

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE)
COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7,)
8-1-2-61, AND, 8-1-2.5-6 FOR (1) AUTHORITY TO MODIFY)
ITS RETAIL RATES AND CHARGES FOR ELECTRIC)
UTILITY SERVICE THROUGH A PHASE IN OF RATES;)
(2) APPROVAL OF NEW SCHEDULES OF RATES AND)
CHARGES, GENERAL RULES AND REGULATIONS, AND)
RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL)
OF A NEW RIDER FOR VARIABLE NONLABOR O&M)
EXPENSES ASSOCIATED WITH COALFIRED)
GENERATION; (4) MODIFICATION OF THE FUEL COST)
ADJUSTMENT TO PASS BACK 100% OF OFF-SYSTEM)
SALES REVENUES NET OF EXPENSES; (5) APPROVAL)
OF REVISED COMMON AND ELECTRIC)
DEPRECIATION RATES APPLICABLE TO ITS)
ELECTRIC PLANT IN SERVICE; (6) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, INCLUDING BUT NOT LIMITED TO)
APPROVAL OF (A) CERTAIN DEFERRAL MECHANISMS)
FOR PENSION AND OTHER POSTRETIREMENT)
BENEFITS EXPENSES; (B) APPROVAL OF)
REGULATORY ACCOUNTING FOR ACTUAL COSTS OF)
REMOVAL ASSOCIATED WITH COAL UNITS)
FOLLOWING THE RETIREMENT OF MICHIGAN CITY)
UNIT 12, AND (C) A MODIFICATION OF JOINT)
VENTURE ACCOUNTING AUTHORITY TO COMBINE)
RESERVE ACCOUNTS FOR PURPOSES OF PASSING)
BACK JOINT VENTURE CASH, (7) APPROVAL OF)
ALTERNATIVE REGULATORY PLANS FOR THE (A))
MODIFICATION OF ITS INDUSTRIAL SERVICE)
STRUCTURE, AND (B) IMPLEMENTATION OF A LOW)
INCOME PROGRAM; AND (8) REVIEW AND)
DETERMINATION OF NIPSCO'S EARNINGS BANK FOR)
PURPOSES OF IND. CODE § 8-1-2-42.3.)

CAUSE NO. 45772

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT

JANUARY 20, 2023

Respectfully submitted,

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'K. Earls' written in a cursive style.

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**TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 45772
NORTHERN INDIANA PUBLIC SERVICE COMPANY, LLC**

I. INTRODUCTION

1 **Q: Please state your name, business address, and employment capacity.**
2 A: My name is Michael D. Eckert and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, IN, 46204. I am the Director of the Electric Division
4 for the Indiana Office of Utility Consumer Counselor (“OUCC”). My qualifications
5 are set forth in Appendix A of this document.

II. PURPOSE OF TESTIMONY

6 **Q: What is the purpose of your testimony?**
7 A: I testify regarding the OUCC’s evaluation and analyses of Northern Indiana
8 Public Service Company, LLC’s (“NIPSCO” or “Petitioner”) revenue
9 requirement requests contained in its case in chief. I introduce OUCC witnesses
10 and provide an overview of their testimony. I also explain and support specific
11 adjustments and recommendations regarding certain NIPSCO requests for:
12 vegetation management expense; rate case expense; amortization expenses;
13 Schahfer Unit 14 and 15 outage capital investment; Riders/Trackers; and Purchase
14 Power Over the Benchmark. The OUCC recommends the Indiana Utility
15 Regulatory Commission (“IURC” or “Commission”):
16 1) Approve NIPSCO’s request to waive the purchased power procedures
17 established in Cause No. 43526 as of the effective date of an Order in this
18 Cause, with the condition NIPSCO include the following additional
19 information in its FAC audit package: a) all internal, external, and root cause
20 analyses for any forced outages greater than seventy-two (72) hours, and b)

1 day-ahead offers and the real-time awards for the test days the OUCC
2 requests;

3 2) The current agreement which allows the OUCC and intervenors to file FAC
4 testimony 35 days after NIPSCO files its petition and testimony should be
5 continued;

6 3) Deny NIPSCO's request to include its OSS tracker in its FAC filing unless
7 NIPSCO agrees to allow the OUCC a minimum of forty-two (42) days to
8 review NIPSCO's FAC petition and testimony.; and

9 4) Approve NIPSCO's purchased power over the benchmark request.

10 **Q: Please describe the review and analysis you conducted in order to prepare**
11 **your testimony.**

12 A: I read NIPSCO's petition and prefiled testimony in this proceeding, as well as
13 relevant Indiana Utility Regulatory Commission ("IURC" or Commission")
14 Orders. I reviewed Petitioner's workpapers and its Minimum Standard Filing
15 Requirements ("MSFR") filing. I submitted data requests, both formal and
16 informal, and reviewed Petitioner's responses to OUCC and Intervenors'
17 (Citizens Action Coalition of Indiana, Inc.; Unites States Steel Corporation;
18 NLMK Indiana; RV Industry User's Group;¹ NIPSCO Industrial Group;² Wal-
19 Mart Inc.; ChargePoint, Inc.; and Indiana Municipal Utilities Group³) data
20 requests. I examined pertinent sections of Title 8 of the Indiana Code and Title
21 170 of the Indiana Administrative Code.

III. AFFORDABILITY

22 **Q: Does the OUCC have concerns about the affordability of NIPSCO's rate**
23 **request?**

24 A: Yes. In Ind. Code § 8-1-2-0.5, the Indiana General Assembly declared a policy

¹ LCI Industries, Inc., Forest River, Inc., Patrick Industries, Inc., and Keystone RV Company.

² Accurate Castings and Kingsbury Castings, BP Products North America, Inc., Cargill, Cleveland Cliffs Steel LLC, Enbridge, Linde, Marathon, and USG.

³ Town of Dyer and Town of Schererville.

1 recognizing utility service affordability for present and future generations. It
2 stated affordability should be protected when utilities invest in infrastructure
3 necessary for system operation and maintenance.

4 **Q: How does the issue of affordability tie into NIPSCO's current rate request?**

5 A: NIPSCO is requesting an annual revenue increase of \$291,780,191⁴, to be
6 implemented in two phases, on September 1, 2023 and March 1, 2024,
7 respectively. In addition, the Company requests approval of a new Variable Cost
8 Tracker, NIPSCO's proposal in this Cause would increase the monthly bill of a
9 residential customer using 668 kWhs of electricity by 19.09% in the two phases,
10 or by a cumulative 25.7% when requested costs from both phases and the
11 Variable Cost Tracker are taken into account.⁵ After rates are increased in this
12 Cause, NIPSCO will continue to change rates quarterly, bi-annually, and annually
13 through its FAC, DSMA, TDSIC, RA, FMCA, and RTO cost tracking
14 mechanisms. The cumulative economic effect on ratepayers implicates
15 affordability.

16 **Q: What is the total annual amount of NIPSCO's proposed increase when fully**
17 **implemented, including costs from both phases and the Variable Cost**
18 **Tracker?**

19 A: NIPSCO's proposed phase 2 increase is \$291,780,191, not including additional
20 costs it seeks to recover through its proposed Variable Cost Tracker. The
21 Variable Cost Tracker would defer rate recovery of an additional amount of more
22 than \$100 million until July 1, 2024. The cumulative annual increase NIPSCO
23 seeks, including costs in both phases and in the Variable Cost Tracker, totals

⁴ Direct Testimony of Jennifer L. Shikany, Attachment 3-A-S2, page 1 of 5, line 7, columns F.

⁵ Verified Petition, Attachment 1, page 1 of 4.

1 \$395,009,258. NIPSCO witness Jennifer Shikany provides schedules that show
2 the calculation of both these figures, \$291,780,191⁶ and \$395,009,258⁷.

3 **Q: How should affordability be considered?**

4 A: In light of the Indiana General Assembly's stated policy, affordability should be a
5 constant consideration for all Indiana jurisdictional utilities, as well as the
6 Commission as it deliberates its decisions. While federal environmental
7 regulations have increased on generation plants in the last decade, and federal
8 regulations and ISO requirements have been added in recent years, affordability is
9 an issue that should be considered in all investment decisions to help set spending
10 parameters.

11 The OUCC understands safe and reliable electric systems are extremely
12 important. However, at the same time customers are faced with increasing utility
13 costs, they must also contend with inflation, gasoline prices, and food costs
14 significantly higher than last year.⁸ In terms of affordability, this combination is
15 unsustainable. These hardships are only worsened during periods of widespread
16 economic turmoil, as the country is currently recovering from the effects of the
17 COVID-19 pandemic. In recognition of the importance of affordability,
18 examining cost allocation, prioritization, and spreading cost recovery out over
19 longer periods of time could help address financial impacts to customers.

20 Consistent with the General Assembly's stated policy, the Commission
21 should take steps to moderate the imposition of higher rates over time and only

⁶ Direct Testimony of Jennifer L. Shikany, Attachment 3-A-S2, page 1 of 5, line 7, columns F.

⁷ Direct Testimony of Jennifer L. Shikany, Attachment 3-A-S2, page 1.

1 approve necessary and reasonable requests for NIPSCO to provide reliable
2 electric service.

3 **Q: Does the OUCC have specific overarching concerns about this particular**
4 **NIPSCO rate request?**

5 A. Yes. Individual OUCC witnesses put forth testimony and recommendations
6 regarding specific issues or requests contained in NIPSCO's case. Many of these
7 requests are optional or have discretionary components. The OUCC and the
8 hundreds of ratepayers who submitted comments raise serious concerns about the
9 immediate financial impacts of these requests. It is understandable that NIPSCO
10 has included all these requests, because NIPSCO expects to realize significant
11 returns on its \$1.0 billion increase in rate base, including large renewable
12 generation capital expenditures of \$840,993,617.⁹ But as I have mentioned above,
13 State policy specifically recognizes affordability of utility services for present and
14 future generations of Indiana citizens.¹⁰

15 The Commission is charged with the task of balancing the interests of the
16 utilities with ratepayers. The OUCC also wants financially sound utilities that can
17 provide quality services at reasonable prices. At some point, it becomes crucial to
18 review whether the scales become imbalanced and weigh too heavily in the
19 utilities' favor. Through the individual witnesses' testimonies, the OUCC requests
20 the Commission examine the various components of NIPSCO's requests and

⁸ Little, Simon, (Nov. 9, 2022), Why Is Inflation So High Still? The Main Drivers of Rising Prices. *Forbes*, <https://www.forbes.com/sites/qai/2022/11/09/why-is-inflation-so-high-still-the-main-drivers-of-rising-prices/?sh=5a0697b93ee5>.

⁹ Direct Testimony of Jennifer L. Shikany, Attachment 3-B-S2, RB Module, row 8, column I.

¹⁰ I.C. § 8-1-2-0.5.

1 determine if such requests are necessary and prudent at this point in time, or if
2 some of these expenditures should be implemented more gradually. NIPSCO has
3 not presented sufficient evidence that the Commission should “green light” its
4 entire package now.

5 NIPSCO’s request should not be considered a standard base rate case as it
6 is replete with requests that will reduce NIPSCO’s and its shareholders’ risks; yet
7 there is no acknowledgment of that reduced risk that would inure to the benefit of
8 ratepayers such as a recognition of the reduced risk in a lower ROE.¹¹ The
9 Commission has an opportunity to review NIPSCO’s massive and complex
10 requests in whole, to say “no,” to some, and to limit others while making clear the
11 standards NIPSCO should meet. In order for the Commission to maintain
12 flexibility, especially in light of Indiana’s new focus on its emerging energy
13 policy, and the optionality it articulated in the Vectren Order,¹² the OUCC
14 respectfully suggests the Commission hit a “pause” button on several of the
15 requests presented.

IV. OUCC WITNESSES

16 **Q: Please introduce the OUCC’s witnesses in this Cause.**

17 **A:** The following OUCC Witnesses provide testimony on the following issues:

18 **Mr. Mark Garrett** testifies regarding certain revenue requirement adjustments
19 and sponsors the OUCC’s overall revenue requirement recommendation for

¹¹ See PSI Energy, Inc., 2004 Ind. PUC LEXIS 150, at *145. See also *In re S. Ind. Gas & Elec. Co.*, Cause No. 43839, 289 P.U.R.4th 9 (Apr. 27, 2011), where the Commission denied Vectren’s proposed increased ROE, “We do consider the effect tracking mechanisms have in reducing risk in order to ensure that these reduced risks are properly reflected in Vectren South's cost of equity.”

¹² *In re S. Ind. Gas & Elec. Co.*, Cause No. 45052, Final Order, p. 26 (Ind. Util. Regulatory Comm’n April 24, 2019).

1 NIPSCO. Mr. Garrett incorporates the impact of the other OUC witnesses'
2 recommendations in his revenue requirements calculations. He recommends
3 adjustments to rate base and to NIPSCO's operating revenues and expenses.
4 **(Public's Exhibit No. 2)**

5 **Mr. Wes Blakley** addresses NIPSCO's proposed ratemaking treatment for the
6 amortization expense and bad debt expense relating to the Commission's June 29,
7 2020 Order in Cause No. 45380. Mr. Blakley also discusses NIPSCO's request
8 for recovery of coal ash removal costs ("CCR") for its Michigan City Generating
9 Station in Cause No. 45700 and its R.M. Schahfer Generating Station
10 ("Schahfer") in Cause No. 45797 in its Federally Mandated Cost Adjustment
11 Rider ("FMCA") and how these requests could affect rates in this Cause.
12 **(Public's Exhibit No. 3)**

13 **Ms. Cynthia Armstrong** explains why NIPSCO's proposed variable cost tracker
14 ("VCT") should be denied for its inclusion of non-volatile costs and potential for
15 imprudence. She also explains how NIPSCO's increased Seasonal NOx allowance
16 costs result from the early retirement of Schahfer Units 14 and 15 and are
17 unreasonable to recover from ratepayers. She also addresses NIPSCO's exclusion
18 of Coal Combustion Residuals ("CCR") pond closure costs from its
19 decommissioning costs and recommends recovering these costs through
20 traditional means rather than through the Federally Mandated Cost Adjustment
21 ("FMCA"). Finally, she supports NIPSCO's request to consolidate the reserve
22 amounts held at each individual joint venture into one reserve account at the
23 Company level. **(Public's Exhibit No. 4)**

24 **Mr. David Garrett** employs a depreciation system using actuarial plant analysis
25 to statistically analyze the Company's depreciable assets and develop reasonable
26 depreciation rates and annual accruals. Mr. Garrett's primary recommendation to
27 the IURC is to calculate depreciation rates under the Average Life Group
28 ("ALG") procedure, along with reasonable adjustments to the Company's
29 proposed terminal net salvage rates and mass property service lives. In addition,
30 Mr. Garrett recommends a return on equity of 9.20% for the Company. **(Public's
31 Exhibit No. 5 - Depreciation and Public's Exhibit No. 12 – Return on Equity)**

32 **Ms. April Paronish** testifies regarding NIPSCO's proposed Low Income
33 Program. **(Public's Exhibit No. 6)**

34 **Mr. John Haselden** testifies regarding NIPSCO's proposed Electric Vehicle
35 charging stations. **(Public's Exhibit No. 7)**

1 **Mr. Brian Latham** testifies regarding NIPSCO's proposed Pension and
2 Postretirement Benefits Other than Pensions ("OPEB") balancing account and its
3 proposed variable cost tracker. **(Public's Exhibit No. 8)**

4 **Mr. Kaleb Lantrip** testifies regarding NIPSCO's proposed adjustments to its line
5 locate expense, Federally Mandated Cost Adjustment ("FMCA") amortization
6 and rate base portions, and Transmission Distribution and Storage System
7 Improvement Charge ("TDSIC") amortization and rate base portions. **(Public's
8 Exhibit No. 9)**

9 **Dr. Peter Boerger** presents analyses and concerns regarding NIPSCO's rate for
10 its largest industrial customers (Rate 831/531) and provides recommendations for
11 reducing effects on NIPSCO's other rate classes. **(Public's Exhibit No. 10)**

12 **Mr. Glenn Watkins** testifies regarding the accuracy and reasonableness of
13 NIPSCO's retail cost of service study and the allocation of revenue requirements
14 to the various rate classes. Additionally, Mr. Watkins discusses NIPSCO's
15 proposed new Rate 543 related to renewable wholesale generation. He also
16 addresses NIPSCO's proposed rate design, including the proposed increases to
17 residential fixed monthly charges. **(Public's Exhibit No. 11)**

18 **Customer Comments** **(Public's Exhibit No. 13)**

V. **OVERVIEW OF NIPSCO'S CASE AND OUCC REVENUE REQUIREMENTS**

19 **Q: Please summarize your findings regarding Petitioner's revenue requirement.**

20 **A:** As I have stated above, the full annual amount NIPSCO requests, through the
21 two-phase rate increase and the Variable Cost Tracker, totals \$395,009,258. By
22 comparison, the OUCC's analysis shows that a cumulative increase of
23 \$245,728,423¹³ is justified by the evidence in this case. The OUCC recommends
24 denial of the proposed Variable Cost Tracker and recommends certain costs from
25 the proposed tracker be recovered through base rates, instead. Overall, the

¹³ Direct Testimony of Mark E. Garrett. Schedule MEG-1(S2).

1 OUCC's recommendations would reduce NIPSCO proposed increase by
2 \$149,280,835¹⁴.

3 **Q: What is the OUCC's recommended weighted cost of capital?**

4 A: The OUCC's recommended Phase 1 **increase** is based on a weighted average cost
5 of capital ("WACC") of 6.14¹⁵ percent and the OUCC's recommended Phase 2
6 increase is based on a WACC of 6.18%¹⁶ percent.

7 **Q: To the extent you do not address a specific item or adjustment, should that**
8 **be construed to mean you agree with NIPSCO's proposal for that item?**

9 A: No. Any exclusions of specific items, adjustments, or amounts NIPSCO proposes
10 from my or any other OUCC witness's testimony is not an indication of approval.
11 Rather, the scope of my and other OUCC witnesses' testimony is limited to the
12 specific items addressed.

VI. OUCC REVENUE REQUIREMENT ANALYSIS

13 **Q: Please provide an overview of the OUCC's process to evaluate NIPSCO's**
14 **revenue requirements.**

15 A: As an investor-owned utility, NIPSCO's rates and charges are regulated under
16 Ind. Code § 8-1-2-1, *et seq.* The OUCC compared the operating revenues,
17 operating expenses, rate base figures, capital structure, and net operating income
18 from NIPSCO's historical calendar year (2021) against the same from its
19 forecasted test year (2023). Adjustments to the forecasted test year revenue and
20 expense data were generally made to reflect changes that will and are projected to
21 occur by the end of the forecasted 2023 test year. The OUCC also adjusted
22 Petitioner's forecasted rate base and proposed rate of return ("ROR") on rate base.

¹⁴ Direct Testimony of Mark E. Garrett. Schedule MEG-1(S2).

¹⁵ Direct Testimony of Mark E. Garrett. Schedule MEG-1(S1).

¹⁶ Direct Testimony of Mark E. Garrett. Schedule MEG-1(S2).

1 In developing its recommendations, the OUCC reviewed NIPSCO's case-
 2 in-chief, exhibits, accounting schedules, attachments, and workpapers. OUCC
 3 staff and witnesses issued data requests and gathered financial information about
 4 NIPSCO through discovery. OUCC staff members participated in several
 5 conference calls with NIPSCO staff to discuss technical issues. The OUCC
 6 attended the public field hearings in this Cause and reviewed written comments
 7 from NIPSCO's ratepayers. The OUCC received nearly 800 written customer
 8 comments and is including them as Public's Exhibit No. 13.

VII. VEGETATION MANAGEMENT EXPENSE

9 **Q: Did Petitioner make an adjustment to vegetation management expense?**

10 **A:** Yes. Petitioner made a significant pro-forma adjustment to increase its 2023
 11 budgeted vegetation management for the period ending December 31, 2023.
 12 Table 1 below demonstrates the amount of vegetation management expense
 13 NIPSCO budgeted for the last six years and the annual increase in both dollars
 14 and percent.

Table 1

Vegetation Management Expense Budget Differences			
Year	Budgeted Expense	Difference Inc./Dec)	Percentage (%) Difference Inc./Dec)
2017	\$12,561,109	\$3,889,242	44.85%
2018	\$16,128,095	\$3,556,986	28.40%
2019	\$17,661,715	\$1,553,620	9.51%
2020	\$20,993,470	\$3,331,755	18.86%
2021	\$19,013,484	(\$1,979,986)	(9.43%)
2022 Rate Case	\$23,884,690 ¹⁷	\$4,871,206	25.62%

¹⁷ Direct Testimony of Jennifer L. Shikany, Attachment 3-C-S2. page 31 of 106, page .1, line 8, column E.

Proposed			
2023 Rate Case Proposed	\$30,863,295 ¹⁸	\$6,978,605	29.22%

1 **Q: Why is Petitioner requesting a significant increase in its vegetation**
 2 **management expense?**

3 A: Petitioner is requesting a significant increase in its vegetation management
 4 expense for three reasons. NIPSCO witness Ron Talbot states the first reason is
 5 to reflect NIPSCO's decision to clear 1,200 miles per year.¹⁹ The second reason,
 6 according to Mr. Talbot, is NIPSCO began to experience higher external labor
 7 and equipment costs to perform clearance work due to market conditions and
 8 adjusted vegetation management expense to reflect current market conditions.²⁰
 9 Finally, NIPSCO is proposing to change its current vegetation management cycle
 10 from 11 years²¹ to 7 years²².

11 **Q: Did Petitioner request additional funding for vegetation management in its**
 12 **last base rate case, Cause No. 45159?**

13 A: Yes. In Cause No. 45159, Petitioner requested \$24,550,626 for vegetation
 14 management expense and the OUCC opposed that amount and recommended
 15 \$23,242,100. Petitioner had budgeted \$15,762,222 for the historical year 2017.
 16 However, in settlement, the parties agreed to reduce Petitioner's total O&M
 17 expense by \$2,000,000 and did not specify an amount to be spent on Vegetation
 18 Management Expense.

19 **Q: Did Petitioner spend the amount it requested in Cause No. 45159 for**
 20 **vegetation management expense in the calendar years ending 2020 and 2021?**

21 A: No. Petitioner spent less than the amount recommended by the OUCC. In fact, if

¹⁸ Direct Testimony of Jennifer L. Shikany, Attachment 3-C-S2, page 31 of 106, page .1, line 8, column I.
¹⁹ Direct Testimony of Ronald E. Talbot page 46, line 18.
²⁰ Direct Testimony of Ronald E. Talbot page 46, lines 8-15.
²¹ Direct Testimony of Ronald E. Talbot page 42, lines 10-11.
²² Direct Testimony of Ronald E. Talbot pages 46-47, lines 16-1.

1 Petitioner's requested Vegetation Management Expense of \$24,550,626 was
 2 reduced by the settled \$2,000,000 O&M expense reduction in Cause No. 45159,
 3 Petitioner did not even expense that amount (\$22,550,626).

4 **Q: Since the Order in Cause No. 45159, do Petitioner's SAIFI, SAIDI, and**
 5 **CAIDI metrics support improved service from NIPSCO's increased**
 6 **vegetation management expense?**

7 **A:** No. In fact, the metrics show service has remained constant or slightly decreased
 8 except for calendar year 2020. Thus, the increased vegetation management
 9 funding does not appear to be improving customer service. (See Table 2 Below.)

Table 2

Year	Actual ^a			Excluding Major Event Days ^b			Including Major Event Days ^c		
	Expensed	Capitalized	Total	SAIFI	SAIDI	CAIDI	SAIFI	SAIDI	CAIDI
2017	\$16,217,249	\$2,030,004	\$18,247,253	1.01	131	130	1.11	153	138
2018	\$17,531,349	\$1,677,049	\$19,208,398	1.09	151	139	1.33	244	184
2019	\$19,414,152	\$2,401,319	\$21,815,471	1.07	155	145	1.58	359	227
2020	\$21,208,126	\$2,093,282	\$23,301,408	0.90	138	153	1.26	473	374
2021	\$19,370,693	\$1,227,560	\$20,598,253	1.06	175	165	1.55	529	341
a) Petitioner's response to OUCC Data Request 11, Question 016									
b) Petitioner's Witness Ronald E. Talbot Testimony, Figure 2.									
c) Petitioner's Witness Ronald E. Talbot Testimony, Figure 4, 5, and 6.									

10 **Q: Do you oppose NIPSCO's vegetation management expense adjustment?**

11 **A:** Yes. NIPSCO's pro-forma amount (\$30,863,295)²³ is significantly higher than
 12 the 2021 historical test year amount (\$18,723,549)²⁴ and the 2022 proposed
 13 amount (\$23,884,690)²⁵. NIPSCO has never come close to the amount of pro-
 14 forma vegetation management expense that it is proposing in this case. NIPSCO's

²³ Testimony of Jennifer L. Shikany, Attachment 3-C-S2, page 31 of 106, OM 2 Matrix, Page [.1], Column A, Line 7.

²⁴ Testimony of Jennifer L. Shikany, Attachment 3-C-S2, page 31, of 106, OM 2 Matrix, Page [.1], Column E, Line 7.

²⁵ Testimony of Jennifer L. Shikany, Attachment 3-C-S2, page 31 of 106, OM 2 Matrix, Page [.1], Column I, Line 7.

1 pro-forma proposed vegetation management expense amount of \$30,863,295 is
2 64.84% higher than the 2021 historical test year and 29.22% higher than
3 NIPSCO's 2022 proposed amount.

4 **Q: What was NIPSCO's average increase in budgeted vegetation management**
5 **expense over the last five years?**

6 A: The average increase over the five-year period 2017 through 2021 was 18.44%.
7 This amount is heavily influenced by two extraordinary years, 2017 and 2021.
8 Year 2017 had an increase of 44.85% and Year 2021 had a decrease of (9.46%)
9 from the prior year. The three-year average percentage increase, if these two
10 years are removed, is an average increase of 18.92%.

11 **Q: What do you recommend with regard to vegetation management expense?**

12 A: I recommend Petitioner's 2023 budgeted vegetation management expense be no
13 greater than the 2022 proposed expense amount of \$23,884,690. This would result
14 in a pro-forma vegetation management expense of \$23,884,690, which is
15 \$6,978,605 less than NIPSCO's proposed amount of \$30,863,295 and \$5,161,141
16 more than the historical Test Year.

VIII. RATE CASE EXPENSE

17 **Q: Is the OUCC opposing Petitioner's adjustment to rate case expense?**

18 A: No. However, the OUCC does recommend Petitioner reduce base rates for the
19 amortization of rate case expense once the amortization period has expired.

IX. AMORTIZATION EXPENSE

20 **Q: Is the OUCC opposing Petitioner's adjustment to amortization expense for**
21 **regulatory assets?**

1 A: No. However, the OUCC does recommend Petitioner reduce base rates for the
2 amortization of regulatory assets once the amortization period has expired.

3 **X. SCHAHFER UNITS 14 AND 15 FIRE**

4 **Q: Did NIPSCO make any capital investments in Schahfer Units 14 and/or 15**
5 **after the fire on July 16, 2020?**

6 A: Yes. NIPSCO made capital investments totaling \$9,988,490²⁶ into Units 14
7 and/or 15, including common facilities for both Units between July 1, 2020 and
8 October 1, 2021. \$7,058,649²⁷ of this capital investment was associated with
9 restoration work attributable to the July 16, 2020 fire.

10 **Q: Please describe the Schahfer Units 14 and 15 fire that occurred on July 16,**
11 **2020.**

12 A: On July 16, 2020, at approximately 7:56 a.m., Schahfer Unit 14 experienced high
13 transformer temperatures. Based on testimony provided by NIPSCO Witness
14 Sangster in Cause No. 38706 FAC-130 S1, no action was taken, and the
15 temperature continued to increase during the next several hours. This culminated
16 in a fire at approximately 1:25 p.m. when the relay triggered and caused an arc
17 flash, which ignited the gaseous oil in the transformer. The fire caused extensive
18 damage affecting Unit 14 and Unit 15.

19 **Q: What was the result of the fire?**

20 A: Units 14, 15, and their shared facilities were forced out of service and placed on
21 an extended outage. NIPSCO performed a portfolio analysis²⁸ and decided to
22 repair Unit 15 and the shared facilities. NIPSCO then operated Unit 15 until the

²⁶ NIPSCO's Supplemental Response to IG's Data Request 5-001 (e).

²⁷ NIPSCO's Supplemental Response to IG's Data Request 5-001 (f).

²⁸ Cause No. 38706 FAC 130 S1, Verified Direct Testimony of Patrick N. Augustine.

1 on-site coal inventory was exhausted; Unit 14 remained in an extended force
2 outage and both Unit 14 and 15 were retired in October 2021.

3 **Q: Did the fire at Units 14 and 15 result in the early retirement of Units 14 and**
4 **15?**

5 A: Yes. Units 14 and 15 were retired nineteen (19) months early.

6 **Q: Did NIPSCO believe that its actions or inactions caused or led to the cause of**
7 **the fire at Unit 14?**

8 A: No. NIPSCO Witness Kurt W. Sangster testified:

9 Q27. Based on the root cause of this fire, do you believe that
10 NIPSCO's actions or inactions caused or led to the cause of the fire
11 at Unit 14?

12 A27. No. To the best of my knowledge, NIPSCO operated and
13 maintained Unit 14 in a reasonable manner. NIPSCO has properly
14 maintained and operated its generating units, including Unit
15 14. NIPSCO has also appropriately trained its personnel who work
16 as CROs [Control Room Operators] and System Operators. This
17 was an unfortunate event, which, thankfully, did not result in
18 physical injury or loss of life. Ultimately, equipment on older
19 units can fail. Here, human error on the part of the experienced
20 CRO failed to mitigate that equipment failure, and, as a result, the
21 fire occurred.²⁹

22 **Q: Did the Commission agree with NIPSCO Witness Sangster?**

23 A: No. The Commission in its Order in Cause No. 38706 FAC 130 S1 found:

24 Accordingly, based on the evidence, the Commission finds NIPSCO's
25 actions leading to and associated with the fire were imprudent and not
26 reasonable given all the circumstances.³⁰

27 And ultimately, the Commission found:

28 Consistent with the Commission's discussion and findings above, the
29 Commission finds NIPSCO acted unreasonably and imprudently with
30 respect to the events that gave rise to the fire at Schahfer Units 14 and 15
31 on July 16, 2020, and as a result of such imprudence, ratepayers have
32 incurred greater fuel costs between the date of the fire and the retirement

²⁹ Cause No. 38706 FAC-130 S1, Verified Direct Testimony of Kurt W. Sangster, pp. 18-19, ll. 14 – 5.

³⁰ NIPSCO 38706 FAC 130 S1, Order, Dated June 15, 2022, page 48.

1 of Units 14 and 15 on October 1, 2021, in the amount of \$7,986,115 that
2 NIPSCO shall refund.³¹

3 **Q: Based on the Commission's finding that NIPSCO was imprudent in the Units**
4 **14 and 15 fire, should NIPSCO be allowed to recover the capital investment**
5 **associated with the restoration of Units 14/and/or 15 be included in base rates**
6 **and recovered from customers?**

7 A: No. Therefore, I am recommending NIPSCO reduce the Regulatory Asset for
8 Units 14 and/or 15 by the restoration cost of \$7,058,649.

XI. CURRENT RIDER IMPACT

9 **Q: Have you performed a calculation to show how NIPSCO's current trackers**
10 **impact an Indiana residential customer's monthly bill based on 668 kWh per**
11 **month usage as of January 2, 2023?**

12 A: Yes. Table 3 below illustrates the impact of trackers on the monthly bill of a
13 NIPSCO Indiana residential customer using 668 kWh per month. The current base
14 rate portion of the monthly bill totals \$95.07. The total monthly bill, including
15 trackers, equals \$124.56. Therefore, 23.67% of a typical NIPSCO Indiana
16 residential customer's monthly bill is associated with the utility's numerous
17 trackers.

Table 3: Residential Customer Bill Calculation as of January 2, 2023

Description:	kWh	Rate	\$	% of Bill
Customer Charge			\$13.50	10.84%
Energy Charge	668	\$0.122116	81.57	65.49%
DSM Charge	668	\$0.005925	3.54	2.84%
TDSIC Charge	668	\$0.005286	3.53	2.83%
RA Charge	668	(\$0.000016)	(0.01)	(0.01%)
FMCA Charge	668	\$0.000000	0.00	0.00%
RTO Charge	668	\$0.003753	2.51	2.02%
Sub-Total			104.64	84.01%
FAC Charge	668	\$0.029820	19.92	15.99%
Total Billing Amount			<u>\$124.56</u>	<u>100.00%</u>

³¹ NIPSCO 38706 FAC 130 S1, Order, Dated June 15, 2022, page 55.

Base and Energy Charge	\$95.07	76.33%
Trackers (Excluding FAC)	9.56	7.68%
FAC	19.92	15.99%
Total	<u>\$124.56</u>	<u>100.00%</u>
*NIPSCO's Tariffs as of January 2, 2023; https://www.nipSCO.com/our-company/about-us/regulatory-information/electric-rates		

XII. RIDERS

1 **Q: Does NIPSCO propose to change any of its current riders and or new riders?**

2 A: Yes. Currently, NIPSCO has 6 established riders³², but is requesting eight (8)
3 riders to continue and/or result from this proceeding. NIPSCO is proposing the
4 following changes:

- 5 1) FAC Tracker: NIPSCO proposes to flow back 100% of all off-system
6 sales net of expenses, through the FAC instead of a portion of these flowing
7 back through the RTO Rider;
- 8 2) RTO Tracker: NIPSCO proposes to remove off-system sales margins
9 from the RTO Tracker and flow them (100%) back through the FAC Tracker;
- 10 3) RA Tracker: NIPSCO proposes to include \$22.4 million of capacity
11 charges in base rates with any additional capacity costs or credits to flow
12 through the RA Tracker;
- 13 4) FMCA Tracker: NIPSCO proposes no changes to the FMCA Tracker;
- 14 5) TDSIC Tracker: NIPSCO proposes no changes to the TDSIC Tracker;
- 15 6) DSM Tracker: NIPSCO proposes no changes to the DSM Tracker;
- 16 7) Variable Cost Tracker: NIPSCO proposes a new semi-annual mechanism to
17 recover variable non-labor expenses associated with its coal-fired generation
18 assets; and
- 19 8) Tax Mechanism Tracker: NIPSCO requests authority for a new mechanism to
20 track potential future tax changes (Federal and State) that may or may not
21 occur.

³² NIPSCO actually has 7 riders. However, the OSS and RTO are currently combined in the RTO Rider.

1

1. Fuel Clause Adjustment Rider

2 **Q: Is NIPSCO proposing any changes to the Fuel Adjustment Cost (“FAC”)?**

3 A: NIPSCO is proposing two changes to the FAC Rider. The first change is to reflect
4 the updated cost of fuel that will be established in this base rate case, which the
5 OUCC does not oppose. For the second change, NIPSCO is proposing to use the
6 FAC as the mechanism to track and provide Off-System Sales (“OSS”) rate
7 credits to reflect the revenues it will receive from OSS for instead of using the
8 RTO Rider. The RTO rider typically allows the OUCC 42 days to file testimony
9 after NIPSCO files its testimony.

10 **Q: Does NIPSCO’s proposal provide the OUCC extra time in the FAC Rider**
11 **proceeding for the additional work of evaluating and addressing revenues**
12 **from OSS sales?**

13 A: No. NIPSCO has not proposed to allow the OUCC any extra time in the FAC
14 proceeding to review the OSS tracker information on a quarterly basis (currently
15 annual basis). Therefore, should the Commission allow NIPSCO to include its
16 OSS in its FAC filing, the OUCC requests NIPSCO modify its agreement to allow
17 the OUCC a minimum forty-two (42) days to review NIPSCO’s FAC proceedings
18 due to the added complexity of the filing.

19 **Q: Does the OUCC have any recommendations regarding the FAC?**

20 A: Yes. The current agreement which allows the OUCC and intervenors to file FAC
21 testimony 35 days after NIPSCO files its petition and testimony should be
22 continued. Additionally, NIPSCO should only be allowed to include its OSS
23 tracker in its FAC filing if NIPSCO agrees to allow the OUCC a minimum forty-
24 two (42) days to review NIPSCO’s FAC proceedings.

25

2. Regional Transmission Organization Rider

1 **Q: Is NIPSCO proposing any changes to its Regional Transmission**
2 **Organization (“RTO”) Rider 771?**

3 A: Yes. As indicated by NIPSCO witnesses Andrew S. Campbell, Erin E.
4 Whitehead, and Jennifer L. Shikany, NIPSCO is proposing to make one change
5 which is to remove OSS margins, net of expenses, from the RTO adjustment and
6 flow back 100% of any OSS, net of expenses, through the FAC.

7 **Q: Does the OUCC have any concerns with that proposal?**

8 A: Yes. The current RTO Rider proceeding allows the OUCC approximately 42 days
9 to review the NIPSCO’s OSS rider whereas the FAC only allows 35 days. I
10 discuss this issue in the FAC portion of my testimony. In addition, OUCC
11 Witness Watkins will address the OUCC’s proposed customer class revenue
12 allocation factors for this rider.

13 *3. Resource Adequacy Rider*

14 **Q: Is NIPSCO proposing any changes to its Resource Adequacy Rider?**

15 A: It is not proposing any changes to the Rider mechanism. However, it is proposing
16 to change the amount of capacity charges built into base rates to \$22.4 million
17 which any additional capacity costs or credits will flow through the RA Rider. In
18 addition, OUCC Witness Watkins will address the OUCC’s proposed customer
19 class revenue allocation factors for this rider.

20 *4. Transmission, Distribution, and Storage System*
21 *Improvement Charge Rider*
22

23 **Q: Is NIPSCO proposing any changes to its Transmission, Distribution, and**
24 **Storage System Improvement Charge Rider?**

25 A: Not in this proceeding.

26 **Q: What does the OUCC recommend with regard to the cost allocation factors**
27 **for NIPSCO’s Transmission, Distribution and Storage System Improvement**

1 **Q: Do you agree with NIPSCO's proposal to update rates for future tax rate**
2 **changes?**

3 A: No. I do not agree with NIPSCO's proposal to automatically adjust its base rates
4 for potential, future changes to the federal income tax rate and Indiana state
5 income tax rate. NIPSCO is requesting authority to automatically update its rates
6 in the event of an income tax rate change before the scope of any future change is
7 known. This is speculative and premature.

8 **Q: In the event of a change in tax rates, should NIPSCO follow the rules and**
9 **procedures established by the Commission?**

10 A: Yes. NIPSCO should follow any rules and procedures that would be established
11 and set up by the Commission. In fact, the Commission established such a
12 proceeding to handle this type of issue ("Tax Cuts and Jobs Act of 2017") in 2018
13 to implement the reduction of the Federal Income Tax from 35.0% to 21.0%.
14 This type of procedure would allow the OUCC, other interested parties, and the
15 Commission an opportunity to evaluate the specifics of the tax change at the time
16 it is made.

17 **Q: Are you aware of any potential future Federal or State Income tax changes?**

18 A: No. I am not aware of any plans to further reduce or change the Federal or
19 Indiana State Income tax. NIPSCO also does not point to any potential future
20 Federal or State Income tax changes that would necessitate this proposed tracker.
21 Again, State and Federal tax changes are not volatile, and don't fall within the
22 Commission's typical scenarios for authorizing tracking authority.³³

23 *8. Variable Operations and Maintenance Rider*

³³ *In re S. Ind. Gas & Elec. Co.*, Cause No. 45052, 289 P.U.R.4th 9 (Apr. 27, 2011).

1 **Q: What costs does NIPSCO propose to track through its Variable Operations**
2 **and Maintenance Rider?**

3 A: NIPSCO proposes to track and recover its variable coal-fired generation assets'
4 non-labor expenses. Those O&M expenses are: 1) generation maintenance
5 activity; 2) planned outages; 3) forced outages; 4) variable chemicals; 5) non-
6 trackable fuel handling; and 6) nitrogen oxide emissions allowances.

7 **Q: What does the OUCC recommend?**

8 A: OUCC Witness Latham testifies that the OUCC recommends the Commission
9 deny Petitioner's request for a Variable Operations and Maintenance Rider.

XIII. PURCHASE POWER OVER THE BENCHMARK

10 **Q: Is NIPSCO subject to the purchased power benchmark established in the**
11 **Commission's Cause No. 41363 Order, dated August 18, 1999?**

12 A: Yes. NIPSCO is subject to the conditions and procedures for purchased power
13 over the benchmark as required in Cause No. 41363.

14 **Q: Do you agree with NIPSCO witness Andrew Campbell's testimony**
15 **describing NIPSCO's purchased power over the benchmark?**

16 A: Yes. I generally agree with his opinions regarding the establishment of the
17 purchased power over the benchmark. In addition, NIPSCO offers all its
18 generation into the MISO market and MISO controls the dispatch of NIPSCO's
19 generation. In essence, MISO controls the dispatch of NIPSCO's generation,
20 while NIPSCO controls the generation availability and the day-ahead offer price.

21 **Q: Does the OUCC oppose NIPSCO's request that the Commission permanently**
22 **waive the generic purchased power procedures established in Cause No.**
23 **43526 as of the effective date of the Commission's Order in this Cause?**

24 A: No. NIPSCO's purchased power costs would continue to remain subject to OUCC
25 review and Commission approval in NIPSCO's FAC filings. NIPSCO witness

- 1 Campbell testified NIPSCO will do the following in FAC proceedings:
- 2 1) discuss major forced outages of units of 100 MW or more lasting more than
3 100 hours;
- 4 2) provide all root cause analyses performed;
- 5 3) continue to supply the OUCC day-ahead and real-time unit offers and awards
6 for the test days; and
7
- 8 4) provide the OUCC and the Commission relevant outage information.^{34 35}

XIV. RECOMMENDATIONS

9 **Q: What do you recommend in this proceeding?**

10 A: I recommend:

- 11 1) The Commission approve the OUCC's revenue requirement adjustments and
12 recommendations;
- 13 2) The current agreement which allows the OUCC and intervenors to file FAC
14 testimony 35 days after NIPSCO files its petition and testimony be continued;
- 15 3) The Commission deny NIPSCO's request to include its OSS tracker in its
16 FAC filing unless NIPSCO agrees to allow the OUCC a minimum of forty-
17 two (42) days to review NIPSCO's FAC petition testimony; and
- 18 4) The Commission approve NIPSCO's purchased power over the benchmark
19 request.

20 **Q: Does this conclude your testimony?**

21 A: Yes.

³⁴ Testimony of Andrew S. Campbell, pages 46 - 47, lines 18 - 8.

³⁵ The OUCC expects NIPSCO to provide this information in its initial FAC audit package.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Purdue University in West Lafayette, Indiana in December
3 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed
4 in the State of Indiana as a Certified Public Accountant. Upon graduation, I
5 worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg,
6 Illinois until October 1987. In December 1987, I accepted a position as a Staff
7 Accountant with the OUCC. In May 1995, I was promoted to Principal
8 Accountant and in December 1997, I was promoted to Assistant Chief
9 Accountant. As part of the OUCC's reorganization, I accepted the position of
10 Assistant Director of its Telecommunications Division in July 1999. From
11 January 2000 through May 2000, I was the Acting Director of the
12 Telecommunications Division. During an OUCC reorganization, I accepted a
13 position as a Senior Utility Analyst and in September 2017, I was promoted to
14 Assistant Director of the Electric Division. In February 2022, I was promoted to
15 the Director of the Electric Division. As part of my continuing education, I have
16 attended the National Association of Regulatory Utility Commissioner's
17 ("NARUC") two-week seminar in Lansing, Michigan. I attended NARUC's
18 Spring 1993 and 1996 seminar on system of accounts. In addition, I attended
19 several CPA sponsored courses and the Institute of Public Utilities Annual
20 Conference in December 1994 and December 2000.

AFFIRMATION

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



Michael D. Eckert
Director-Electric Division
Indiana Office of Utility Consumer Counselor

Cause No. 45772

Date 1/20/2023

Certificate of Service

This is to certify that a copy of the Indiana Office of Utility Consumer Counselor's Testimony Filing has been served upon the following parties of record in the captioned proceeding by electronic service on January 20, 2023.

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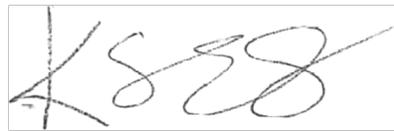
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