

OFFICIAL EXHIBITS

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Northern Indiana Public Service Company LLC
Cause No. 45700
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PETITIONER'S

EXHIBIT NO. 5-R
11-10-22 AT
DATE REPORTER

VERIFIED REBUTTAL TESTIMONY OF KEVIN J. BLISSMER

- 1 **Q1. Please state your name, business address and title.**
- 2 A1. My name is Kevin J. Blissmer. My business address is 801 E. 86th Avenue,
- 3 Merrillville, Indiana 46410. I am Manager of Regulatory for NiSource Corporate
- 4 Services Company ("NCSC").
- 5 **Q2. On whose behalf are you submitting this direct testimony?**
- 6 A2. I am submitting this testimony on behalf of Northern Indiana Public Service
- 7 Company LLC ("NIPSCO").
- 8 **Q3. Are you the same Kevin J. Blissmer who prefiled direct testimony in this**
- 9 **proceeding?**
- 10 A3. Yes.
- 11 **Q4. What is the purpose of your rebuttal testimony in this proceeding?**
- 12 A4. The purpose of my rebuttal testimony is to respond to the direct testimony of
- 13 Citizens Action Coalition of Indiana, Inc. ("CAC") Witness Inskeep, who
- 14 recommends denial of NIPSCO's proposed demand allocators and 4 coincident
- 15 peak ("4 CP") methodology to allocate the costs of the proposed Ash Pond

1 Compliance Project. Although NIPSCO Industrial Group Witness Collins
2 supports NIPSCO's proposed allocation factors, I respond to his recommendation
3 to apply only the Company's cost of debt to NIPSCO's 20% deferral. My rebuttal
4 testimony is limited to a discussion of the issues set out below, and the failure to
5 address each and every issue in each piece of testimony does not imply agreement
6 with the positions taken by any party with respect to other issues.¹

7 **Q5. Are NIPSCO's proposed allocation factors the same as those that would have**
8 **been used to allocate ash pond closure costs through base rates?**

9 A5. Yes. NIPSCO filed its electric base rate case on September 19, 2022, and allocated
10 projected ash pond closure costs using its demand allocation factor. In that Cause,
11 NIPSCO has forecasted the 20% deferred FMCA balance at December 31, 2023 and
12 allocated that balance (included in base rate amortization expense) by demand.
13 NIPSCO's proposed depreciation rates contain no CCR closure costs.

14 **Q6. Are NIPSCO's proposed allocation factors consistent with how costs were to be**
15 **allocated under the FMCA Tracker pursuant to NIPSCO's last base rate case**
16 **(Cause No. 45159)?**

¹ The capitalized terms used herein are as defined in my direct testimony.

1 A6. Yes. It is consistent with the Commission's final Order in Cause No. 45159 in two
2 respects. First, NIPSCO is proposing 4 CP allocation consistent with the
3 Commission's approval of such allocation for production plant. 45159 Order at
4 157-58. Additionally, NIPSCO is proposing that only Tier 1 of Rate 831 be
5 allocated costs, since these are production-related, and that Tiers 2 and 3 not be
6 allocated costs. This is also consistent with the Commission's findings that it is
7 appropriate to allocate production trackers only to Tier 1 firm load because the
8 Rate 831 customers do not use NIPSCO's production resources for their Tier 2 and
9 Tier 3 loads. *Id.* at 160.

10 **Q7. Why is it appropriate to allocate the Ash Pond Compliance Project costs using**
11 **demand allocators as opposed to energy allocators?**

12 A7. Prior FMCAs have delineated allocation of costs between fixed and variable costs,
13 with fixed costs being allocated on a demand basis and variable costs on an energy
14 basis.² The current FMCA tariff (not presently in use) makes this distinction.
15 Because this FMCA mechanism will track capital costs only, demand allocators are
16 most appropriate. This methodology pre-dates the advent of NIPSCO's Rate 831

² https://www.nipSCO.com/docs/librariesprovider11/rates-and-tariffs/electric-rates/2020-current-rates/table-of-contents/887.pdf?sfvrsn=dc554751_2.

1 and is appropriate given that NIPSCO's ash ponds are part of its generating
2 facilities and are designed to meet the demand of that station.

3 CAC Witness Inskeep recommends allocating FMCA costs on an energy basis and
4 assigning an amount of costs to Rate 831 Tier 2 usage. However, only the first tier
5 of Rate 831's service is firm service and backed by NIPSCO's production assets.
6 Both Tier 2 and Tier 3 of Rate 831's service is non-firm service. NIPSCO collects
7 revenues for transmission from all three tiers. Mr. Inskeep's recommendation to
8 allocate the costs of NIPSCO's Ash Pond Compliance Project on an energy basis is
9 inconsistent with how fixed FMCA costs have been allocated in the past and
10 ignores the fact that the ash ponds are associated with NIPSCO's production
11 facilities, which are designed to meet the demands of NIPSCO's customers.

12 **Q8. Has the Commission approved NIPSCO's 4 CP cost allocation methodology?**

13 A8. Yes. NIPSCO's 4 CP methodology has been approved by the Commission for
14 purposes of allocating costs in setting its base rates, and NIPSCO is proposing to
15 use the same methodology to allocate costs to set its FMCA rates for this Project.

16 **Q9. Should Industrial Group Witness Collins' recommendation to reduce the**
17 **carrying charge applied to the 20% deferral to solely the Company's cost of debt**
18 **be granted?**

1 A9. No. Indiana Code § 8-1-8.4-7(c)(2) allows for 20% of the approved federally
2 mandated costs, including depreciation, allowance for funds used during
3 construction, and—importantly, for this issue—post in service carrying costs based
4 on the overall cost of capital most recently approved by the Commission to be
5 deferred and recovered in a future general rate case. The statute specifically
6 allows for this to compensate utilities for its cost of capital while it is waiting to
7 collect the federally mandated costs it incurred. NIPSCO funds its capital projects
8 through a combination of debt and equity and, as such, should recover its fully
9 weighted average cost of capital when recovery expands over multiple year.
10 Industrial Group Witness Collins' recommendation is inconsistent with the FMCA
11 statute, is without precedence or legal support, and would unfairly burden
12 NIPSCO for performing this required remediation.

13 **Q10. Does this conclude your prefiled rebuttal testimony?**

14 A10. Yes.

VERIFICATION

I, Kevin J. Blissmer, Manager of Regulatory of NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink that reads "Kevin Blissmer". The signature is written in a cursive style with a horizontal line underneath the name.

Kevin J. Blissmer

Dated: September 27, 2022