

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

Northern Indiana Public Service Company LLC

Cause No. 45967

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**VERIFIED DIRECT TESTIMONY OF NICK BLY**

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1 **Introduction**

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

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

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

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

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

11 A3. I received a Bachelor of Science degree in Business Administration with a  
12 concentration in Accounting and minor in Philosophy and Religious  
13 Studies from Winthrop University in Rock Hill, South Carolina in May  
14 2006. My career began in the audit practice of Deloitte in Columbus, Ohio,  
15 where I first was exposed to the utility industry, as my main client from  
16 2008-2010 was an electric utility. In 2010, I began working for NCSC as a

1 Senior Financial Analyst in a Consolidation Accounting role. In the  
2 following years, I also served as a Lead Analyst in Corporate Development,  
3 Lead Analyst in Corporate Budgeting, Manager in Corporate FP&A, as well  
4 as the Corporate Finance Manager before leaving NCSC in 2016. From 2017  
5 – 2020, I was a partial owner and an Officer of JadeTrack, Inc. serving in a  
6 multifunctional finance and operations role. In October 2020, I re-joined  
7 NCSC and assumed my current role as Manager of Corporate  
8 Consolidation in Financial Planning & Analysis. My title changed to  
9 Manager of Financial Planning & Analysis on September 1, 2023.

10 **Q4. What are your responsibilities as Manager of Financial Planning &**  
11 **Analysis?**

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

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

3 A5. Yes. I previously testified before the Commission in NIPSCO's last gas rate  
4 case in Cause No. 45621 and NIPSCO's last electric rate case in Cause No.  
5 45772.

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

8 A6. Yes. I am sponsoring Attachments 5-A, which was prepared by me or  
9 under my direction and supervision. I also sponsor a portion of the  
10 workpapers included in Petitioner's Confidential Exhibit No. 19-S2.

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

12 A7. The purpose of my testimony is to support the projected O&M expenses  
13 associated with services provided by NCSC to NIPSCO, and any  
14 adjustments to those expenses for the period beginning January 1, 2023 and  
15 ending December 31, 2023 (the "2023 Forecast Period"), and the period  
16 beginning January 1, 2024 and ending December 31, 2024 (the "Forward  
17 Test Year").

18 **NCSC Forecast Overview**

1 **Q8. Please describe the process used to forecast NCSC expenses for the 2023**  
2 **Forecast Period and Forward Test Year?**

3 A8. NCSC expenses are grounded in the Historic Base Period expenses with  
4 inflation adjustments each year thereafter for employee compensation.  
5 Specifically, salaries, wages, and short-term incentive compensation are  
6 increased each year by three percentage points, which represents the actual  
7 pay increase for 2023 and the expected pay increase for 2024. No other  
8 increases are forecasted.

9 **Q9. How is the allocation of NCSC forecasted expenses to NIPSCO**  
10 **determined?**

11 A9. Allocations have been set equal to the Historical Base Year.

12 **Q10. Is budget work performed throughout the year?**

13 A10. Yes. On a monthly basis actual results are compared to projections known  
14 as the Present Estimate. This is an internal control known as the  
15 Reasonableness Review to help ensure actual recorded results are  
16 appropriate. Additionally, updates are conducted with functional leaders  
17 that provide forecast updates for the current and future years.

18 **NCSC O&M Expenses in the 2023 Forecast Period**

1 **Q11. What is the level of NCSC O&M expenses in the 2023 Forecast Period for**  
2 **NIPSCO Gas?**

3 A11. The level of NCSC O&M expenses in the 2023 Forecast Period for NIPSCO  
4 Gas is \$68,132,402 as shown on Attachment 5-A, Page 1, Line 5.

5 **Q12. Please explain the variance in NCSC O&M expenses between the period**  
6 **beginning January 1, 2022 and ending December 31, 2022 (the**  
7 **"Normalized Historic Base Year") and the 2023 Forecast Period)**  
8 **represented on Attachment 5-A, Page 1, Line 3.**

9 A12. The variance in NCSC O&M expenses between the Normalized Historic  
10 Base Year and the 2023 Forecast Period is an increase of \$657,690 or 1.0%.  
11 As previously mentioned, the only increase is for compensation increases.  
12 Please see Attachment 5-A, Page 3 for the underlying calculations.

13 **NCSC Forecasted O&M Expenses in Forward Test Year**

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

16 A13. The level of NCSC O&M expenses in the Forward Test Year for NIPSCO  
17 Gas is \$68,809,823 as shown on Attachment 5-A, Page 1, Line 9.

18 **Q14. Please explain the variance in O&M expenses between the 2023 Forecast**

1           **Period and the Forward Test Year represented on Attachment 5-A, Page**  
2           **1, Line 7.**

3    A14.   The variance in NCSC O&M expenses between the 2023 Forecast Period  
4           and the Forward Test Year is an increase of \$677,421 or 1.0%. As previously  
5           mentioned, the only increase is for compensation increases. Please see  
6           Attachment 5-A, Page 3 for the underlying calculations.

7    **Q15. Please explain the ratemaking adjustment to the Forward Test Year**  
8           **represented on Attachment 5-A, Page 1, Line 15.**

9    A15.   The ratemaking adjustment to the Forward Test Year is an increase of  
10           \$423,561 or 0.6%.<sup>1</sup> Adjustments were made to reduce the Forward Test  
11           Year for non-recoverable items such as charitable donations, lobbying,  
12           advertising, and membership fees (Attachment 5-A, Page 1, Line 14), as well  
13           as for profit sharing (Attachment 5-A, Page 1, Line 13). Details of the non-  
14           recoverable items are presented on Attachment 5-A, Page 5. Additionally,  
15           an adjustment was made to increase the Forward Test Year for an employee  
16           benefits update provided by AON Hewitt, a third-party actuarial firm  
17           (Attachment 5-A, Page 1, Line 12). Details of the update are presented on

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<sup>1</sup> Petitioner's Exhibit No. 3, Attachment 3-C-S2, Adjustment OM 7-24R.

1 Attachment 5-A, Page 4. The NCSC expenses expected to be allocated to  
2 NIPSCO Gas in the Forward Test Year (after ratemaking adjustments) (the  
3 "Normalized Forward Test Year") is \$69,233,384 as shown in Attachment  
4 5-A, Page 1, Line 17.

5 **Q16. Is the Normalized Forward Test Year level of \$69,233,384 shown on**  
6 **Attachment 5-A, Page 1, Line 17, representative of the NCSC O&M**  
7 **expenses necessary to provide ongoing safe and reliable service at**  
8 **reasonable rates?**

9 A16. Yes. The Normalized Forward Test Year level of NCSC O&M expenses is  
10 reasonable and representative of NIPSCO's ongoing cost of providing  
11 service. The Normalized Forward Test Year level of NCSC O&M expense  
12 is justified by the projected needs of NIPSCO to serve its customers.  
13 Furthermore, the total increase versus the 2022 Historic Base Year is well  
14 within what might be expected from broader inflation of 5.8% per year  
15 (refer to Attachment 5-A, Page 2 for inflation data).

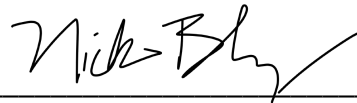
16 **Q17. Does this conclude your pre-filed direct testimony?**

17 A17. Yes.



## VERIFICATION

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

A handwritten signature in black ink that reads "Nick Bly" with a checkmark-like flourish at the end.

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Nick Bly

Date: October 25, 2023

**Northern Indiana Public Service Company**  
**NiSource Corporate Services Company (NCSC) Test Year Expenses - Normalized with Pro-forma Adjustments**  
**Adjusted Historical Base Period - Twelve Months Ended 12/31/2022**  
**Forecast Period - Twelve Months Ended 12/31/2023**  
**Forward Test Year - Twelve Months Ended 12/31/2024**

<u>Line No.</u>	<u>Ref</u>	<u>Description</u>		<u>Amount</u>
1	Gode Testimony	2022 Normalized Historic Base Year	\$	67,474,711
2				
3	[.3] Line 9	<i>Increase(Decrease) to Budget Period</i>	\$	657,690
4				
5		2023 Forecast Period	\$	68,132,402
6				
7	[.3] Line 15	<i>Increase(Decrease) to Forward Test Year</i>	\$	677,421
8				
9		2024 Forward Test Year	\$	68,809,823
10				
11		<u>Ratemaking Adjustments</u>		
12	[.4]	Employee Benefits Update	\$	1,039,910
13	[.4]	Profit Sharing	\$	(213,052)
14	[.5]	Charity, Lobbying, Advertising, and Memberships	\$	(403,296)
15		Ratemaking Increase / (Decrease)	\$	423,561
16				
17		<u>2024 Normalized Forward Test Year</u>	\$	<u>69,233,384</u>

**CPI-All Urban Consumers (Current Series)  
12-Month Percent Change**

**Series Id:** CUUR0000SA0L1E

**Not Seasonally Adjusted**

**Series Title:** All items less food and energy in U.S. city average, all urban consumers, not seasonally adjusted

**Area:** U.S. city average

**Item:** All items less food and energy

**Base Period:** 1982-84=100

**Years:** 2012 to 2023

**Source:** U.S. Dept. of Labor

Line No.	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	2012	2.3	2.2	2.3	2.3	2.3	2.2	2.1	1.9	2.0	2.0	1.9	1.9	2.1
2	2013	1.9	2.0	1.9	1.7	1.7	1.6	1.7	1.8	1.7	1.7	1.7	1.7	1.8
3	2014	1.6	1.6	1.7	1.8	2.0	1.9	1.9	1.7	1.7	1.8	1.7	1.6	1.7
4	2015	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.9	1.9	2.0	2.1	1.8
5	2016	2.2	2.3	2.2	2.1	2.2	2.2	2.2	2.3	2.2	2.1	2.1	2.2	2.2
6	2017	2.3	2.2	2.0	1.9	1.7	1.7	1.7	1.7	1.7	1.8	1.7	1.8	1.8
7	2018	1.8	1.8	2.1	2.1	2.2	2.3	2.4	2.2	2.2	2.1	2.2	2.2	2.1
8	2019	2.2	2.1	2.0	2.1	2.0	2.1	2.2	2.4	2.4	2.3	2.3	2.3	2.2
9	2020	2.3	2.4	2.1	1.4	1.2	1.2	1.6	1.7	1.7	1.6	1.6	1.6	1.7
10	2021	1.4	1.3	1.6	3.0	3.8	4.5	4.3	4.0	4.0	4.6	4.9	5.5	3.6
11	2022	6.0	6.4	6.5	6.2	6.0	5.9	5.9	6.3	6.6	6.3	6.0	5.7	6.2
12	2023		5.6	5.5	5.6	5.5	5.3	4.8						

Twelve Months Ended June 2023 (Average) **5.8%**

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**Northern Indiana Public Service Company  
Ratemaking Adjustment for Merit  
December 31, 2023 and 2024**

<b>Line No.</b>	<b>Ref</b>	<b>Description</b>	<b>Amount</b>
1		2022 Actual Salaries and Wages Expense	\$ 17,835,445
2	Gode Testimony, Schedule X-D .3 Line 9	2022 Normalized Short Term Incentive Expense	\$ 2,620,849
3		Subtotal compensation subject to Merit Adjustment	\$ 20,456,294
4			
5		<i>2023 Labor Update</i>	
6		2023 Merit Percentage	3%
7		2023 Merit Value	\$ 613,689
8	Gode Testimony, Schedule X-D .3 Line 11	Payroll Taxes	7.17%
9		2023 Compensation Update	\$ 657,690
10			
11		<i>2024 Labor Update</i>	
12		2024 Merit Percentage	3%
13		2024 Merit Value	\$ 632,099
14	Gode Testimony, Schedule X-D .3 Line 11	Payroll Taxes	7.17%
15		2024 Compensation Update	\$ 677,421

**Northern Indiana Public Service Company**  
**Ratemaking Adjustment for Employee Benefits**  
**December 31, 2023 and 2024**

<b>Line No.</b>	<b>Ref</b>	<b>Category</b>	<b>2022.A</b>	<b>2023.E</b>	<b>2024.E</b>
1		Other Benefits	\$ (406,830)	\$ 34,000	\$ 35,000
2		OPEB - Service Cost	\$ 687,743	\$ 550,000	\$ 559,000
3		OPEB - Non-Service Costs	\$ 728,600	\$ 2,033,000	\$ 2,094,000
4		Pension - Service Cost	\$ 3,487,864	\$ 2,841,000	\$ 3,069,000
5		Pension - Non-Service Costs	\$ 758,379	\$ 5,156,000	\$ 3,833,000
6		Employee Medical Health Insurance	\$ 20,242,390	\$ 20,487,000	\$ 22,065,000
7		401K	\$ 10,594,692	\$ 14,029,000	\$ 14,451,000
8		Dental	\$ 1,161,762	\$ 1,191,000	\$ 1,239,000
9		Group Life Active	\$ 840,654	\$ 749,000	\$ 749,000
10		Long Term Disability	\$ 1,056,412	\$ 1,148,000	\$ 1,148,000
11		Profit Sharing	\$ 1,681,307	\$ 2,066,000	\$ 2,129,000
12		Vision	\$ 206,661	\$ 273,000	\$ 284,000
13		Benefit Administration	\$ 1,647,126	\$ 1,423,440	\$ 1,423,440
14		<b>Subtotal NCS Gross Benefits</b>	<b>\$ 42,686,762</b>	<b>\$ 51,980,440</b>	<b>\$ 53,078,440</b>
15		Capitalization	21.3%	21.3%	21.3%
16		<b>NCS Net Benefits</b>	<b>\$ 33,601,867</b>	<b>\$ 40,917,600</b>	<b>\$ 41,781,916</b>
17					
18		NIPSCO Gas Allocation of Net Benefits	\$ 4,271,723	\$ 5,201,755	\$ 5,311,633
19		NIPSCO Gas Allocation Rate	12.7%	12.7%	12.7%
20					
21		Net Profit Sharing Allocated to NIPSCO	\$ 168,251	\$ 206,747	\$ 213,052
22					
23					
24		<b>Ratemaking Adjustment for Annual Benefits Update</b>	n/a	n/a	<b>\$ 1,039,910</b>

**Northern Indiana Public Service Company  
Ratemaking Adjustments for Non-Recoverable Scrub  
December 31, 2022, 2023 and 2024**

**Line  
No.**

**Ref.**

<b>2022</b>		
1		
2	Charitable Contribution	\$ 21,871
3	Gifts	\$ 33,228
4	Lobbying Activity	\$ 22,340
5	Miscellaneous CE	\$ 4,465
6	Non-Deductible Expense	\$ 3,235
7	Non-Recoverable Advertising	\$ 89,523
8	Non-Recoverable Vendor	\$ 165,837
9	Non-Recoverable Work Order	\$ 20,075
10	Promotional Advertising	\$ -
11	Dues & Memberships	\$ -
12	<b>Grant Total</b>	<b>\$ 360,575</b>

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14

<b>2023</b>		
15		
16	Inflation Rate	5.8%
17	Inflation Adjustment	\$ 20,763
18	<b>Total</b>	<b>\$ 381,338</b>

[.2] line 15

19  
20

<b>2024</b>		
21		
22	Inflation Rate	5.8%
23	Inflation Adjustment	\$ 21,959
24	<b>Total</b>	<b>\$ 403,296</b>

[.2] line 15