

Northern Indiana Public Service Company LLC
Cause No. 45621

FILED
September 29, 2021
**INDIANA UTILITY
REGULATORY COMMISSION**

VERIFIED DIRECT TESTIMONY OF NICK BLY

1 **Introduction**

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

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

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

9 A2. I am submitting this testimony on behalf of Northern Indiana Public Service
10 Company LLC ("NIPSCO" or the "Company"), a wholly-owned subsidiary
11 of NiSource.

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

13 A3. I received a Bachelor of Science degree in Business Administration with a
14 concentration in Accounting and minor in Philosophy and Religious
15 Studies from Winthrop University in Rock Hill, South Carolina in May
16 2006. My career began in the audit practice of Deloitte in Columbus, Ohio,

1 where I first was exposed to the utility industry, as my main client from
2 2008-2010 was American Electric Power. In 2010, I began working for
3 NCSC as a Senior Financial Analyst in a Consolidation Accounting role. In
4 the following years, I also served as a Lead Analyst in Corporate
5 Development, Lead Analyst in Corporate Budgeting, Manager in Corporate
6 FP&A, as well as the Corporate Finance Manager before leaving NCSC in
7 2016. From 2017 – 2020, I was a partial owner and an Officer of JadeTrack,
8 Inc. serving in a multifunctional finance and operations role. In October
9 2020, I re-joined NCSC and assumed my current role.

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

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

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

3 A5. No.

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

6 A6. Yes. I am sponsoring Attachments 6-A, which was prepared by me or
7 under my direction and supervision. I also sponsor a portion of the
8 workpapers included in Petitioner’s Confidential Exhibit No. 19.

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

10 A7. The purpose of my testimony is to provide background on the NCSC
11 budgeting process and how that relates to the financial plan for NIPSCO. I
12 also support the O&M expenses associated with services provided by
13 NCSC to NIPSCO, and any adjustments to those expenses for the period
14 beginning January 1, 2021 and ending December 31, 2021 (the “Budget
15 Period”), and the period beginning January 1, 2022 and ending December
16 31, 2022 (the “Forward Test Year”).

17 **NCSC Budget Development Process**

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

1 A8. The NCSC budget development process, in regard to timing and duration,
2 is consistent with the NIPSCO planning process, as discussed by NIPSCO
3 Witness Camp. The budget process used to develop the Forward Test Year
4 was the 2021 Annual Financial Plan ("AFP"). The AFP was initiated in the
5 fall of 2020 and completed in the first quarter of 2021. The AFP is the
6 baseline from which NiSource establishes formal targets.

7 Targets for the NCSC functions are grounded in a trailing 12-month
8 historical spend with inflation adjustments each year thereafter, and as
9 necessary adjusted for items such as, but not limited to, non-recurring
10 expenses, future planned work, or strategic initiatives to develop final
11 targets. Once targets are established, budgeted expenses are delineated by
12 cost categories such as labor, materials, outside services, and other
13 expenses.

14 The Vice President of Planning and Analysis reviews the completed
15 budgets for reasonableness and an understanding of material changes for
16 both the whole of the budgets and the allocation to each of the operating
17 companies. The Corporate Service Fee is distributed to each operating
18 company as an input to their planning process upon approval from the Vice

1 President of Financial Planning and Analysis.

2 **Q9. What allocation bases are available to each NCSC department for**
3 **allocating their budgets to NiSource companies?**

4 A9. The direct costs from NCSC departments, as mentioned above, such as
5 labor, materials, outside services, and other expenses, are allocated based
6 on historical distributions to each operating company and adjusted as
7 necessary for items such as, but not limited to, non-recurring expenses,
8 future planned work, or strategic initiatives as noted above. The resulting
9 allocation is used to distribute costs by operating company in the financial
10 plan.

11 In addition to the expenses mentioned above, each department is allocated
12 a portion of NCSC's indirect costs, such as benefits, taxes, depreciation, and
13 other expenses, to arrive at a total cost. Labor is the primary driver of how
14 the overhead costs are distributed to the departments.

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

16 A10. Yes. On a monthly basis an analysis that compares budget to actual results
17 is completed and reviewed. This analysis provides key drivers for
18 variances for both monthly and year-to-date results. In addition to monthly

1 variance analysis, present estimate updates are conducted with function
2 leaders that provide forecast updates for the current year and any impact
3 to future years.

4 **NCSC O&M Expenses in the 2021 Budget Period**

5 **Q11. What is the level of NCSC O&M expenses in the 2021 Budget Period for**
6 **NIPSCO Gas?**

7 A11. The level of NCSC O&M expenses in the 2021 Budget Period for NIPSCO
8 Gas are \$61,316,775 as shown on Attachment 6-A, Page 1, Line 5.

9 **Q12. Please explain the variance in NCSC O&M expenses between the period**
10 **beginning January 1, 2020, and ending December 31, 2020 (the**
11 **“Normalized Historic Base Year”) and the period beginning January 1,**
12 **2021, and ending December 31, 2021 (the “2021 Budget Period”)**
13 **represented on Attachment 6-A, Page 1, Line 3.**

14 A12. The variance in NCSC O&M expenses between the Normalized Historic
15 Base Year and the 2021 Budget Period is an increase of \$1,239,464 or 2.1%.
16 Using the CPI-All Urban Consumers Inflation average for the 12-months
17 ended May 31, 2021 of 1.8% shown on Attachment 6-A, Page 2, Line 18 the
18 increase is substantially explained by the CPI index for related merits and
19 inflation on outside services.

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

2 **Q13. What is the level of NCSC O&M expenses in the Forward Test Year for**
3 **NIPSCO Gas?**

4 A13. The level of NCSC O&M expenses in the Forward Test Year for NIPSCO
5 Gas are \$61,188,863 as shown on Attachment 6-A, Page 1, Line 9.

6 **Q14. Please explain the variance in O&M expenses between the 2021 Budget**
7 **Period and the Forward Test Year represented on Attachment 6-A, Page**
8 **1, Line 7.**

9 A14. The variance for NCSC O&M expenses is a decrease of \$127,912 or 0.2%,
10 which is immaterial and well below inflation.

11 **Q15. Please explain the ratemaking adjustment to the Forward Test Year**
12 **represented on Attachment 6-A, Page 1, Line 14.**

13 A15. The ratemaking adjustment to the Forward Test Year is a decrease of
14 \$702,723 or 1.1%.¹ Adjustments were made to reduce the Forward Test Year
15 for non-recoverable items such as charitable donations, lobbying,
16 advertising, and membership fees (Attachment 6-A, Page 1, Line 12), as well
17 as for profit sharing (Attachment 6-A, Page 1, Line 13). Details of the non-

¹ Petitioner's Exhibit No. 3, Attachment 3-C-S2, Adjustment OM 7-22R.

1 recoverable items are presented on Attachment 6-A, Page 3. The NCSC
2 expenses expected to be allocated to NIPSCO Gas in the Forward Test Year
3 (after ratemaking adjustments) (the "Normalized Forward Test Year") is
4 \$60,486,140 as shown in Attachment 6-A, Page 1, Line 16.

5 **Q16. Is the Normalized Forward Test Year level of \$60,486,140 shown on**
6 **Attachment 6-A, Page 1, Line 16 representative of the NCSC O&M**
7 **expenses necessary to provide ongoing safe and reliable service at**
8 **reasonable rates?**

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

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

14 A17. Yes.

VERIFICATION

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



Nick Bly

Date: September 29, 2021

Northern Indiana Public Service Company
NiSource Corporate Services Company (NCSC) Test Year Expenses - Normalized with Pro-forma Adjustments
Adjusted Historical Base Period - Twelve Months Ended 12/31/2020
Budget Period - Twelve Months Ended 12/31/2021
Forward Test Year - Twelve Months Ended 12/31/2022

<u>Line No.</u>	<u>Ref</u>	<u>Description</u>	<u>Amount</u>
1	Gode Testimony	2020 Normalized Historic Base Year	\$ 60,077,311
2			
3	= Line 5 - Line 1	<i>Increase(Decrease) to Budget Period</i>	<i>1,239,464</i>
4			
5		2021 Budget Period	\$ 61,316,775
6			
7	= Line 9 - Line 5	<i>Increase(Decrease) to Forward Test Year</i>	<i>(127,912)</i>
8			
9		2022 Forward Test Year	\$ 61,188,863
10			
11		<u>Ratemaking Adjustments</u>	
12	[.3]	Charity, Lobbying, Advertising, and Memberships	(537,566)
13		Profit Sharing	(165,157)
14		<hr/> 2022 Ratemaking Increase / (Decrease) <hr/>	<hr/> (702,723) <hr/>
15			
16		<hr/> 2022 Normalized Forward Test Year <hr/>	<hr/> \$ 60,486,140 <hr/>
17			

Northern Indiana Public Service Company
Ratemaking Adjustments
December 31, 2020, 2021 and 2022

**Line
No.**

Ref.

1	2020	
2	Charitable Contributions	27,584
3	PAC/Lobbying Related Expense	99,576
4	Promotional Advertising	75,177
5	Dues & Memberships	4,504
6	Other Non-Recoverable Spend	311,458
7	Grant Total	518,300

8

9

10	2021	
11	Inflation Rate	1.8%
12	Inflation Adjustment	9,545
13	Total	527,845

[.2] line 18

14

15

16	2022	
17	Inflation Rate	1.8%
18	Inflation Adjustment	9,721
19	Total	537,566

[.2] line 18