportation and Balancing Service, Rate 328 HP and 328 DP to $4,500 and $4,000, respectively.

The Settling Parties agree a third volume block is being created for Large Transportation and Balancing Service, Rate 328 HP, for volumes over 500,000 therms per month.

Q: What do the Settling Parties agree to regarding the threshold for transport service?

A: In preparing the cost of service for its next base rate case, NIPSCO will study operational and usage characteristics of potential gas transportation customers to determine if adjustments to the existing gas transportation rates or the creation of another gas transportation rate with a lower minimum volumetric threshold would be appropriate. This may lead to NIPSCO ultimately proposing something similar to or different from what is currently available.

XII. BANK CAPACITY CHARGE

Q: What have the Settling Parties agreed to regarding the bank capacity charge?

A: The Settling Parties agree the Bank Account Capacity Charge should be $0.0600 per Therm of capacity per month.

XIII. UNIVERSAL SERVICE PROGRAM ("USP") RIDER

Q: Have the Settling Parties agreed to a change in the terms of NIPSCO's USP?

A: Yes. The Settling Parties agree NIPSCO will fund 35% of the USP program expenses, as compared to the current level of 30%. NIPSCO's contribution to USP expenses will not exceed $650,000 in any program year, but NIPSCO's administrative expenses will not be counted toward that amount. The Settling

Parties agree NIPSCO will increase the discount for the three tiers used to determine the assistance amount for customers that are at or below 60% of the state median income to 15% (Tier 1), 26% (Tier 2), and 32% (Tier 3).

XIV. INDIANA COMMUNITY ACTION ASSOCIATION FUNDING

Q: What Indiana Community Action Association ("INCAA") funding did the Settling Parties agree upon?

A: NIPSCO will provide INCAA with $100,000 in 2024 and $100,000 in 2025 to assist NIPSCO's low-income customers. These amounts will not be included in the revenue requirements for this Cause, and such contributions shall not be recoverable from ratepayers.

XV. DISCONNECTION POLICY

Q: What changes to NIPSCO's disconnection policy did the Settling Parties agree upon?

A: NIPSCO will change the dollar threshold levels for its disconnection policy as follows:

- Medium Risk from Arrears > $120 to Arrears > $240; and
- High Risk from Arrears > $60 to Arrears > $150.

NIPSCO, through a third-party, agrees to conduct a review of policies and procedures for disconnecting and reconnecting customers for nonpayment, in consultation with CAC, the OUCC, and other interested stakeholders.

NIPSCO will remove the following two criteria from its Disconnection Policy: (1) Prior Non-Sufficient Funds Checks; and (2) Bankruptcy, following the issuance of a final order in this proceeding. NIPSCO will not perform residential gas disconnections for nonpayment on Fridays, Saturdays, Sundays, or Holidays. NIPSCO will also not disconnect residential gas customers during the winter moratorium if the customer can show they have an appointment to apply for the federally funded Energy Assistance Program ("EAP") with a local EAP intake office.

XVI. TELEMETRY

Q: What do the Settling Parties agree to regarding NIPSCO's Telemetry Field Trial?

A: The Settling Parties agree NIPSCO will allow up to five (5) of Direct Energy's transportation customers to participate in NIPSCO's 2024 field trial of telemetry technology under mutually agreeable terms.

XVII. PUBLIC INTEREST

Q: Is the Agreement in the public interest?

A: Yes. The Settling Parties each made material concessions when they entered into the proposed Agreement. The resulting Agreement includes a residential, multi-family and small commercial customer rate that lessens the rate increase impact and prevents rate shock to those captive customers. The terms of the Agreement demonstrate the give and take of settlement negotiations in resolving multiple contested issues in a manner acceptable to all Settling Parties. The Agreement also reduces the risk and expense of litigation of multiple issues. The Agreement, considered in its entirety, serves the public interest and the ratepayers of NIPSCO by guaranteeing ratepayer savings of $40.9 million annually compared to Petitioner's case as initially filed. The Agreement promotes judicial and administrative efficiency. Therefore, the OUCC considers the Agreement to be both reasonable and in the public interest.

Q: Does the Agreement protect affordability?

A: Yes. The Agreement reflects a reasonable compromise and addresses affordability by reducing the rate increase impact, preventing rate shock to customers, and keeping monthly customer charges for residential, multi-family and small commercial to pre-utility receipts tax repeal levels. The Agreement also includes other miscellaneous provisions addressing affordability as discussed in my testimony.

XVIII. CONCLUSION

Q: Does the OUCC recommend approval of the Agreement?

A: Yes. The Settling Parties' testimony and exhibits provide evidence to support the Agreement, and the OUCC recommends the Commission approve the Agreement.

Q: Does this conclude your settlement testimony?

A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Heather R. Poole

Heather R. Poole
Director-Natural Gas Division
Indiana Office of
Utility Consumer Counselor
Cause No. 45967
Northern Indiana Public Service Co.

03-25-2024
Date

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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following counsel of record in the captioned proceeding by electronic service on March 25, 2024.

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