

Northern Indiana Public Service Company LLC

Cause No. 45967

**FILED**  
October 25, 2023  
**INDIANA UTILITY  
REGULATORY COMMISSION**

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**VERIFIED DIRECT TESTIMONY OF PATRICK L. BARYENBRUCH**

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1   **Q1. Please state your name, position of employment and business address.**

2   A1. My name is Patrick L. Baryenbruch and I am the President of my own consulting  
3       practice, Baryenbruch & Company, LLC, which was established in 1985. In that  
4       capacity, I provide consulting services to utilities and their regulators. My business  
5       address is 2832 Claremont Road, Raleigh, North Carolina 27608.

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 the "Company").

9   **Q3. Please summarize your academic and professional background.**

10  A3. I received a Bachelor of Arts degree in Accounting from the University of  
11       Wisconsin-Oshkosh and a Master of Business Administration degree from the  
12       University of Michigan.

13       I began my career with Arthur Andersen & Company, where I performed financial  
14       audits of utilities, banks and finance companies. I left to pursue an M.B.A. degree.  
15       Upon graduation from business school, I worked with the management consulting

1 firms of Theodore Barry & Associates and Scott Consulting Group (now  
2 ScottMadden) before establishing my own firm.

3 **Q4. Do you hold any professional certifications?**

4 A4. Yes. I am a Certified Public Accountant (CPA) with an active license from the states  
5 of Wisconsin and North Carolina. I am a Certified Information Technology  
6 Professional (CITP), an accreditation awarded by the American Institute of Certified  
7 Public Accountants to CPA professionals who can demonstrate expertise in  
8 information technology management. I also hold a certificate in COSO internal  
9 controls from the American Institute of Certified Public Accountants, which  
10 recognizes my expertise in designing, implementing and monitoring a system of  
11 internal control. I am a member of the American Institute of Certified Public  
12 Accountants and the North Carolina Association of Certified Public Accountants.

13 **Q5. Please describe your experience with utility affiliate transactions.**

14 A5. I have acted as an expert witness on matters related to utility/affiliate transactions  
15 for over 30 years. I have presented testimony in more than 100 regulatory  
16 proceedings in 21 US states and one Canadian province for 46 utility clients. Since  
17 1992, I have performed over 140 affiliate market-cost comparison studies, as  
18 summarized in Attachment 7-A.

1 **Q6. Have you previously testified before the Indiana Utility Regulatory**  
2 **Commission (the "Commission") or any other regulatory commission?**

3 A6. Yes. I acted as an expert witness before the Commission on the topic of service  
4 company charges in NIPSCO's gas rate case (Cause No. 45621), NIPSCO's electric  
5 rate case (Cause No. 45772), Indiana American Water Company's 2017 rate case  
6 (Cause No. 45142) and Indiana American Water Company's 2023 rate case (Cause  
7 No. 45870). I have also acted as an expert witness on the matter of affiliate  
8 transactions before regulators in 20 other US states and one Canadian province.

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

10 A7. Yes. I am sponsoring Attachments 7-A and Attachment 7-B, both of which were  
11 prepared by me.

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

13 A8. My testimony presents the results of my study, which evaluated the services  
14 provided during the 12 months ended December 31, 2022, by NiSource Corporate  
15 Services Company ("NCSC") to NIPSCO's gas utility ("NIPSCO Gas") (the  
16 "Study"). The Study was undertaken in conjunction with NIPSCO Gas's rate case  
17 and is accurate to the best of my knowledge and belief. The Study is attached as  
18 Attachment 7-B.

1 **Q9. What was the purpose of the Study?**

2 A9. The Study was undertaken to determine the reasonableness and necessity of  
3 NIPSCO Gas charges from NCSC for services provided during 2022.

4 **Q10. How much was NIPSCO Gas charged by NCSC during 2022?**

5 A10. NCSC charged NIPSCO Gas approximately \$67.1 million for services rendered  
6 during 2022. The analysis below shows NCSC's annual charges to NIPSCO Electric  
7 and Gas between 2021 (actual) and 2024 (projected). The percent increase in charges  
8 to NIPSCO Gas during that period is 3.9%.

NCSC Charges To	Actual		Projected	Increase 2021-2024
	2021	2022	2024	
NIPSCO Elect	\$ 105,657,320	\$ 105,011,479	\$ 105,966,917	0.9%
NIPSCO Gas	\$ 65,269,580	\$ 67,088,938	\$ 69,738,387	3.9%
Total NIPSCO	\$ 170,926,900	\$ 172,100,417	\$ 175,705,304	2.1%

9 Source: Company information; Baryenbruch & Company, LLC, analysis

10 This increase is significantly lower than the 12.9% actual/forecast total core inflation  
11 from 2022 to 2024, as shown in the table below.

Inflation Rate - 2021-2024

	Increase	Source
2022 Actual	6.1%	BLS Core CPI
2023 Forecast	4.1%	Philadelphia Fed Core CPI
2024 Forecast	2.7%	Philadelphia Fed Core CPI
<b>Total Increase</b>	<b>12.9%</b>	

12  
13 **Q11. Is the portion of total NCSC billings assigned to NIPSCO consistent during the**  
14 **period 2022 to 2024?**

1 A11. Yes. The table below shows that from 2021 (actual) to 2024 (projected) NIPSCO will  
 2 receive between 36.65% and 37.01% of NCSC’s total billings.

NCSC Billings to NIPSCO

NCSC Charges To	Actual		Projected	Increase 2021-2024
	2021	2022	2024	
NIPSCO Elect	\$ 105,657,320	\$ 105,011,479	\$ 105,966,917	0.9%
NIPSCO Gas	\$ 65,269,580	\$ 67,088,938	\$ 69,738,387	3.9%
Total NIPSCO	\$ 170,926,900	\$ 172,100,417	\$ 175,705,304	2.1%
Total NCSC Billings	\$ 461,812,205	\$ 469,638,341	\$ 476,308,954	1.4%

Percent of Total NCSC Billings to NIPSCO

	Actual		Projected
	2021	2022	2024
NIPSCO Elect	22.88%	22.36%	22.25%
NIPSCO Gas	14.13%	14.29%	14.64%
Total NIPSCO	37.01%	36.65%	36.89%

Source: Company information; Baryenbruch & Company, LLC, analysis

3  
4

5 **Q12. Is the allocation of total NCSC billings between NIPSCO Electric and NIPSCO**  
 6 **Gas consistent during the period 2022 to 2024?**

7 A12. Yes. The table below shows that from 2021 (actual) to 2024 (projected) NIPSCO Gas  
 8 will receive between 38.19% and 39.69% of NCSC’s total billings to NIPSCO.

Percent of NCSC Charges to NIPSCO Gas and Electric

	Actual		Projected
	2021	2022	2024
NIPSCO Elect	61.81%	61.02%	60.31%
NIPSCO Gas	38.19%	38.98%	39.69%
Total NIPSCO	100.00%	100.00%	100.00%

Source: Company information; Baryenbruch & Company, LLC, analysis

9

10 **Q13. As part of your work in this proceeding, did you conduct a comprehensive study**  
 11 **of the NCSC services and charges?**

1 A13. Yes. I undertook a study to determine the reasonableness of affiliate charges for  
2 services provided to NIPSCO Gas during 2022. Reasonableness was determined by  
3 answering four questions. First, are NCSC's 2022 administrative and general  
4 ("A&G") charges to NIPSCO Gas reasonable compared to other utility service  
5 companies? Second, did NCSC provide services to NIPSCO Gas at the lower of cost  
6 or market during 2022? Third, is the 2022 cost of NIPSCO Gas's customer accounts  
7 services comparable to that of other utilities? Fourth, are the services NIPSCO Gas  
8 received from NCSC necessary?

9 **Q14. Briefly describe the methodology you followed in performing the Study.**

10 A14. To answer the first three questions above, NCSC's 2022 costs and charges must be  
11 benchmarked using metrics that allow an appropriate comparison against the costs  
12 and charges of other utility service companies and outside service providers. I  
13 obtained costs and charges information for other utilities from Federal Energy  
14 Regulatory Commission ("FERC") Forms 1 and 60, which are filed annually. I  
15 obtained cost information for outside service providers from relevant survey  
16 information (e.g., National Law Journal, American Institute of Public Accountants).  
17 The fourth question is answered by analyzing the specific services provided by  
18 NCSC to NIPSCO Gas to determine if they are necessary.

1 **Q15. What conclusions were you able to draw concerning question 1, whether NCSC**  
2 **charges to NIPSCO Gas were reasonable?**

3 A15. The cost per NIPSCO Gas customer for A&G services from NCSC is reasonable  
4 compared to the cost per customer for similar utility service companies. During  
5 2022, NIPSCO Gas was charged an average of \$58 per customer for these services  
6 from NCSC. This is well below the average of \$120 per customer for comparison  
7 group service companies. All the comparison group service companies had a higher  
8 cost than NIPSCO Gas.

9 I also compared NIPSCO Gas's total A&G expenses to a comparison group of 47  
10 regulated utilities that are part of utility holding companies with a service  
11 company affiliate and that are subject to traditional utility regulation. This  
12 comparison looks at total expenses, including those incurred directly by NIPSCO  
13 and those allocated to it by NCSC. The total A&G expenses comparison showed  
14 NIPSCO Gas's average of \$150 per customer to be below the comparison group  
15 average of \$206 per customer. Forty of 47 comparison group utilities had a higher  
16 cost than NIPSCO Gas.

17 **Q16. What conclusions were you able to draw concerning question 2, whether**  
18 **NIPSCO Gas was charged the lower of cost or market for the services provided**  
19 **by NCSC during 2022?**



1 A16. I was able to draw the following conclusions:

2 1. NCSC's services were provided to NIPSCO Gas during 2022 at the lower of  
3 cost or market.

4 2. On average, the hourly rates for outside service providers are 87% higher  
5 than comparable hourly rates charged by NCSC.

6 3. If all the managerial and professional services now provided by NCSC had  
7 been outsourced in 2022, NIPSCO Gas and its customers would have  
8 incurred more than an estimated \$30.2 million in additional expenses.

9 4. NCSC's charges do not include any profit markup. Only the actual cost of  
10 the service provided is being charged NIPSCO Gas and its customers.

11 **Q17. What conclusions were you able to draw concerning question 3, whether 2022**  
12 **costs of NCSC's customer accounts services were reasonable?**

13 A17. I was able to conclude that NIPSCO Gas's customer accounts services costs, which  
14 include charges from NCSC, are well below the average of the utility comparison  
15 group from Indiana and neighboring states. During 2022, NIPSCO Gas's customer  
16 accounts services cost per customer was \$20.15 per customer compared to the utility  
17 comparison group's 2022 average of \$28.72. Fifteen comparison group companies  
18 had a higher cost per customer and eight had a lower cost per customer than  
19 NIPSCO Gas.

1 **Q18. What conclusions were you able to draw concerning question 4, whether the**  
2 **services NIPSCO Gas receives from the NCSC are necessary?**

3 A18. I was able to draw the following conclusions:

4 1. The services that the NCSC provides are necessary and would be required  
5 even if NIPSCO Gas were a stand-alone gas utility.

6 2. There is no redundancy or overlap in the services provided by NCSC to  
7 NIPSCO Gas.

8 **Q19. Based on your work, can you conclude that NIPSCO Gas's 2022 affiliate charges**  
9 **for services are reasonable?**

10 A19. Yes. The Study's overall results show that NIPSCO Gas's 2022 service-related  
11 charges from NCSC are reasonable.

12 **Q20. Does this conclude your prefiled direct testimony?**

13 A20. Yes.

**VERIFICATION**

I, Patrick L. Baryenbruch, President of Baryenbruch & Company, LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.



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Patrick L. Baryenbruch

Date: October 25, 2023

### Patrick Baryenbruch's Previous Affiliate Transactions and Rate Case Engagements

Client	State	Year	Purpose	Rate Case Witness?
1 Connecticut American Water	Connecticut	1999	Rate Case	Yes
2 Illinois American Water	Illinois	2007	Rate Case	Yes
	Illinois	2021	Rate Case	Yes
3 Indiana American Water	Indiana	2017	Rate Case	Yes
	Indiana	2022	Rate Case	Yes
4 Iowa American Water	Iowa	2020	Rate Case	Yes
5 Kentucky American Water	Kentucky	2003	Rate Case	Yes
	Kentucky	2006	Rate Case	Yes
	Kentucky	2008	Rate Case	Yes
	Kentucky	2009	Rate Case	Yes
	Kentucky	2018	Rate Case	Yes
6 Massachusetts American Water	Massachusetts	2000	Rate Case	Yes
7 Missouri American Water	Missouri	2002	Rate Case	Yes
	Missouri	2008	Rate Case	Yes
	Missouri	2014	Rate Case	Yes
	Missouri	2016	Rate Case	Yes
	Missouri	2019	Rate Case	Yes
8 New Jersey American Water	New Jersey	2005	Rate Case	Yes
	New Jersey	2007	Rate Case	Yes
	New Jersey	2009	Rate Case	Yes
	New Jersey	2010	Rate Case	Yes
	New Jersey	2014	Rate Case	Yes
	New Jersey	2017	Rate Case	Yes
	New Jersey	2019	Rate Case	Yes
9 New Mexico American Water	New Mexico	2007	Rate Case	Yes
10 New York American Water	New York	2006	Rate Case	Yes
	New York	2010	Rate Case	Yes
	New York	2013	Rate Case	Yes
	New York	2015	Rate Case	Yes
11 Ohio American Water	Ohio	2006	Rate Case	Yes
	Ohio	2010	Rate Case	Yes
12 Pennsylvania American Water	Pennsylvania	2008	Compliance	No
	Pennsylvania	2011	Compliance	No
	Pennsylvania	2014	Compliance	No
	Pennsylvania	2017	Compliance	No
	Pennsylvania	2020	Compliance	No
13 Tennessee American Water	Tennessee	2006	Rate Case	Yes
	Tennessee	2010	Rate Case	Yes
14 Virginia American Water	Virginia	1996	Rate Case	Yes
	Virginia	1999	Rate Case	Yes
	Virginia	2000	Rate Case	Yes
	Virginia	2001	Rate Case	Yes
	Virginia	2003	Rate Case	Yes
	Virginia	2007	Rate Case	Yes
	Virginia	2009	Rate Case	Yes
	Virginia	2011	Rate Case	Yes
	Virginia	2014	Rate Case	Yes
	Virginia	2018	Rate Case	Yes
	Virginia	2021	Rate Case	Yes
15 West Virginia American Water	West Virginia	2002	Rate Case	Yes
	West Virginia	2006	Rate Case	Yes
	West Virginia	2007	Rate Case	Yes
	West Virginia	2009	Rate Case	Yes
	West Virginia	2012	Rate Case	Yes
	West Virginia	2014	Rate Case	Yes
	West Virginia	2017	Rate Case	Yes
	West Virginia	2020	Rate Case	Yes
	West Virginia	2022	Rate Case	Yes
16 Atlanta Gas Light (Southern Co)	Georgia	2009	Rate Case	Yes
17 Atmos Energy Corporation	Virginia	2004	Compliance	No
18 Columbia Gas of Kentucky	Kentucky	2015	Rate Case	Yes
19 Columbia Gas of Maryland	Maryland	2015	Rate Case	Yes
20 Columbia Gas of Massachusetts	Massachusetts	2004	Rate Case	Yes
	Massachusetts	2006	Internal Info	No
	Massachusetts	2011	Internal Info	No
	Massachusetts	2012	Internal Info	No
	Massachusetts	2014	Internal Info	No
	Massachusetts	2017	Internal Info	No
21 Northern Indiana Public Service	Indiana	2015	Internal Info	No
	Indiana	2016	Rate Case	Yes
	Indiana	2020	Rate Case	Yes
	Indiana	2021	Rate Case	Yes
22 Liberty Utilities New York Water	New York	2022	Rate Case	Yes

### Patrick Baryenbruch's Previous Affiliate Transactions and Rate Case Engagements

Client	State	Year	Purpose	Rate Case Witness?
23 Columbia Gas of Virginia	Virginia	2003	Compliance	No
	Virginia	2004	Compliance	No
	Virginia	2005	Rate Case	Yes
	Virginia	2006	Compliance	No
	Virginia	2007	Compliance	No
	Virginia	2008	Compliance	No
	Virginia	2009	Rate Case	Yes
	Virginia	2010	Compliance	No
	Virginia	2011	Compliance	No
	Virginia	2012	Compliance	No
	Virginia	2013	Rate Case	Yes
	Virginia	2014	Compliance	No
	Virginia	2015	Rate Case	Yes
	Virginia	2016	Compliance	No
	Virginia	2017	Rate Case	Yes
	Virginia	2018	Compliance	No
	Virginia	2019	Compliance	No
	Virginia	2020	Compliance	No
	Virginia	2021	Rate Case	Yes
Virginia	2022	Compliance	No	
24 Columbia Gas of Pennsylvania	Pennsylvania	2015	Internal Info	No
	Pennsylvania	2020	Rate Case	Yes
25 Dominion Energy, Inc.	Virginia	2008	Rate Case	Yes
	Virginia	2009	Compliance	No
	Virginia	2010	Compliance	No
	Virginia	2011	Compliance	No
	Virginia	2012	Compliance	No
	Virginia	2014	Compliance	No
	Virginia	2017	Compliance	No
Virginia	2019	Compliance	No	
26 Duke Energy	North Carolina	2006	Compliance	No
27 Elizabethtown Gas (Southern Co)	New Jersey	2008	Rate Case	Yes
28 Electric Transmission Texas	Texas	2016	Rate Case	Yes
	Texas	2020	Rate Case	Yes
	Texas	2022	Rate Case	Yes
29 General Water Works of Rio Rancho	New Mexico	1993	Rate Case	Yes
30 General Water Works of Virginia	Virginia	1992	Rate Case	Yes
31 Po River Water and Sewer	Virginia	1993	Rate Case	Yes
	Virginia	2007	Rate Case	Yes
	Virginia	2008	Rate Case	Yes
32 Progress Energy	North Carolina	2001	Internal Info	No
33 Roanoke Gas	Virginia	2006	Compliance	No
34 Southern California Edison	California	2002	Compliance	No
	California	2003	Compliance	No
	California	2004	Compliance	No
	California	2005	Compliance	No
35 AEP Texas	Texas	2018	Rate Case	Yes
36 Appalachian Power	Virginia	2021	Rate Case	Yes
37 Southwestern Electric Power	Texas	2016	Rate Case	Yes
	Texas	2020	Rate Case	Yes
38 Kentucky Utilities	Virginia	2020	Rate Case	Yes
39 Virginia Natural Gas (Southern Co)	Virginia	2004	Compliance	No
	Virginia	2005	Rate Case	Yes
	Virginia	2010	Rate Case	Yes
40 United Water of Pennsylvania	Pennsylvania	2004	Rate Case	Yes
41 Corix Infrastructure/Water Services Corp.	Enterprise	2018	Internal Info	No
	Enterprise	2019	Internal Info	No
	Enterprise	2021	Internal Info	No
42 Community Utilities of Indiana	Indiana	2020	Rate Case	No
43 Massanutten Public Service Company	Virginia	2006	Rate Case	Yes
	Virginia	2008	Rate Case	Yes
	Virginia	2013	Rate Case	Yes
	Virginia	2019	Rate Case	Yes
44 Water Service Corporation Kentucky	Kentucky	2010	Rate Case	Yes
	Kentucky	2012	Rate Case	Yes
	Kentucky	2019	Rate Case	Yes
	Kentucky	2021	Rate Case	Yes
45 Corix Utilities Oklahoma	Oklahoma	2019	Compliance	Yes
46 Great Basin Water Company	Nevada	2019	Rate Case	Yes
	Nevada	2021	Rate Case	Yes
Total Studies				143
Number of Rate Cases				100
Number of Utility Clients				46
Number of States				21

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**Northern Indiana Public Service Company**  
**Market Cost Comparison for Affiliate Company Charges**  
**12 Months Ended December 31, 2022**

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August 2023

**Northern Indiana Public Service Company**  
**Market Cost Comparison for Affiliate Company Charges**  
**12 Months Ended December 31, 2022**

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## **Purpose of This Study**

This study was undertaken to determine if the services that Northern Indiana Public Service Company's gas business (NIPSCO Gas) received from NiSource Corporate Services Company (NCSC) during 2022 were necessary and reasonable. This was determined by answering the following four questions:

1. Are NCSC's administrative and general (A&G) charges to NIPSCO Gas reasonable compared to other utility service companies? Are NIPSCO Gas's total A&G expenses in line with those of other utilities?
2. Does NCSC provide services to NIPSCO Gas at the lower of cost or market?
3. Is the cost of NIPSCO Gas customer accounts services comparable to that of other utilities?
4. Are the services NIPSCO Gas receives from NCSC necessary?

## **Study Results**

Conclusions concerning question 1:

- The cost to NIPSCO Gas for A&G-related services from NCSC is reasonable compared to the costs of other utility service companies. During 2022, NIPSCO Gas's NCSC A&G-related charges were \$58 per customer. This is well below to the average of \$120 per customer for comparison group service companies. All the comparison group service companies had a higher cost than NIPSCO Gas. This determination was based on 2022 service company information included in Form 60, which must be annually filed with the Federal Energy Regulatory Commission (FERC) by electric and combination electric/gas utility holding companies.
- NIPSCO Gas's 2022 total A&G expenses, including those incurred directly and allocated from NCSC, amount to \$153 per customer. This compares to the 2022 average of \$206 per customer for the comparison group of 47 utilities. Forty of 47 comparison group utilities had a higher cost than NIPSCO Gas.

Conclusions concerning question 2:

- NCSC's services were provided to NIPSCO Gas during 2022 at the lower of cost or market.
- On average, the hourly rates for outside service providers are 87% higher than comparable hourly rates charged by NCSC.



## I - Introduction

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- If all the managerial and professional services now provided by NCSC had been outsourced in 2022, NIPSCO Gas and its customers would have incurred \$30.2 million in additional expenses.
- NCSC's charges do not include any profit markup. Only the actual cost of the service provided is being charged NIPSCO Gas and its customers.

Conclusions concerning question 3:

- NIPSCO Gas's customer accounts services costs, which include charges from NCSC, are well below the average of the utility comparison group from Indiana and neighboring states. During 2022, NIPSCO Gas's customer accounts services cost per customer was \$20.15 per customer compared to the utility comparison group's 2022 average of \$28.72. Fifteen comparison group companies had a higher cost per customer and eight had a lower cost per customer than NIPSCO Gas.

Concerning question 4, the following conclusions were drawn:

- The services that NCSC provides are necessary and would be required even if NIPSCO Gas were a stand-alone gas utility.
- There is no redundancy or overlap in the services provided by NCSC to NIPSCO Gas. For all the services listed in Schedule 13, there was only one entity primarily responsible for the service.

This study's results show that NIPSCO Gas's 2022 service-related charges from NCSC are reasonable.

**Charges from Affiliates to NIPSCO Gas**

During 2022, affiliate entities charged NIPSCO Gas approximately \$113.8 million. The analysis below shows charges by affiliate.

Billings to NIPSCO Gas by Affiliate	Purpose	2022
NiSource Corporate Service Company	Contract services	\$ 66,970,678
NiSource Inc.	Interest on debt and employee pensions and benefits	\$ 38,627,182
NIPSCO Accounts Receivable Corp.	Interest on debt	\$ 3,710,575
NiSource Development Company	Rent	\$ 1,247,228
NiSource Insurance Corporation	Employee pensions and benefits	\$ 3,200,077
Total Charges to NIPSCO Gas		\$ 113,755,740

Note A: Reconciliation to testimony of company witness Weatherford:

Total NIPSCO Gas NCSC Charges including Capital & BS Accounts	\$ 73,420,880
Less: Capital and BS Accounts	\$ (6,331,943)
O&M-Related NIPSCO Gas Charges	\$ 67,088,937
Total NIPSCO Gas NCSC Charges per Weatherform Supporting Schedule	\$ 66,970,678
Difference (reclassification from O&M to balance sheet account)	\$ 118,259

Source: Company information

Contract services charges from NCSC represent the cost of management, professional and technical services. They can be subjected to a market cost analysis for which comparative information is available.

Charges from other affiliates are, in effect, a pass-through of costs shared with other NiSource entities. In general, the amounts represent NIPSCO’s proportionate share of actual expenses incurred by affiliates. No services are involved in these charges so they are not included in the scope of this study.

The table below shows an analysis of NCSC O&M-related charges to NIPSCO since NIPSCO-Gas’s last rate case in Cause No. 45621. NIPSCO Gas’s NCSC charges from 2021 Actual to 2024 Projected increase by 3.9%

NCSC Charges To	Actual		Projected	Increase
	2021	2022	2024	2021-2024
NIPSCO Elect	\$105,657,320	\$105,011,479	\$105,966,917	0.9%
NIPSCO Gas	\$ 65,269,580	\$ 67,088,938	\$ 69,738,387	3.9%
Total NIPSCO	\$170,926,900	\$172,100,417	\$175,705,304	2.1%

Source: Company information; Baryenbruch & Company, LLC, analysis

This increase is significantly lower than the 12.9% actual/forecast total core inflation from 2022 to 2024, as shown in the table below.

Inflation Rate - 2021-2024		
	Increase	Source
2022 Actual	6.1%	BLS Core CPI
2023 Forecast	4.1%	Philadelphia Fed Core CPI
2024 Forecast	2.7%	Philadelphia Fed Core CPI
<b>Total Increase</b>	<b>12.9%</b>	

Between 2021 and 2024, the proportion of total NCSC billings assigned to NIPSCO Gas will be relatively consistent, as shown in the analysis below.

Percent of Total NCSC Billings to NIPSCO

	Actual		Projected
	2021	2022	2024
NIPSCO Elect	22.88%	22.36%	22.25%
NIPSCO Gas	14.13%	14.29%	14.64%
Total NIPSCO	37.01%	36.65%	36.89%

Source: Company information; Baryenbruch & Company, LLC, analysis

Also relatively consistent is the allocation of total NCSC billings to NIPSCO between NIPSCO Electric and NIPSCO Gas, as shown in the table below.

Percent of NCSC Charges to NIPSCO Gas and Electric

NIPSCO Elect	61.81%	61.02%	60.31%
NIPSCO Gas	38.19%	38.98%	39.69%
Total NIPSCO	100.00%	100.00%	100.00%

Source: Company information; Baryenbruch & Company, LLC, analysis

### Overview of Services Provided by NCSC

NCSC provides the following types of services to NiSource operating companies, including NIPSCO Gas:

Accounting and Statistical Services	Gas Dispatching Services
Auditing Services	Information Services
Budget Services	Information Technology Services
Business Services	Insurance Services
Corporate Services	Land/Surveying Services
Customer Billing, Collection and Contact Services	Legal Services
Depreciation Services	Officers
Economic Services	Operations Support and Planning Services
Electronic Communications Services	Purchasing, Storage and Disposition Services
Employee Services	Regulatory Services
Engineering and Research Services	Tax Services
Facility Services	Transportation Services
	Treasury Services

NCSC follows a service company model used by many utility holding companies that own multiple regulated utilities. By consolidating executive and professional services into a single service company, utility holding companies can realize the following benefits for ratepayers:

- **Purchasing Economies** – Common expenses (e.g., insurance, contract services) can be procured on a much larger scale, thereby providing greater bargaining power for the combined entity compared to individual utility operating companies. A service company facilitates corporate-wide purchasing programs through its procurement and contract administration functions.

- **Operating Economies of Scale** – A service company can deliver services more efficiently because workloads can be balanced across more persons and facilities. For instance, NCSC can maintain one IT infrastructure for the entire corporation. This is much more cost-efficient than each operating utility funding its own data center with large, fixed hardware, software and staffing costs.
- **Continuity of Service** – Centralizing service company personnel who perform similar services facilitates job cross-training and sharing of knowledge and expertise. This makes it easier to deal with staff turnover and absences and to sustain high levels of service to operating utilities. An individual operating utility might experience considerable disruption if a key professional left and it were necessary to hire outside to fill the vacancy.
- **Maintenance of Corporate-Wide Standards** – Personnel in NCSC establish standards for many functions (e.g., engineering designs, operating procedures and maintenance practices). It is easier to ensure these standards are followed by every operating utility because their implementation is overseen by NCSC.
- **Improved Governance** – NCSC provides another dimension of management and financial oversight that supplements local operating utility management. NCSC facilitates standard planning and reporting, which helps ensure that operating utilities meet the requirements of their customers in a cost-effective manner.
- **Retention of Personnel** – A service company organization provides operating utility personnel with another career path beyond what may be available on a local level. These opportunities tend to improve employee retention.

NCSC follows the model for other utility service companies in another important regard: Its services are provided to affiliate operating utilities, like NIPSCO, at cost. NCSC is not a profit-making entity. It assigns only its actual expenses to the NiSource subsidiaries it services.

### **NCSC Billings to Affiliate Companies**

NCSC is regulated by the Federal Energy Regulatory Commission (FERC), which requires that NCSC record transactions in accordance with FERC's Uniform System of Accounts. Pursuant to FERC Order No. 684 issued October 19, 2006, centralized service companies must use a cost accumulation system, provided such system supports the allocation of expenses to the services performed and readily identifies the source of the expense and the basis for the allocation. NCSC has long used a billing pool system to collect costs that are applicable and billable to all affiliates, including NIPSCO Gas. Each billing pool details the affiliate(s) to

be charged for the specified services and the basis for allocating charges when more than one affiliate receives the same service.

The relationship between NCSC and NIPSCO is set forth in a Service Agreement dated January 1, 2015. The Service Agreement stipulates that all services will be provided at cost. Allocations among affiliates are only made when it is impractical to charge an affiliate directly.

The bases of allocation, shown in Schedule 1, are used by NCSC Accounting Department for apportioning Job Order charges to affiliates.

**Northern Indiana Public Service Company – Gas**  
**Bases for Allocating Service Company Charges to Affiliates**

<p><b>Basis 1 - Gross Fixed Assets and Total Operating Expenses</b>  Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's gross fixed assets to the total gross fixed assets of all benefited affiliates; the remaining 50% will be allocated on the basis of the relation of the affiliate's total operating expenses to the total operating expenses of all benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 2 - Gross Fixed Assets</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its total gross fixed assets to the sum of the total gross fixed assets of all benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 3 - Number of Meters Serviced</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its number of meters serviced to the total number of all meters serviced of the benefited affiliates. This allocation may only be used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Maryland.</p>
<p><b>Basis 4 - Number of Accounts Payable Invoices Processed</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its number of accounts payable invoices processed (interface invoices excluded) to the total number of all accounts payable invoices processed of the benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 7 - Gross Depreciable Property and Total Operating Expenses</b>  Fifty percent of the total charges will be allocated on the basis of the relation of the affiliate's total operating expenses to the total of all the benefited affiliates' total operating expense; the remaining 50% will be allocated on the basis of the relation of the affiliate's gross depreciable property to the gross depreciable property of all benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 8 - Gross Depreciable Property</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its total depreciable property to the sum of the total depreciable property of all benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 9 - Automobile Units</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its number of automobile units to the total number of all automobile units of the benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 10 - Number of Retail Customers</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its number of retail customers to the total number of all retail customers of the benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 11 - Number of Regular Employees</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its number of regular employees to the total number of all regular employees of the benefited affiliates. All companies may be included in this allocation.</p>
<p><b>Basis 13 - Fixed Allocation</b>  Charges will be allocated to each benefited affiliate on the basis of fixed percentages on an individual project basis. All companies may be included in this allocation.</p>
<p><b>Basis 14 - Number of Transportation Customers</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its Transportation Customers to the total of all Transportation Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Maryland.</p>
<p><b>Basis 15 - Number of Commercial Customers</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its Commercial Customers to the total of all Commercial Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Maryland.</p>
<p><b>Basis 16 - Number of Residential Customers</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its Residential Customers to the total of all Residential Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Maryland.</p>
<p><b>Basis 17 - Number of High Pressure Customers</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its High Pressure Customers to the total of all High Pressure Customers of the benefited affiliates. This allocation is only used by the following companies: Columbia Gas of Virginia, Columbia Gas of Kentucky, Columbia Gas of Ohio, Columbia Gas of Pennsylvania, and Columbia Gas of Maryland.</p>
<p><b>Basis 20 - Service Company Billing (Direct and Allocated)</b>  Charges will be allocated to each benefited affiliate on the basis of the relation of its Service Corporation billing costs, in total or by functional group (e.g. IT, Legal, HR, Finance, Audit), to the corresponding total of all Service Company billing costs, (i.e. in total or by functional group). The calculation of Basis 20 will include only those billings for services provided to all NiSource affiliates, excluding Business Unit specific shared service functions (i.e. functions that serve only one particular Business Unit). All companies may be included in this allocation.</p>

### III – Evaluation Methodology for NCSC Charges

During 2022 NCSC charged NIPSCO Gas approximately \$73.4 million for contract services. The table below shows the FERC accounts to which these charges were recorded on the books of NIPSCO. Baryenbruch & Company, LLC’s, methodology for evaluating these charges in connection with this study’s four questions are described below.

2022	A&G	Non-A&G	Total
Capital and Other Non-O&M Expenditures		\$ 6,331,943	\$ 6,331,943
Operations and Maintenance Expenses			
403 - Depreciation expense		\$ 6,911,367	\$ 6,911,367
404 - Amortization expense		\$ 152,407	\$ 152,407
405 - Amortization of other property		\$ 505,162	\$ 505,162
408 - Taxes other than income taxes		\$ 1,329,440	\$ 1,329,440
409 - Income taxes		\$ (488,222)	\$ (488,222)
410 - Provision for deferred income taxes		\$ 2,018,255	\$ 2,018,255
411 - Provision for deferred income taxes—credit		\$ (1,459,424)	\$ (1,459,424)
419 - Interest and dividend income		\$ (61)	\$ (61)
421 - Miscellaneous income or loss		\$ 282,592	\$ 282,592
426 - Other deductions		\$ 25,503	\$ 25,503
430 - Interest on debt to associate companies		\$ 403,936	\$ 403,936
431 - Other interest expense		\$ 212,981	\$ 212,981
432 - Allowance for borrowed funds used during construction—credit		\$ (8,131)	\$ (8,131)
505 - Electric expenses		\$ 1	\$ 1
557 - Other expenses		\$ (7)	\$ (7)
807 - Purchased gas expenses		\$ 327,149	\$ 327,149
859 - Other expenses		\$ (2,698)	\$ (2,698)
870 - Operation supervision and engineering		\$ 2,808,830	\$ 2,808,830
874 - Mains and services expenses		\$ 3,565	\$ 3,565
875 - Measuring and regulating station expenses—General		\$ 188,587	\$ 188,587
876 - Measuring and regulating station expenses—Industrial		\$ 154,298	\$ 154,298
880 - Other expenses		\$ 6	\$ 6
887 - Maintenance of mains		\$ 2,670	\$ 2,670
889 - Maintenance of measuring and regulating station equipment—General		\$ 188,587	\$ 188,587
890 - Maintenance of measuring and regulating station equipment—Industrial		\$ 154,298	\$ 154,298
892 - Maintenance of services		\$ 29,248	\$ 29,248
894 - Maintenance of other equipment.		\$ 11,788	\$ 11,788
Administrative and General Expenses			
901 - Supervision	\$ 269		\$ 269
903 - Customer records and collection expenses	\$ 1,148,509		\$ 1,148,509
910 - Miscellaneous customer service and informational expenses	\$ 235,630		\$ 235,630
912 - Demonstrating and selling expenses	\$ 933		\$ 933
913 - Advertising expenses	\$ 40,138		\$ 40,138
920 - Administrative and general salaries	\$ 20,463,722		\$ 20,463,722
921 - Office supplies and expenses	\$ 995,188		\$ 995,188
923 - Outside services employed	\$ 16,652,731		\$ 16,652,731
924 - Property insurance	\$ 8,474		\$ 8,474
925 - Injuries and damages	\$ 218,782		\$ 218,782
926 - Employee pensions and benefits	\$ 3,855,118		\$ 3,855,118
928 - Regulatory commission expenses	\$ 276		\$ 276
930.1 - General advertising expenses	\$ 64,346		\$ 64,346
930.2 - Miscellaneous general expenses	\$ 175,440		\$ 175,440
931 - Rents	\$ 1,984,092		\$ 1,984,092
932 - Maintenance of general plant.	\$ 7,493,163		\$ 7,493,163
<b>Total 2022 NCSC Charges to NIPSCO Gas</b>	<b>\$ 53,336,811</b>	<b>\$ 20,084,069</b>	<b>\$ 73,420,880</b>

Source: Company Information

### III – Evaluation Methodology for NCSC Charges

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The first question—whether NCSC service-related charges are reasonable— is answered by two cost comparisons: (1) A&G-related NCSC charges per retail customer and (2) total A&G expenses per customer. Each analysis is described below.

#### Service Company A&G-Related Charges per customer

NIPSCO Gas’s A&G charges from NCSC are compared to those of other utility service companies. The comparison group consists of service companies that file a FERC Form 60 – Annual Report of Service Companies. Every centralized service company in a holding company system must file a Form 60 in accordance with Section 1270 of the Public Utility Holding Company Act of 2005, Section 390 of the Federal Power Act, and 18 C.F.R. §366.23. This report is designed to collect financial information from service companies that are subject to regulation by FERC.

For 2022, 30 active service companies associated with 22 utility holding companies filed a Form 60. NiSource is excluded from the comparison group because the focus of this study is service company affiliate charges to NIPSCO Gas. Thus, the remaining service companies associated with the following utility holding companies make up the comparison group:

AES Corporation	Eversource Energy
Algonquin Power & Utilities Corporation	Exelon Corporation
Alliant Energy Corporation	FirstEnergy Corporation
Ameren Corporation	National Grid PLC
American Electric Power Corporation	PPL Corporation
Avangrid, Inc.	PNM Resources, Inc.
Black Hills Corporation	Southern Company
CenterPoint Energy, Inc.	Unitil Corporation
Dominion Energy, Inc.	WEC Energy Group, Inc.
Duke Energy Corporation	Xcel Energy Inc.
Entergy Corporation	

Source: FERC Form 60

Comparison group cost pools include A&G charges to the same FERC accounts in which NIPSCO Gas’s charges from NCSC are recorded.

#### Total A&G Expenses per customer

NIPSCO Gas’s 2022 total A&G expenses are also evaluated to provide a more comprehensive cost comparison perspective. The cost pool includes expenses NIPSCO Gas incurs directly and those allocated to it by NCSC.

The source of this comparison’s data is the FERC Form 1 and Form 2. Cost pools included charges to the FERC accounts that NIPSCO Gas’s total A&G charges were recorded to during 2022.



### III – Evaluation Methodology for NCSC Charges

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The comparison group was selected based on each utility’s similarity to NIPSCO Gas. The following selection criteria was applied:

- Part of a utility holding company with a service company affiliate that provides services to regulated utility operating companies.
- Operations in a state with traditional cost-of-service regulation.

The selection criteria resulted in the following set of 47 utilities in addition to NIPSCO Gas:

AEP	Entergy
Appalachian Power Company	Entergy Arkansas, LLC
Indiana Michigan Power Company	Entergy Louisiana, LLC
Kentucky Power Company	Entergy Mississippi, LLC
Kingsport Power Company	Entergy New Orleans, LLC
Public Service Company of Oklahoma	Entergy Texas, Inc.
Southwestern Electric Power Company	Energy
Wheeling Power Company	Energy Kansas Central, Inc.
AES	Energy Kansas South, Inc.
Indianapolis Power & Light Company	Energy Metro, Inc.
Algonquin	Energy Missouri West, Inc.
Empire District Electric Company	FirstEnergy
Liberty Utilities (Calpeco) LLC	Monongahela Power Company
Alliant	NiSource
Interstate Power and Light Company	NIPSCO Electric
Wisconsin Power and Light Company	PNMR
Ameren	Public Service Company of New Mexico
Union Electric Company	PPL
Black Hills	Kentucky Utilities Company
Black Hills Colorado Electric, LLC	Louisville Gas and Electric Company
Black Hills Power, Inc.	Southern Co
Cheyenne Light, Fuel & Power Company	Alabama Power Company
Centerpoint	Georgia Power Company
Southern Indiana Gas and Electric Company	Mississippi Power Company
Dominion	TECO
Dominion Energy South Carolina, Inc	Tampa Electric Company
Virginia Electric and Power Company	WE Energy
Duke	Wisconsin Electric Power Company
Duke Energy Carolinas, LLC	Wisconsin Public Service Corporation
Duke Energy Florida, LLC	Xcel
Duke Energy Indiana, LLC	Northern States Power Company (MN)
Duke Energy Kentucky, Inc.	Northern States Power Company (WI)
Duke Energy Progress, LLC	Public Service Company of Colorado
	Southwestern Public Service Company

The second question—whether NCSC’s services were provided to NIPSCO Gas at the lower of cost or market—is answered by comparing the cost per hour for managerial and professional services provided by NCSC personnel to hourly billing rates that would be charged by outside providers of equivalent services. NCSC’s costs per hour were based on actual charges to NIPSCO Gas during 2022.

### III – Evaluation Methodology for NCSC Charges

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Outside providers' billing rates came from surveys or other information from professionals who could perform the services now provided by NCSC.

The third question—whether affiliate customer account services charges were comparable to other utilities— is answered by comparing NIPSCO Gas's total expenses for customer accounts services to those of utilities in Indiana and neighboring states. The comparison metric is expenses per customer. Comparison group utility customer account services expenses are obtained from FERC Form 1 data.

The fourth question—the necessity of NCSC services—was investigated by defining the services provided to NIPSCO Gas and determining if these services would be required if NIPSCO Gas were a stand-alone gas utility.

**NCSC A&G-Related Charges**

Utility service companies deliver a variety of services to their regulated operating company affiliates. While some service companies may support their affiliate’s operations and maintenance (O&M) functions, all provide A&G services such as legal, information technology, finance and human resources. Centralizing the management of such corporate A&G services is justified by the considerable economies of scale achieved. Because A&G-related services are consistently delivered by service companies, considerable data exists on the nature and cost of these services. This study relies on such data to determine A&G charges per customer by comparison companies. These charges are then used as the metric by which to test the reasonableness of charges for services NCSC provides to NIPSCO Gas.

FERC Form 60 shows service company charges to affiliates by FERC account. FERC defines A&G charges as those listed in the table below. During 2022, NCSC’s A&G charges to NIPSCO Gas were recorded in the accounts noted in the table below. It should be noted that charges to account 926 – Employee Pensions and Benefits – are excluded from the cost comparison because these charges relate to all utility functions, not just A&G. This is done to keep the cost comparison focused on the cost of A&G-related services.

FERC Account	Included In Cost Calculation
901 - Supervision	X
902 - Meter reading expenses	
903 - Customer records and collection expenses	X
904 - Uncollectible accounts	
905 - Miscellaneous customer accounts expenses	
907 - Supervision	
908 - Customer assistance expenses	
909 - Informational And Instructional Advertising Expenses	
910 - Miscellaneous Customer Service And Informational Exp	X
911 - Supervision	
912 - Demonstrating and Selling Expenses	X
913 - Advertising Expenses	X
916 - Miscellaneous Sales Expenses	
920 - Administrative and General Salaries	X
921 - Office Supplies and Expenses	X
923 - Outside Services Employed	X
924 - Property Insurance	X
925 - Injuries and Damages	X
926 - Employee Pensions and Benefits	
928 - Regulatory Commission Expenses	X
930.1 - General Advertising Expenses	X
930.2 - Miscellaneous General Expenses	X
931 - Rents	X
935 - Maintenance of Structures and Equipment	X

## IV – Question 1 – Reasonableness of NCSC Services-Related Charges

### NIPSCO Gas's Cost per Customer

As calculated below, NCSC charged NIPSCO Gas \$58 per customer for A&G services during 2022.

Administrative and General Expenses	2022 NCSC Charges
901 - Supervision	\$ 269
903 - Customer records and collection expenses	\$ 1,148,509
910 - Miscellaneous customer service and informational expenses	\$ 235,630
912 - Demonstrating and selling expenses	\$ 933
913 - Advertising expenses	\$ 40,138
920 - Administrative and general salaries	\$ 20,463,722
921 - Office supplies and expenses	\$ 995,188
923 - Outside services employed	\$ 16,652,731
924 - Property insurance	\$ 8,474
925 - Injuries and damages	\$ 218,782
928 - Regulatory commission expenses	\$ 276
930.1 - General advertising expenses	\$ 64,346
930.2 - Miscellaneous general expenses	\$ 175,440
931 - Rents	\$ 1,984,092
932 - Maintenance of general plant.	\$ 7,493,163
2022 NCSC A&G-Related Charges to NIPSCO Gas	\$ 49,481,693
2022 NIPSCO Gas Customers	858,851
2022 NCSC A&G Charges per Customer	\$ 58

Source: Company Information; Baryenbruch & Company, LLC, analysis

### Comparison Group Cost Per customer

Every centralized service company in a holding company subject to regulation by the FERC must file a Form 60 in accordance with the Public Utility Holding Company Act of 2005, Section 1270, Section 390 of the Federal Power Act and the Code of Federal Regulations Chapter 18, paragraph 366.23. This report is designed to collect financial information from service companies subject to regulation by the FERC.

Charges to utility affiliates for the comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (p. 303 to 306) of each entity's FERC Form 60. Information from Form 60 schedule Account 457 – Analysis of Billing – Associate Companies was also used to isolate and eliminate charges to non-regulated affiliates from the cost pool used to calculate A&G expenses per regulated retail customer.

For 2022, a Form 60 was filed by service companies associated with 21 utility holding companies, all of which provide regulated electric and, in some cases, gas service to retail customers.

The 2022 A&G expenses per customer for the comparison group are calculated in the table below.

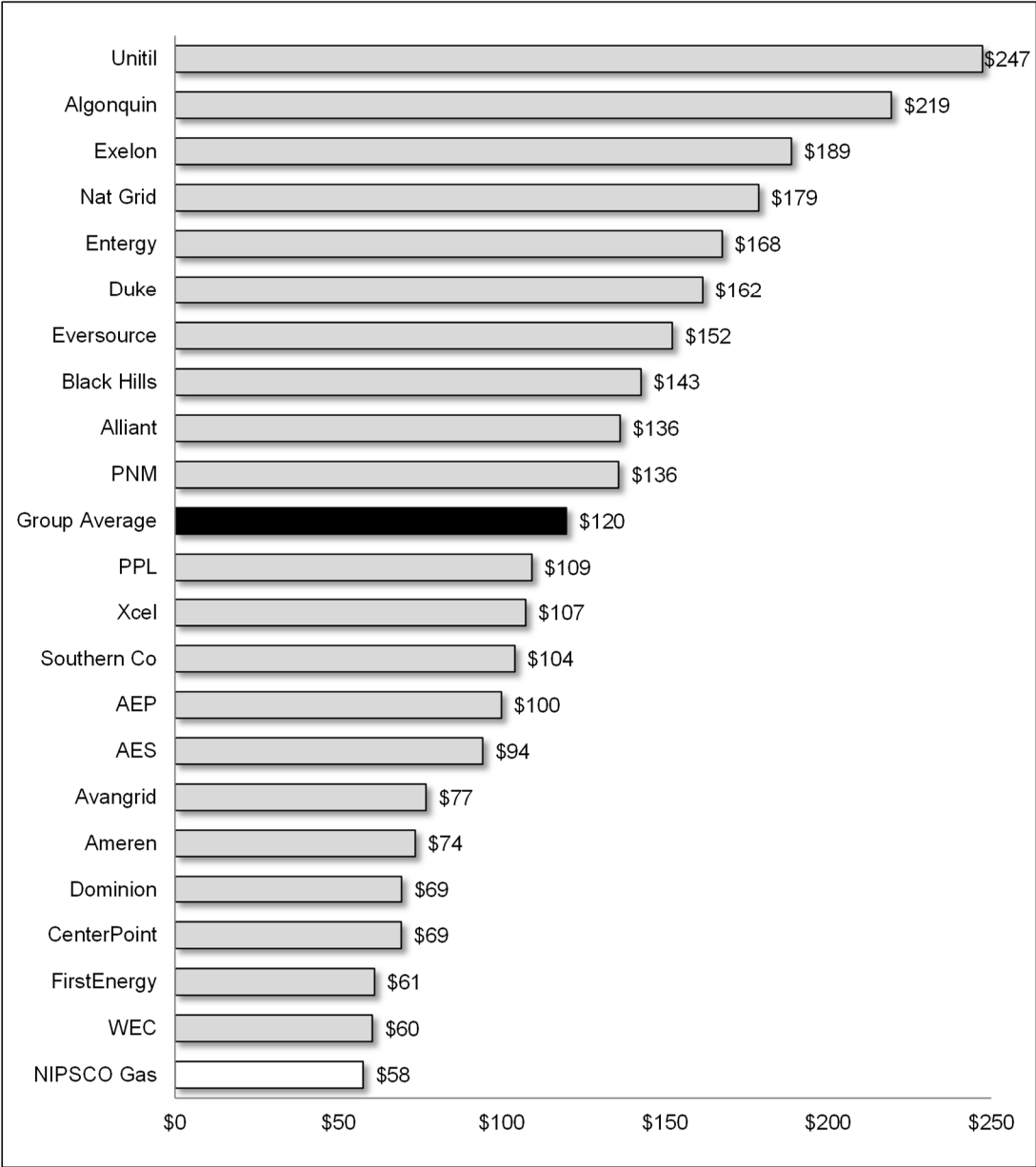
IV – Question 1 – Reasonableness of NCSC Services-Related Charges

Utility Company	2022 Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Customer
AEP	\$559,684,522	5,600,000	\$ 100
AES	\$99,474,845	1,056,000	\$ 94
Algonquin	\$263,265,699	1,200,000	\$ 219
Alliant	\$193,571,293	1,420,000	\$ 136
Ameren	\$242,784,816	3,300,000	\$ 74
Avangrid	\$253,677,577	3,300,000	\$ 77
Black Hills	\$182,673,724	1,280,000	\$ 143
CenterPoint	\$471,354,239	6,800,000	\$ 69
Dominion	\$485,596,223	7,000,000	\$ 69
Duke	\$1,590,108,535	9,840,000	\$ 162
Entergy	\$536,904,055	3,204,000	\$ 168
Eversource	\$609,206,724	4,000,000	\$ 152
Exelon	\$1,888,078,122	10,000,000	\$ 189
FirstEnergy	\$366,511,274	6,000,000	\$ 61
Nat Grid	\$1,251,250,161	7,000,000	\$ 179
PNM	\$110,033,082	810,000	\$ 136
PPL	\$382,281,676	3,498,000	\$ 109
Southern Co	\$913,203,367	8,775,000	\$ 104
Unitil	\$47,725,226	193,000	\$ 247
WEC	\$279,232,119	4,622,000	\$ 60
Xcel	\$633,615,763	5,900,000	\$ 107
Total/Average	\$11,360,233,043	94,798,000	\$ 120

Source: FERC Form 60; Baryenbruch & Company, LLC, analysis

Schedule 2 (page 14) shows that NIPSCO Gas's NCSC A&G charges per customer of \$58 for 2022 are well below the comparison group average of \$120 per customer. All the utility companies in the comparison group had a higher cost per customer than NIPSCO Gas. Based on this result, it can be concluded that NCSC's charges to NIPSCO Gas for 2022 are reasonable.

Northern Indiana Public Service Company Gas  
Comparison of Service Company 2022 A&G Charges per Customer



Source: Company information; 2022 FERC Form 60; Baryenbruch & Company, LLC, analysis

## IV – Question 1 – Reasonableness of Service-Related Affiliate Charges

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### Total A&G Expenses Comparison

In 2022, NIPSCO Gas's total A&G expenses were \$153 per customer, as calculated below.

Customer Accounts, Customer Service and A&G Expenses	2022
901 - Supervision	\$ 2,084,566
902 - Meter Reading Expenses	\$ 1,451,747
903 - Customer records and collection expenses	\$ 15,221,541
909 - Informational and instructional advertising expenses	\$ 159,802
910 - Miscellaneous customer service and informational expenses	\$ 678,257
912 - Demonstrating and selling expenses	\$ 933
913 - Advertising expenses	\$ 430,515
920 - Administrative and general salaries	\$ 39,274,921
921 - Office supplies and expenses	\$ 8,734,649
923 - Outside services employed	\$ 39,157,396
924 - Property insurance	\$ 1,679,656
925 - Injuries and damages	\$ 7,234,752
928 - Regulatory commission expenses	\$ (4)
930.1 - General advertising expenses	\$ 64,346
930.2 - Miscellaneous general expenses	\$ 775,817
931 - Rents	\$ 6,703,203
932 - Maintenance of general plant.	\$ 7,546,827
Total NIPSCO Gas A&G Expenses	\$ 131,200,946
NIPSCO Customers at December 31, 2022	858,851
Total 2022 NIPSCO Gas A&G Expenses per Customer	\$ 153

Source: 2022 FERC Form 2; Baryenbruch & Company, LLC, analysis

As shown in Schedule 3 (page 16), the comparison group's average total A&G expenses per customer for 2022 was \$206. Schedule 4 (page 17) shows where NIPSCO Gas's A&G expenses align with those of the comparison group. Forty comparison group utilities have a higher cost than NIPSCO Gas and seven are lower.

**Northern Indiana Public Service Company Gas**  
**Calculation of 2022 Comparison Group Total A&G Expenses Per Customer**

Utility	2022		Cost per Customer
	Total A&G Expenses	Customers	
Alabama Power Company	\$369,818,689	1,526,836	\$ 242
Appalachian Power Company	\$134,629,776	963,755	\$ 140
Black Hills Colorado Electric, LLC	\$25,524,017	101,192	\$ 252
Black Hills Power, Inc.	\$31,563,212	75,135	\$ 420
Cheyenne Light, Fuel & Power Company	\$13,784,875	44,415	\$ 310
Dominion Energy South Carolina, Inc	\$206,220,887	776,995	\$ 265
Duke Energy Carolinas, LLC	\$599,031,553	2,791,711	\$ 215
Duke Energy Florida, LLC	\$482,841,260	1,933,053	\$ 250
Duke Energy Indiana, LLC	\$155,056,746	881,328	\$ 176
Duke Energy Kentucky, Inc.	\$24,827,125	148,901	\$ 167
Duke Energy Progress, LLC	\$376,567,438	1,688,590	\$ 223
Empire District Electric Company	\$58,546,526	207,291	\$ 282
Entergy Arkansas, LLC	\$165,311,254	725,187	\$ 228
Entergy Louisiana, LLC	\$248,812,227	1,102,550	\$ 226
Entergy Mississippi, LLC	\$110,734,338	459,673	\$ 241
Entergy New Orleans, LLC	\$47,885,438	208,865	\$ 229
Entergy Texas, Inc.	\$92,986,634	493,592	\$ 188
Evergy Kansas Central, Inc.	\$89,307,721	393,984	\$ 227
Evergy Kansas South, Inc.	\$76,479,512	339,987	\$ 225
Evergy Metro, Inc.	\$119,768,351	575,301	\$ 208
Evergy Missouri West, Inc.	\$69,433,128	340,298	\$ 204
Georgia Power Company	\$673,852,554	2,693,353	\$ 250
Indiana Michigan Power Company	\$128,864,249	607,734	\$ 212
Indianapolis Power & Light Company	\$138,970,615	519,319	\$ 268
Interstate Power and Light Company	\$127,396,904	498,042	\$ 256
Kentucky Power Company	\$29,374,753	164,184	\$ 179
Kentucky Utilities Company	\$124,158,641	566,736	\$ 219
Kingsport Power Company	\$3,971,714	48,820	\$ 81
Liberty Utilities (Calpeco) LLC	\$20,863,416	49,791	\$ 419
Louisville Gas and Electric Company	\$79,636,696	430,394	\$ 185
Mississippi Power Company	\$74,613,708	191,431	\$ 390
Monongahela Power Company	\$88,272,152	395,813	\$ 223
Northern States Power Company (Minnesota)	\$302,151,912	1,538,707	\$ 196
Northern States Power Company (Wisconsin)	\$47,010,485	266,952	\$ 176
Public Service Company of Colorado	\$213,426,278	1,551,732	\$ 138
Public Service Company of New Mexico	\$161,392,341	543,647	\$ 297
Public Service Company of Oklahoma	\$67,375,578	572,734	\$ 118
Southern Indiana Gas and Electric Company	\$48,126,155	154,505	\$ 311
Southwestern Electric Power Company	\$89,951,870	549,651	\$ 164
Southwestern Public Service Company	\$118,924,838	403,677	\$ 295
Tampa Electric Company	\$166,986,405	819,766	\$ 204
Union Electric Company	\$247,792,844	1,250,553	\$ 198
Virginia Electric and Power Company	\$381,891,730	2,725,288	\$ 140
Wheeling Power Company	\$9,467,846	41,558	\$ 228
Wisconsin Electric Power Company	\$117,042,640	1,148,141	\$ 102
Wisconsin Power and Light Company	\$100,303,177	490,592	\$ 204
Wisconsin Public Service Corporation	\$52,962,125	458,948	\$ 115
Total/Average	\$7,113,912,333	34,460,707	\$ 206

Source: 2022 FERC Form 1; Baryenbruch & Company, LLC, analysis



**Northern Indiana Public Service Company Gas  
Comparison of 2022 Total A&G Expenses Per Customer**

Utility	A&G Expenses per Customer
Black Hills Power, Inc.	\$ 420
Liberty Utilities (Calpeco) LLC	\$ 419
Mississippi Power Company	\$ 390
Southern Indiana Gas and Electric Company	\$ 311
Cheyenne Light, Fuel & Power Company	\$ 310
Public Service Company of New Mexico	\$ 297
Southwestern Public Service Company	\$ 295
Empire District Electric Company	\$ 282
Indianapolis Power & Light Company	\$ 268
Dominion Energy South Carolina, Inc	\$ 265
Interstate Power and Light Company	\$ 256
Black Hills Colorado Electric, LLC	\$ 252
Georgia Power Company	\$ 250
Duke Energy Florida, LLC	\$ 250
Alabama Power Company	\$ 242
Entergy Mississippi, LLC	\$ 241
Entergy New Orleans, LLC	\$ 229
Entergy Arkansas, LLC	\$ 228
Wheeling Power Company	\$ 228
Evergy Kansas Central, Inc.	\$ 227
Entergy Louisiana, LLC	\$ 226
Evergy Kansas South, Inc.	\$ 225
Monongahela Power Company	\$ 223
Duke Energy Progress, LLC	\$ 223
Kentucky Utilities Company	\$ 219
Duke Energy Carolinas, LLC	\$ 215
Indiana Michigan Power Company	\$ 212
Evergy Metro, Inc.	\$ 208
<b>Group Average</b>	<b>\$ 206</b>
Wisconsin Power and Light Company	\$ 204
Evergy Missouri West, Inc.	\$ 204
Tampa Electric Company	\$ 204
Union Electric Company	\$ 198
Northern States Power Company (Minnesota)	\$ 196
Entergy Texas, Inc.	\$ 188
Louisville Gas and Electric Company	\$ 185
Kentucky Power Company	\$ 179
Northern States Power Company (Wisconsin)	\$ 176
Duke Energy Indiana, LLC	\$ 176
Duke Energy Kentucky, Inc.	\$ 167
Southwestern Electric Power Company	\$ 164
<b>NIPSCO Gas</b>	<b>\$ 155</b>
Virginia Electric and Power Company	\$ 140
Appalachian Power Company	\$ 140
Public Service Company of Colorado	\$ 138
Public Service Company of Oklahoma	\$ 118
Wisconsin Public Service Corporation	\$ 115
Wisconsin Electric Power Company	\$ 102
Kingsport Power Company	\$ 81

Source: Baryenbruch & Company, LLC, analysis

### **Comparison Methodology**

NCSC’s 2022 billings to NIPSCO Gas for Contract Services are market tested by comparing the cost per hour for NCSC services to those of outside service providers to whom these duties could be assigned.

The first step was to determine which types of outside providers could assume NCSC services. Based on the nature of these services, it was determined that the following outside service providers could perform the categories of services indicated:

- Attorneys - corporate secretarial and legal services
- Certified Public Accountants - accounting, finance and rates and regulatory services
- Professional Engineers – engineering and operations services
- Management Consultants - executive and administrative management, risk management services, human resources and communications services
- Information Technology (IT) Professionals – information technology services

The next step was to calculate NCSC’s hourly rate for each of the five outside service-provider categories, based on the dollars and hours charged to NIPSCO Gas during 2021.

Next, hourly billing rates for outside service providers were determined using information from pertinent surveys.

Finally, NCSC’s average cost per hour was compared to the average cost per hour for outside providers.

### **NCSC Hourly Rates**

The first step in determining NCSC’s hourly rates is to determine the appropriate expenses to be included in the cost pool. Adjustments to total NCSC charges related to Contract Services are necessary to calculate NCSC’s hourly rates that are directly comparable to those of outside providers. Certain types of expenses are not recovered by outside providers in the hourly billing rate of their professional employees. Such excluded expenses are described below.

- Outside Services – NCSC charges to NIPSCO Gas include expenses associated with the use of outside professional firms to perform certain corporate-wide services (e.g., legal, financial audit, actuarial services).

#### IV – Question 2 – NCSC’s Provision of Services at the Lower of Cost or Market

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These professional fees are excluded from the Service Company hourly rate calculation because the related services have effectively been out-sourced already.

- Travel Expenses – In general, client-related travel expenses incurred by outside service providers are not recovered through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, it is appropriate to remove these Service Company charges from the hourly rate calculation.
- IT Infrastructure Expenses – Included in NCSC charges to NIPSCO Gas are leases, maintenance fees and depreciation pertaining to NCSC’s enterprise computing and network infrastructure and corporate business applications. An outside provider that would take over operation of this infrastructure would recover these expenses over and above the labor-related charges necessary to deliver IT services.
- Excludable Cost Centers – These departments represent travel-related charges (aviation) and non-service-related charges (cost of capital). Also excluded are customer service-related charges because this function is not considered a professional service. Customer service charges are considered in question 3 of this study.

Schedule 5 (pages 20-21) shows the adjustments made to NCSC’s 2022 NCSC total contract services to NIPSCO Gas. The net result of is a total cost pool that can be subjected to the lower-of-cost-or-market testing.

Northern Indiana Public Service Company – Gas  
Determination of Lower of Cost or Market Testable 2022 NCSC Charges

2022 Total Contract Billings from NCSC to NIPSCO Gas		\$	73,420,880
Less Excludable Cost Elements			
<u>Contract Services</u>			
3000 - Consulting Services	\$	6,928,040	
3001 - Advertising Services	\$	92,090	
3002 - Legal Services	\$	624,669	
3003 - Auditing Services	\$	7,699	
3004 - Constructions Services	\$	1,186	
3006 - Engineering Services	\$	1,065,883	
3008 - Printing and Fulfillment Svcs	\$	77,141	
3009 - Operations Services	\$	371,853	
3010 - Real Estate Management	\$	190	
3011 - Temporary Personnel Services	\$	1,292,839	
3012 - Security Services	\$	2,788,979	
3015 - Other Outside Services	\$	110,799	
3021 - Env Health and Safety Services	\$	(348,218)	
3024 - Benefit Administration	\$	234,311	
3025 - Credit Collections	\$	47	
3027 - Cash Processing	\$	4,400	
3028 - Expert Witness Fees	\$	1,021	
3030 - Outsourcing - Est Fixed Costs	\$	633	
3031 - Outsourcing-Variable Cst-ARCs	\$	2,293,454	
3037 - Miscellaneous Reimbursements	\$	3,545	
3040 - Outsourcing - Act Fixed Costs	\$	419,333	
3044 - IT Costs - Non-IBM Contract	\$	1,234,247	
3046 - HR Services	\$	592,020	
3047 - IT Services	\$	3,157,189	
3089 - Line Location and OneCall Svcs	\$	714,877	
3093 - Operations Mapping Svcs - GPS	\$	24,762	\$ (21,692,988)
<u>IT Infrastructure</u>			
2500 - IT Hardware	\$	38,295	
2501 - IT Software	\$	794,601	
5004 - IT Software Maintenance	\$	5,912,850	
5009 - IT Hardware Maintenance	\$	74,246	
9302 - Hardware Depreciation	\$	3,468,782	
9310 - Other Depreciation	\$	2,844,157	\$ (13,132,932)
<u>Travel Expenses</u>			
3100 - Business Travel Expenses	\$	308,292	
3102 - Meals, Food and Water	\$	91,276	
3103 - Entertainment & Other Non-Ded	\$	2,225	
5003 - Aircraft Maintenance	\$	113,172	
5020 - Vehicle Maintenance	\$	1,698	
9230 - Leases - Aircraft	\$	129,738	\$ (646,401)

Northern Indiana Public Service Company – Gas  
Determination of Lower of Cost or Market Testable 2022 NCSC Charges

Less Excludable Cost Elements (cont.)		
<u>Operational/Non-Service Expenses</u>		
2012 - Bulk Materials	\$	24,042
2017 - Other Materials and Supplies	\$	55,896
2023 - Instrumentation & Control	\$	40,370
2024 - Mechanical Equipment	\$	95,784
2203 - Other Gas Materials and Equip	\$	10,615
3350 - Cleared Costs	\$	2
3604 - Bank Fees	\$	281,087
3619 - AR Customer Refunds	\$	528
3671 - Recording Fee	\$	244
4017 - Losses_Claims Expense	\$	(2,195)
4503 - AFUDC_IDC - Debt	\$	(8,131)
4533 - PP Man Acc Excl Int_OH	\$	75,596
5013 - Garbage and Waste Disposal	\$	1,881
5030 - Truck Maintenance	\$	8,188
5040 - Tool Maintenance	\$	20,235
9210 - Leases - Vehicles	\$	17
9261 - Overheads Related To Lse-Rent	\$	424,056
9604 - Income Taxes Federal	\$	(405,680)
9605 - Income Taxes State	\$	(82,542)
9606 - Deferred Income Taxes Federal	\$	468,727
9607 - Deferred Income Taxes State	\$	90,103
9610 - Sales and Use Tax	\$	14,195
9640 - Sales_Use - Audit Reserve	\$	(54,357)
	\$	(1,058,658)
Total Excludable Cost Elements		\$ (36,530,980)
Less Excludable Departments		
0005000 - Aviation Services	\$	203,892
0007100 - Insurance Premiums	\$	265,433
0019800 - Customer Programs & Billing	\$	176,823
0025600 - Customer Operations Training	\$	16,156
0030300 - Customer Contact Center	\$	70,506
0030310 - Customer Care Center	\$	254,173
0042800 - Cost of Capital	\$	403,875
0053600 - Mailing Operations	\$	464,206
0088000 - Fleet Maintenance	\$	32,836
0042850 - Return on Shared Assets	\$	250,809
Total Excludable Departments		\$ (2,138,709)
2022 Testable Contract Billings from NCSC (Note A)		\$ 34,751,191
Note A: This total breaks down as follows for later analysis:		
Service-Related Charges	\$	29,206,393
Overhead-Related Charges	\$	5,544,797
2022 Testable Contract Billings from NCSC	\$	34,751,191

Source: Company information; Baryenbruch & Company, LLC, analysis

#### IV – Question 2 – NCSC’s Provision of Services at the Lower of Cost or Market

The next step is to assign NCSC’s service-related charges to the five outside service-provider cost pools—attorney, certified public accountant, professional engineer, management consultant and IT professional. Among other things, NCSC assigns a “department” to all affiliate charges. Based on the nature of services performed by these departments, NCSC’s charges were assigned to the five outside service-provider cost pools, as shown in Schedule 6 (page 24).

Schedule 7 (page 25) shows the assignment of staff hours by service category to the five outside service provider cost pools. It should be noted that only productive professional personnel hours are included in Schedule 7. Many outside providers charge clients for the time of administrative support personnel (e.g., paralegals). This study chose to be conservative in this regard. By excluding administrative personnel hours from the hourly rate denominator, there are fewer hours to divide into the cost pool. Consequently, NCSC’s hourly rates are somewhat inflated using this approach as compared to the hourly rates of outside providers.

Within 2022 NCSC charges are overhead-related expenses associated with sustaining NCSC personnel. The largest portion of overhead is depreciation expense and rent on various NCSC facilities and equipment. These expenses would also be incurred by outside service providers and must be added into the NCSC cost pools. The table below shows amounts by category.

Department/Cost Element	2022
Cell Phones	\$ 158,675
Corporate Services	\$ 528
Facilities Management	\$ 286,803
Facility Rent	\$ 1,606,572
General	\$ 72,693
Hardware Depreciation	\$ 1,255,997
Long Term Incentive Expense	\$ 2,065,958
Real Estate	\$ 90,440
Telecommunications	\$ 7,132
Total Overhead	\$ 5,544,797

Source: Company information

IV – Question 2 – NCSC's Provision of Services at the Lower of Cost or Market

Based on the assignment of expenses and hours to outside provider categories, NCSC's 2022 equivalent cost per hour is calculated below.

	NCSC Hourly Rates					Total
	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	IT Professional	
Service-Related Charges	\$ 2,023,498	\$ 4,689,543	\$ 4,023,201	\$11,541,650	\$ 6,928,502	\$29,206,393
Overhead Expenses (Note A)	\$ 382,591	\$ 892,712	\$ 765,182	\$ 2,190,195	\$ 1,314,117	\$ 5,544,797
Cost Pool Total	\$ 2,406,089	\$ 5,582,255	\$ 4,788,383	\$13,731,844	\$ 8,242,619	\$34,751,191
Hours	15,009	47,992	57,245	80,904	69,778	270,927
<b>Average Hourly Rate</b>	<b>\$ 160</b>	<b>\$ 116</b>	<b>\$ 84</b>	<b>\$ 170</b>	<b>\$ 118</b>	

Note A: These expenses are assigned to the outside provider categories prorata based on the amount of "direct" expenses in the cost pools, as calculated below.

	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	IT Professional	Total
Service-Related Charges	\$ 2,023,498	\$ 4,689,543	\$ 4,023,201	\$11,541,650	\$ 6,928,502	\$29,206,393
Percent of Cost Pool Total	6.9%	16.1%	13.8%	39.5%	23.7%	100.0%
Allocation Of Overhead	\$ 382,591	\$ 892,712	\$ 765,182	\$ 2,190,195	\$ 1,314,117	\$ 5,544,797

Source: Company information; Baryenbruch & Company, LLC, analysis

Northern Indiana Public Service Company – Gas  
Assignment of 2022 NCSC Service-Related Charges to Outside Provider Cost Pools

Service Category	Outside Provider					Total
	Attorney	Certified Public Accountant	Professional Engineer	Management Consultant	IT Professional	
Accounts Payable		\$ 231,155				\$ 231,155
Audit		\$ 457,600				\$ 457,600
Business Continuity				\$ 85,477		\$ 85,477
Business Services				\$ 124,806		\$ 124,806
Corporate Accounting		\$ 762,172				\$ 762,172
Corporate Affairs				\$ 87,910		\$ 87,910
Corporate Communications				\$ 482,212		\$ 482,212
Corporate Secretary	\$ 110,181					\$ 110,181
Corporate Security				\$ 606,302		\$ 606,302
Credit Risk Management				\$ 58,128		\$ 58,128
Customer Operations		\$ 92,753		\$ 340,222		\$ 432,975
Customer Services		\$ 303,747				\$ 303,747
Engineering Services			\$ 323,984			\$ 323,984
Environmental, Health & Safety			\$ 575,403			\$ 575,403
Executive				\$ 2,890,651		\$ 2,890,651
Finance		\$ 781,604				\$ 781,604
Gas Supply			\$ 287,403			\$ 287,403
Human Resources				\$ 4,015,429		\$ 4,015,429
Information Technology					\$ 6,723,658	\$ 6,723,658
Insurance				\$ 369,127		\$ 369,127
Investor Relations				\$ 141,323		\$ 141,323
Legal	\$ 1,913,317					\$ 1,913,317
Logistics					\$ 204,844	\$ 204,844
Operations			\$ 2,489,088	\$ 4,498		\$ 2,493,585
Operations Management				\$ 838,864		\$ 838,864
Regulatory		\$ 1,538,377				\$ 1,538,377
Revenue Transactions		\$ 76,844				\$ 76,844
Risk Management				\$ 231,740		\$ 231,740
Safety and Compliance				\$ 731,586		\$ 731,586
Strategy and Planning				\$ 524,715		\$ 524,715
Supply Chain			\$ 347,324			\$ 347,324
Taxes		\$ 347,512				\$ 347,512
Training				\$ 8,661		\$ 8,661
Treasury		\$ 97,780				\$ 97,780
<b>Total</b>	<b>\$ 2,023,498</b>	<b>\$ 4,689,543</b>	<b>\$ 4,023,201</b>	<b>\$ 11,541,650</b>	<b>\$ 6,928,502</b>	<b>\$ 29,206,393</b>



Northern Indiana Public Service Company – Gas  
Assignment of 2022 NCSC Service-Related Hours to Outside Provider Cost Pools

Service Category	Outside Provider					Total
	Attorney	Certified Public Accountant	Professional Engineer	Management Consultant	IT Professional	
Accounts Payable		2,633				2,633
Audit		4,177				4,177
Business Continuity				730		730
Business Services				1,641		1,641
Corporate Accounting		7,913				7,913
Corporate Affairs				332		332
Corporate Communications				5,796		5,796
Corporate Secretary	-					-
Corporate Security				1,999		1,999
Credit Risk Management				517		517
Customer Operations		1,460		1,616		3,076
Customer Services		3,434				3,434
Engineering Services			2,821			2,821
Environmental, Health & Safety			5,952			5,952
Executive				9,031		9,031
Finance		8,359				8,359
Gas Supply			3,589			3,589
Human Resources				33,576		33,576
Information Technology					67,091	67,091
Insurance				2,682		2,682
Investor Relations				684		684
Legal	15,009					15,009
Logistics					2,687	2,687
Operations			41,567	20		41,587
Operations Management				8,436		8,436
Regulatory		15,588				15,588
Revenue Transactions		973				973
Risk Management				2,071		2,071
Safety and Compliance				7,975		7,975
Strategy and Planning				3,756		3,756
Supply Chain			3,316			3,316
Taxes		2,278				2,278
Training				40		40
Treasury		1,177				1,177
<b>Total</b>	<b>15,009</b>	<b>47,992</b>	<b>57,245</b>	<b>80,904</b>	<b>69,778</b>	<b>270,927</b>

### Outside Service Provider Hourly Rates

The next step in the lower of cost or market comparison is to calculate the average billing rates for each type of outside service provider. The source of this information and the determination of the average rates are described in the paragraphs that follow.

It should be noted that professionals working for three of the five outside provider categories may be licensed to practice by state regulatory bodies. However, not every professional working for these firms is licensed. For instance, among U.S. public accounting firms, only the more experienced staff members are predominantly licensed certified public accountants, as shown in the table below. Some NCSC employees also have professional licenses. Thus, it is valid to compare NCSC’s hourly rates to those of the outside professional service providers included in this study.

Position	US Average
Partners/Owners	98%
Directors (11+ years experience)	87%
Managers (6-10 years experience)	79%
Sr Associates (4-5 years experience)	50%
Associates (1-3 years experience)	22%
New Professionals	10%

Source: AICPA’s National PCPS/TSCPA Management of an Accounting Practice Survey (2010)

### Attorneys

An estimate of Indiana attorney rates was developed from National Law Journal’s Survey of Law Firm Economics Report. As shown in Schedule 8 (page 28), data from this survey has been adjusted for cost-of-living differences between each law firm’s location and Merrillville, Indiana. The hourly rate data from the National Law Review is as of December 31, 2020. The survey’s calculated average rate was escalated to June 30, 2022—the midpoint of 2022.

### Certified Public Accountants

The average hourly rate for Indiana certified public accountants was developed from a 2020 survey conducted by the American Institute of Certified Public Accountants (AICPA) every two years (note: this is the most recent survey due to the impacts of COVID). The average hourly rate was calculated for a range of accountant positions, as shown in Schedule 9 (page 29). Based on a typical staff assignment by each accountant position, a weighted average hourly rate was calculated. This survey covered hourly rates in effect during 2020. The calculated average rate was escalated to June 30, 2022—the midpoint of 2021.

Professional Engineers

NIPSCO provided 2022 hourly rate information for several firms that perform services that could be used by the company when outside engineering services are required. As shown in Schedule 10 (page 30), an average rate was developed for a range of engineering positions. Then, using NIPSCO’s distribution of engineering positions, a weighted average cost per hour was calculated.

Management Consultants

The cost per hour for management consultants was developed from a survey performed by Rodenhauser & Company, LLC, a research company that monitors the consulting industry. The survey includes rates that were in effect during 2022 for firms throughout the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison.

The first step in the calculation, presented in Schedule 11 (page 31), was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position level. This survey covered hourly rates in effect during 2022.

Information Technology Professionals

The 2022 average hourly rate for information technology consultants and contractors was developed from two sources: NCSC for IT contractor rates and a survey performed by Rodenhauser & Company, LLC, for IT consultants. As shown in Schedule 12 (page 32), that data was compiled and a weighted average was calculated based on a percent of time that is typically applied to an IT consulting assignment, based on Baryenbruch & Company’s experience.

Northern Indiana Public Service Company – Gas  
2022 Billing Rates for Indiana Attorneys

Average Hourly Billing Rates as of December 31, 2020									
Region	Avg Billing Rates (Note A)		Weighted Avg Rate Calculation			Cost of Living (COL) Adjustment			Adjusted Rate
	Partner	Associate	0.25	0.75	(X)	COL Indices (Note B)		(Y)	
						Partner	Associate		
Northeast	\$ 480	\$ 313	\$ 120	\$ 234	\$ 354	121.1	89.8	74.2%	\$ 263
Midwest	\$ 375	\$ 225	\$ 94	\$ 169	\$ 263	94.0	89.8	95.6%	\$ 251
South	\$ 450	\$ 350	\$ 113	\$ 263	\$ 375	94.1	89.8	95.4%	\$ 358
West	\$ 350	\$ 260	\$ 88	\$ 195	\$ 283	108.4	89.8	82.9%	\$ 234
Overall Average Hourly Billing Rate									\$ 276
<u>Escalation to 2022 Midpoint (June 30, 2022)</u>									
CPI at December 31, 2020									260.5
CPI at June 30, 2022									296.3
Inflation/Escalation (Note C)									13.8%
Average Hourly Billing Rate For Attorneys At June 30, 2022									\$ 314

Note A: 2021 Survey of Law Firm Economics Report, National Law Journal

Note B: Cost of Living Index, Source Council for Community and Economic Research

Note C: U.S. Bureau of Labor Statistics (<http://data.bls.gov/cgi-bin/surveymost>)

Northern Indiana Public Service Company – Gas  
2022 Billing Rates for Indiana Public Accounting Firms

A. Calculation of Average Hourly Billing Rate by Public Accounting Position Survey billing rates were those in effect in 2020 (Note A)					
Average Hourly Billing Rate (Notes A and B)					
	Staff Accountant	Senior Accountant	Manager	Partner	
Average Hourly Billing Rate by CPA Firm Position	\$ 113	\$ 149	\$ 199	\$ 280	
Percent of Accounting Assignment	30%	30%	20%	20%	Weighted Average
	\$ 34	\$ 45	\$ 40	\$ 56	\$ 174
	National Average Hourly Billing Rate (above)				\$ 174
	Cost of Living Adjustment				
	COL Index for Merrillville, Indiana				89.8
	Average COL Index				100.0
	Adjustment Percentage				89.8%
	Cost of Living Adjusted Hourly Rate				\$ 156
	<u>Escalation to 2021 Midpoint (June 30, 2022)</u>				
	CPI at December 31, 2020				260.5
	CPI at June 30, 2022				296.3
	Inflation/Escalation (Note C)				13.8%
	Average Hourly Billing Rate For CPAs At June 30, 2022				\$ 178

Note A: Source is AICPA's 2020 National PCPS/TSCPA Management of an Accounting Practice Survey

Note B: Source is Cost of Living Index, Source Council for Community and Economic Research

Note C: Source is U.S. Bureau of Labor Statistics (<https://data.bls.gov/cgi-bin/surveymost>)

Northern Indiana Public Service Company – Gas  
 2022 Billing Rates for Professional Engineering Firms

Average Hourly Billing Rates for Professional Engineering Firms During 2022				
Calculation of Average Hourly Rate by Engineer Position				
	Average Hourly Billing Rates			
Firm	Engineering Technician	Engineer	Senior Engineer	Principal Engineer
Firm #1	\$102	\$150	\$205	\$251
Firm #2	\$99	\$126	\$175	
Firm #3				\$344
Firm #4	\$71	\$108		
Firm #5	\$99	\$133	\$177	
Firm #6	\$76	\$105	\$166	
Firm #7	\$74	\$110		
Calculation of Overall Average Engineering Hourly Billing Rate				
	Engineering Technician	Engineer	Senior Engineer	Principal Engineer
Average Hourly Billing Rate (From Above)	\$87	\$122	\$181	\$297
Percent of Engineering Staff	8%	63%	22%	7%
	\$7	\$77	\$40	\$21
				Weighted Average \$144

Source: Information provided by NCSC. Firm names are confidential.

Northern Indiana Public Service Company – Gas  
 2022 Billing Rates for U.S. Management Consultants

Survey billing rates in effect in 2022 (Note A)

A. Calculation of Average Hourly Billing Rate by Consultant Position

Average Hourly Rates (Note A)				
Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner
\$ 247	\$ 299	\$ 366	\$ 553	\$ 688

Average

B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement

	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average Hourly Billing Rate (from above)	\$ 247	\$ 299	\$ 366	\$ 553	\$ 688	
Percent of Consulting Assignment	30%	30%	25%	10%	5%	Weighted Average
	\$ 74	\$ 90	\$ 91	\$ 55	\$ 34	\$ 345

Average Hourly Billing Rate For Management Consultants During 2022    \$ 345

Note A: Source is Rodenhauser & Company LLC; Baryenbruch & Company, LLC, analysis

Northern Indiana Public Service Company – Gas  
 2022 Billing Rates for Information Technology Professionals

A. Calculation of Average Hourly Billing Rate by Information Technology Position  
 Survey billing rates were those in effect in 2022 (Note A)

		Average Hourly Billing Rate (Note A)				
		Contractor Positions		Consultant Positions		
		Contractor	Senior Contractor	Associate	Manager	Partner
Average Hourly Billing Rate by IT Position Category		\$ 80	\$ 114	\$ 271	\$ 377	\$ 502
Percent of IT Assignment		25%	25%	25%	15%	10%
		\$ 20	\$ 28	\$ 68	\$ 57	\$ 50
						\$ 223
Average Hourly Billing Rate For IT Professionals During 2022						\$ 223

Note A: Source is NCSC, Rodenhauer & Company, LLC, and Baryenbruch & Company, LLC



**Cost Comparison of NCSC Versus Outside Providers**

As shown in the table below, NCSC’s costs per hour are considerably lower than those of outside providers.

Service Provider	2022 Cost/Hour Difference		
	NCSC	Outside Providers	Difference-- NCSC Greater(Less) Than Outside
Attorney	\$ 160	\$ 314	\$ (154)
Certified Public Accountant	\$ 116	\$ 178	\$ (62)
Professional Engineer	\$ 84	\$ 144	\$ (60)
Management Consultant	\$ 170	\$ 345	\$ (175)
IT Professional	\$ 118	\$ 223	\$ (105)

As calculated below, based on these cost-per-hour differentials and the number of hours that NCSC billed NIPSCO Gas during 2021, the services would cost approximately \$30.2 million more from outside providers. This is 87% more (\$30,206,433 / \$34,751,191 = 87%) than NCSC’s total 2022 market-testable contract billings to NIPSCO Gas.

Service Provider	2022 Total Cost Difference		
	Hourly Rate Difference-- NCSC Greater(Less) Than Outside	NCSC Hours Charged	Dollar Difference
Attorney	\$ (154)	15,009	\$ (2,311,346)
Certified Public Accountant	\$ (62)	47,992	\$ (2,975,496)
Professional Engineer	\$ (60)	57,245	\$ (3,434,682)
Management Consultant	\$ (175)	80,904	\$ (14,158,241)
IT Professional	\$ (105)	69,778	\$ (7,326,669)
Total NCSC Less Than Outside Providers			\$ (30,206,433)

## Comparison Methodology

It is difficult to compare the cost of NCSC Customer Accounts-related services provided to NIPSCO Gas with the cost of outside service providers because survey data is proprietary and expensive to obtain. For this reason, NIPSCO Gas's charges from NCSC for Customer Accounts services are compared to those of neighboring utilities because the data necessary to make the comparison is available from the FERC Form 1.

FERC's chart of accounts is defined in Chapter 18, Part 101, of the Code of Federal Regulations. Customer Accounts expenses cover the following utility functions:

- Customer Call Center – customer calls/contact, credit, order taking/disposition, bill collection efforts and outage calls
- Call Center IT – maintenance of phone banks, voice recognition units, call center software applications and telecommunications
- Customer billing – bill printing, stuffing and mailing
- Remittance processing – processing customer payments received in the mail
- Bill payment centers – locations where customers can pay their bills in person

The costs of these services are recorded in the following FERC customer accounts by NIPSCO Gas:

- 901 Supervision includes the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities
- 903 Customer records and collection expenses include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

FERC also classifies charges to account 905 Miscellaneous customer accounts expenses as Customer Accounts expenses. However, NIPSCO Gas has no charges recorded in this account for 2022 so comparison group expenses in account 905 are excluded from the cost comparison.

Also excluded from the cost comparison are expenses in account 904 Uncollectible Accounts as a Customer Accounts expense. Charges to this account are write-offs of customer bills and not service-related costs.

### NIPSCO Gas Cost per Customer

NIPSCO Gas's cost per customer in 2022 is \$20.15, as calculated below.

Customer Accounts Expenses	2022
901 - Supervision	\$ 2,084,566
903 - Customer records and collection expenses	\$ 15,221,541
<b>Total NIPSCO Gas Expenses</b>	<b>\$ 17,308,129</b>
Customers	858,851
<b>Cost per Customer</b>	<b>\$ 20.15</b>

### Comparison Group

The comparison group includes the following utilities in Indiana and neighboring states:

Indiana	Duke Energy Indiana Indiana Michigan Power	Indiana Power & Light So. Indiana Gas & Electric
Illinois	Ameren Illinois Commonwealth Edison	MidAmerica Energy
Ohio	Cleveland Elect Illuminating Dayton Power & Light Duke Energy Ohio	Ohio Edison Ohio Power Toledo Edison
Michigan	Consumers Energy DTE Electric Indiana Michigan Power NSP Wisconsin	Upper Peninsula Power Wisconsin Electric Wisconsin Public Service
Kentucky	Duke Energy Kentucky Kentucky Power	Kentucky Utilities Louisville Gas & Electric

### Costs per Customer Calculation

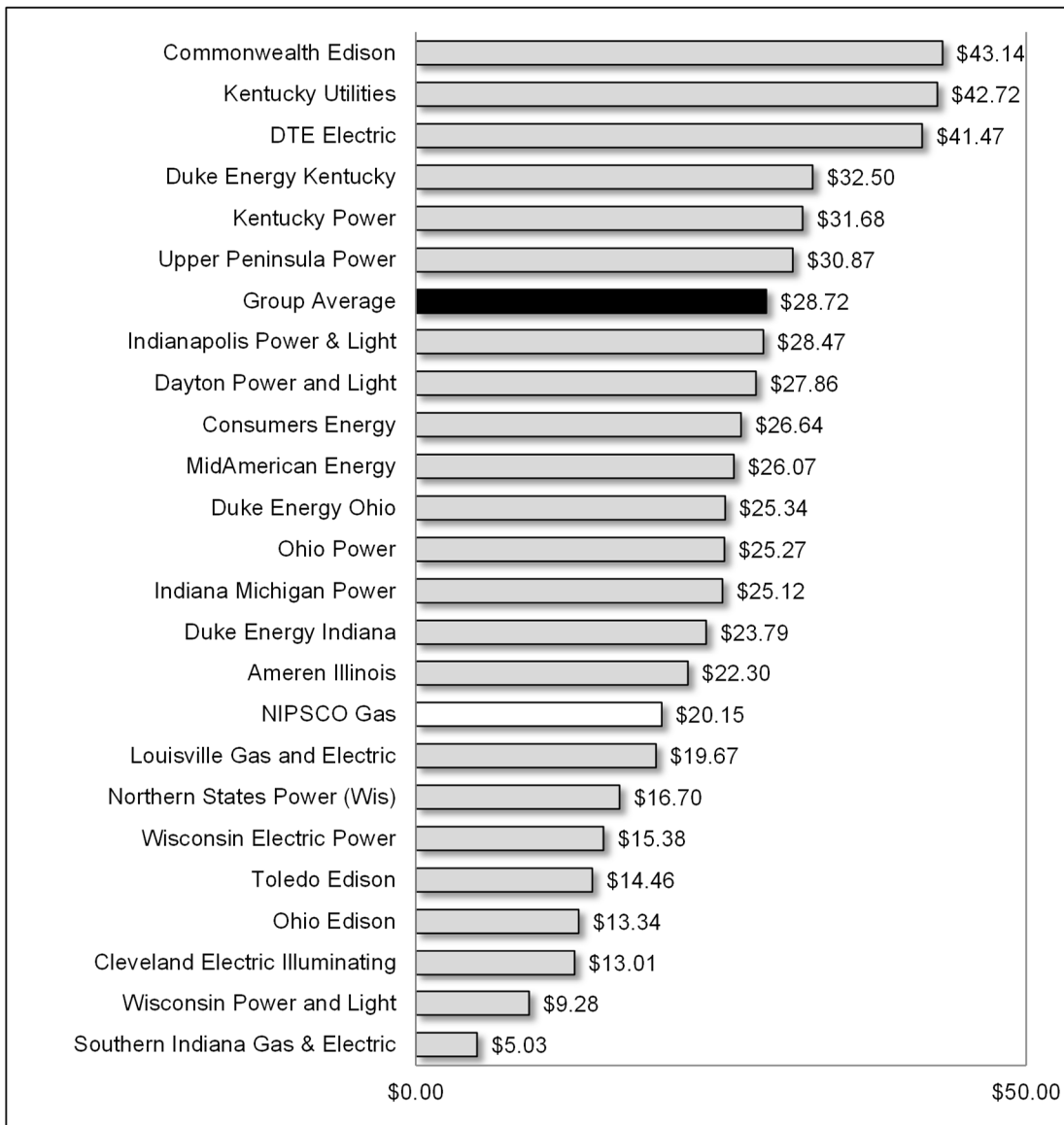
The table below shows the calculation of actual 2022 Customer Accounts expenses per customer for NIPSCO Gas and comparison group utilities.

Comparison Group	CA Expenses	Customers	CA Exp per Customer
Ameren Illinois Company	\$ 27,417,841	1,229,379	\$ 22.30
Cleveland Electric Illuminating Company	\$ 9,827,787	755,417	\$ 13.01
Commonwealth Edison Company	\$ 177,359,190	4,111,174	\$ 43.14
Consumers Energy Company	\$ 49,944,659	1,875,019	\$ 26.64
Dayton Power and Light Company	\$ 14,941,249	536,317	\$ 27.86
DTE Electric Company	\$ 93,619,525	2,257,415	\$ 41.47
Duke Energy Indiana, LLC	\$ 20,963,459	881,328	\$ 23.79
Duke Energy Kentucky, Inc.	\$ 4,839,630	148,901	\$ 32.50
Duke Energy Ohio, Inc.	\$ 18,927,594	746,993	\$ 25.34
Indiana Michigan Power Company	\$ 15,265,731	607,734	\$ 25.12
Indianapolis Power & Light Company	\$ 14,783,604	519,319	\$ 28.47
Kentucky Power Company	\$ 5,202,126	164,184	\$ 31.68
Kentucky Utilities Company	\$ 24,212,933	566,736	\$ 42.72
Louisville Gas and Electric Company	\$ 8,467,738	430,394	\$ 19.67
MidAmerican Energy Company	\$ 21,193,077	813,017	\$ 26.07
Northern States Power Company (Wisconsin)	\$ 4,458,959	266,952	\$ 16.70
Ohio Edison Company	\$ 14,221,993	1,065,866	\$ 13.34
Ohio Power Company	\$ 38,390,181	1,519,057	\$ 25.27
Southern Indiana Gas and Electric Company	\$ 777,481	154,505	\$ 5.03
Toledo Edison Company	\$ 4,535,872	313,654	\$ 14.46
Upper Peninsula Power Company	\$ 1,644,502	53,267	\$ 30.87
Wisconsin Electric Power Company	\$ 17,657,631	1,148,141	\$ 15.38
Wisconsin Power and Light Company	\$ 4,551,772	490,592	\$ 9.28
<b>Total</b>	<b>\$ 593,204,534</b>	<b>20,655,361</b>	<b>\$ 28.72</b>

Source: 2022 FERC Form 1; Baryenbruch & Company, LLC, analysis

### Summary of Results

As shown in the table below, NIPSCO Gas's 2022 cost per customer of \$20.15 is below the utility comparison group average of \$28.72. Fifteen comparison group utilities had a higher cost per customer and eight had a lower cost per customer than NIPSCO Gas. Based upon this comparative data, NIPSCO Gas's charges from NCSC for Customer Account services for 2022 are reasonable.



Note: The Group Average of \$28.72 per customer above is a weighted average and is influenced by the highest-cost utilities. The comparison group's median is \$25.27 per customer, which is higher than NIPSCO Gas' \$20.15 per customer.

Source: Company information; 2022 FERC Form 1; Baryenbruch & Company, LLC, analysis

### **Analysis of Services**

The final aspect of this study was an assessment of whether the services provided to NIPSCO Gas by NCSC would be necessary if NIPSCO Gas were a stand-alone gas utility. The first step in this evaluation was to determine specifically what NCSC does for NIPSCO Gas. The matrix in Schedule 13 (pages 39-40) was created showing which entity—NIPSCO Gas or an NCSC location—is responsible for each of the functions NIPSCO Gas requires to ultimately provide service to its customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by NCSC and (2) if NCSC services are typical of those needed by a stand-alone gas utility.

Upon review of Schedule 13, the following conclusions can be drawn:

- The services that NCSC provides are necessary and would be required even if NIPSCO Gas were a stand-alone utility.
- There is no redundancy or overlap in the services provided by NCSC to NIPSCO Gas. For all the services listed in Schedule 13, there was `only one entity that was primarily responsible for the service.





### **Governance Practices Associated with NCSC Charges**

- Accounting and Financial Reporting – NCSC’s accounting and financial reporting policies and practices conform to Generally Accepted Accounting Principles (GAAP). The Financial Accounting Standards Board (FASB) is recognized by the accounting profession as the primary body for establishing the standards embodied in GAAP. GAAP refers to the common set of accounting conventions, rules and procedures recognized as authoritative by the accounting profession and used by all non-governmental entities as a basis for their external financial statements and reporting. In addition, NCSC’s accounting records are kept in accordance with the Uniform System of Accounts (USofA) for service companies or for major gas utilities, as applicable, as prescribed by the Federal Energy Regulatory commission (FERC). NCSC also follows the directives of Sarbanes-Oxley regulations.

During the month, accounting transactions are recorded. Variance analyses are performed based on actual to budget for expenses to ensure accuracy as part of a reasonableness review of NCSC charges in total. As a part of this analysis, NCSC Accounting reviews the monthly activity and investigates any identified material anomalies in conjunction with Corporate Financial Planning & Analysis team (FP&A). Once completed, the NCSC bill is run and the actuals are allocated to the states based on predetermined formulas.

- External Audit Reviews – NiSource’s outside auditors (Deloitte) perform regular independent audits of the corporate books and records, including those of NIPSCO. Random sampling of NCSC contract and convenience bill items are typically conducted by Deloitte to ensure proper accounting and billing to the subsidiaries. The books and records of NCSC, to the extent they relate to transactions with NIPSCO, are also subject to periodic audit by the Indiana Office of the Utility Consumer Counselor (OUCC), the Indiana Utility Regulatory Commission (IURC or Commission) and the FERC. NCSC is also involved in several regulatory filings in jurisdictions where NiSource operates. In certain of these filings, NCSC’s allocation factors are subjected to regulatory scrutiny and audit. In addition, NiSource Inc., including NCSC and NIPSCO Gas, underwent a FERC audit, Docket No. FA11-5-000, which covered the period January 1, 2009, through December 31, 2010. The FERC audit staff reviewed and tested the supporting details for NCSC’s cost allocation methods, including those costs billed to NIPSCO Gas. FERC auditors also sampled and selected supporting documents to ensure that NCSC’s billings and NCSC and NIPSCO Gas accounting comply with the FERC’s Uniform System of Accounts (USofA).



## VI - Question 4 – Need for NCSC Services

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- **NCSC & NIPSCO Internal Controls** – NCSC follows the directives of various internally established control procedures. Examples of these control procedures: Authority limits and approvals required for requisition and disbursements; time and labor reporting; expense reporting and general ledger transactions; reasonableness review of actual to budget costs; bank and general ledger account reconciliations; access limitations to the accounts payable and general ledger accounting system; and Sarbanes-Oxley testing procedures. NCSC Accounting also performs a monthly review of NCSC contract billings to all affiliates. To support the review, a report is generated that includes invoice ID, vendor name, billing description, allocation code, department number and description and total amount billed. A limited random selection of NCSC charges greater than \$10,000 is also reviewed to ensure reasonableness and accuracy of billing to the affiliate, including NIPSCO charges. In addition, individual invoices are reviewed as needed if there are specific questions regarding their treatment.
- **Accounting Oversight** – Corporate Accounting is responsible for the accounting system and processes that track and identify the costs for services that are subsequently billed to NiSource affiliates, including NIPSCO, as well as reviewing general overall charges billed to each of the NiSource affiliates by NCSC. The Gas Segment Controller and the Electric Segment Controller also perform high level reviews of the charges. A monthly report summarizing contract billings is sent to the Utility Planning group for review and informational purposes.
- **Service Company Budget Review/Approval** – The Corporate Financial Planning and Analysis (FP&A) Manager and the Director of FP&A formally review and approve NCSC’s budgets for reasonableness and develop an understanding of material changes for both the whole of the budgets and allocation to each of the states, including NIPSCO. These budgeted charges are distributed to each state as an input to its planning process upon approval from the Vice President of FP&A
- **Service Company Budget Variance Reporting** – Each month, the Corporate FP&A team prepares a series of reports included in a Monthly Results Package that are reviewed by various levels of management to document variances and provide explanations, as needed.
- **Service Company Bill Scrutiny** – The Corporate FP&A team performs a monthly actual-to-budget comparison of fees each month for reasonableness and use in identifying unusual variances. This review is performed prior to the allocation of charges to the operating subsidiaries. After the Service Company Bills run and NCSC costs are allocated, another

## VI - Question 4 – Need for NCSC Services

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review is performed for NCSC and each subsidiary. Unusual variances are researched, explanations are provided and any corrections are made by Corporate Accounting, if deemed necessary.

- Operating Company Budget Variance Reporting – The operating company FP&A team reviews the Monthly Results Package provided by the Corporate FP&A team to gain an understanding of variance drivers associated with charges from NCSC. This report is intended to increase transparency for review of NCSC budget versus actual month and year-to-date charges.
- Internal Audit Reviews – Periodically, Internal Audit tests NCSC charges to operating utilities to ensure compliance with approved accounting policies, allocation methods and billing practices.