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 REVISED COMMON AND ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING, BUT LIMITED TO, AUTHORITY TO CAPITALIZE AS RATE BASE ALL EXPENDITURES FOR IMPROVEMENTS TO PETITIONER'S INFORMATION TECHNOLOGY SYSTEMS THROUGH THE DESIGN, DEVELOPMENT, AND IMPLEMENTATION OF A WORK AND ASSET MANAGEMENT ("WAM") PROGRAM, TO THE EXTENT NECESSARY; AND (5) APPROVAL OF ALTERNATIVE REGULATORY PLANS FOR THE PARTIAL WAIVER OF 170 IAC 4-1-16(f) AND PROPOSED REMOTE DISCONNECTION AND RECONNECTION PROCESS AND, TO THE EXTENT NECESSARY, IMPLEMENTATION OF A LOW INCOME PROGRAM.	**)**	**CAUSE NO. 46120**

SETTLING PARTIES'
SUBMISSION OF PROPOSED ORDER

Petitioner, Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner"), by counsel, respectfully submits the attached form of proposed order

agreed to by itself and the Indiana Office of Utility Consumer Counselor, NIPSCO Industrial Group, NLMK Indiana, United States Steel Corporation, Walmart Inc., and RV Industry User's Group (collectively the "Settling Parties"). For purposes of convenience, a Word version of the proposed order will be provided via email transmission to the Administrative Law Judge and all parties.

Respectfully submitted,

Tiffany Murray (No. 28916-49)
Bryan M. Likins (No. 29996-49)
NiSource Corporate Services - Legal
150 West Market Street, Suite 600
Indianapolis, Indiana 46204
Murray Phone: (317) 649-6424
Likins Phone: (317) 684-4922
Fax: (317) 684-4918
Murray Email: tiffanymurray@nisource.com
Likins Email: blikins@nisource.com

Nicholas K. Kile (No. 15203-53)
Hillary J. Close (No. 25104-49)
Lauren M. Box (No. 32521-49)
Lauren Aguilar (No. 33943-49)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Kile Phone (317) 231-7768
Close Phone (317) 231-7785
Box Phone (317) 231-7289
Aguilar Phone (317) 231-6474
Fax: (317) 231-7433
Kile Email: nicholas.kile@btlaw.com
Close Email: Hillary.close@btlaw.com

Box Email: lauren.box@btlaw.com
Aguilar Email: lauren.aguilar@btlaw.com

Attorneys for Petitioner
Northern Indiana Public Service Company LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon the following:

Adam J. Kashin Matthew Kappus Lorraine Hitz Michael Eckert Indiana Office of Utility Consumer Counselor 115 W. Washington Street, Suite 1500 South Indianapolis, Indiana 46204 akashin@oucc.in.gov mkappus@oucc.in.gov lhitz@oucc.in.gov With a copy to: kremy@oucc.in.gov aparonish@oucc.in.gov carmstrong@oucc.in.gov chewilliams@oucc.in.gov infomgt@oucc.in.gov	Jennifer Washburn Reagan Kurtz Citizens Action Coalition of Indiana, Inc. 1915 West 18th Street, Suite C Indianapolis, Indiana 46202 jwashburn@citact.org With a copy to: rkurtz@citact.org
Nikki G. Shoultz Kristina K. Wheeler Bose McKinney & Evans LLP 111 Monument Circle, Suite 2700 Indianapolis, Indiana 46204 nshoultz@boselaw.com kwheeler@boselaw.com With a copy to: lbood@boselaw.com jschuepbach@newgenstrategies.net	Anne E. Becker Lewis & Kappes, P.C. One American Square, Suite 2500 Indianapolis, Indiana 46282 abecker@lewis-kappes.com with a copy to: atyler@lewis-kappes.com etennant@lewis-kappes.com
James W. Brew Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson St., N.W. 3rd Floor, West Tower Washington, DC 20007 jbrew@smxblaw.com	Keith L. Beall Clark, Quinn, Moses, Scott & Grahn, LLP 320 N. Meridian Street, Suite 1100 Indianapolis, Indiana 46204 kbeall@clarkquinnlaw.com

With a copy to: AMG@smxblaw.com jrobertson@energystrat.com khiggins@energystrat.com	with a copy to: jcp@jpollockinc.com kat@jpollockinc.com
Todd A. Richardson Joseph P. Rompala Emily R. Vlasak Lewis & Kappes, P.C. One American Square, Suite 2500 Indianapolis, Indiana 46282 trichardson@lewis-kappes.com jrompala@lewis-kappes.com evlasak@lewis-kappes.com with a copy to: atyler@lewis-kappes.com etennant@lewis-kappes.com	Shaw R. Friedman Friedman & Associates, P.C. 705 Lincolnway LaPorte, Indiana 46350 sfriedman.associates@frontier.com contact@laportelegal.com
Eric E. Kinder Spilman Thomas & Battle, PLLC 300 Kanawha Boulevard, East P.O. Box 73 Charleston, WV 25321 ekinder@spilmanlaw.com Barry A. Naum Steven W. Lee Spilman Thomas & Battle, PLLC 1100 Bent Creek Boulevard, Suite 101 Mechanicsburg, Pennsylvania 17050 bnaum@spilmanlaw.com slee@spilmanlaw.com	Anthony Alfano United Steelworkers 7218 W. 91st St. Bridgeview, IL 60455 aalfano@usw.org With a copy to: Antonia Domingo adomingo@usw.org Robert A. Hicks Macey Swanson Hicks & Sauer 429 N. Pennsylvania Street, Suite 204 Indianapolis, Indiana 46204-1800 rhicks@maceylaw.com

Dated this 26th day of March, 2025.

Lauren Aguilar

Lauren Aguilar

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 REVISED COMMON AND ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING, BUT LIMITED TO, AUTHORITY TO CAPITALIZE AS RATE BASE ALL EXPENDITURES FOR IMPROVEMENTS TO PETITIONER'S INFORMATION TECHNOLOGY SYSTEMS THROUGH THE DESIGN, DEVELOPMENT, AND IMPLEMENTATION OF A WORK AND ASSET MANAGEMENT ("WAM") PROGRAM; AND (5) APPROVAL OF ALTERNATIVE REGULATORY PLANS FOR THE PARTIAL WAIVER OF 170 IAC 4-1-16(f) AND PROPOSED REMOTE DISCONNECTION AND RECONNECTION PROCESS AND, TO THE EXTENT NECESSARY, IMPLEMENTATION OF A LOW INCOME PROGRAM.	)	**CAUSE NO. 46120**

ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Chairman
Loraine L. Seyfried, Chief Administrative Law Judge

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On September 12, 2024, Northern Indiana Public Service Company LLC ("NIPSCO," "Petitioner," or "Company") filed a Petition with the Indiana Utility Regulatory Commission ("IURC" or "Commission") seeking authority to increase its rates and charges for electric utility service and associated relief as discussed below.[1] Also on September 12, 2024, Petitioner filed its case-in-chief, workpapers, and the information listed in the minimum standard filing requirements ("MSFRs") set forth at 170 Ind. Admin. Code ("IAC") 1-5-1 *et seq*. NIPSCO's case-in-chief included testimony, attachments, and workpapers from the following witnesses:[2]

- Vincent A. Parisi, President and Chief Operating Officer, NIPSCO;
- Erin E. Whitehead, Vice President of Regulatory Policy and Major Accounts, NIPSCO;
- Richard D. Weatherford, Manager, Regulatory – Rate Case Execution, NiSource Corporate Services Company ("NCSC");
- Emily J. Bytnar, Manager of Rate Case Execution, NCSC;
- Nick Bly, Director of Accounting, NCSC;
- Patrick L. Baryenbruch, President, Baryenbruch & Company, LLC;
- Orville Cocking, Senior Vice President of Electric Operations, NIPSCO;
- Stephen Holcomb, Director of Environmental Policy, NCSC;
- Rosalva Robles, Manager of Planning – Regulatory Support, NIPSCO;
- Kirstie Eyre, Compensation Manager, NCSC;
- John J. Spanos, President of Gannett Fleming Valuation and Rate Consultants, LLC;
- Vincent V. Rea, Managing Director of Regulatory Finance Associates, LLC;
- Jennifer A. Harding, Vice President of Tax, NCSC;[3]
- Melissa Bartos, Senior Vice President, Concentric Energy Advisors ("Concentric");
- John D. Taylor, Managing Partner with Atrium Economics, LLC ("Atrium"); and
- Candice Lash, Lead Regulatory Studies Analyst, NCSC.

As part of its requested relief, NIPSCO sought approval of an Alternative Regulatory Plan ("ARP") pursuant to Ind. Code § 8-1-2.5-6 to partially waive 170 IAC 4-1-16(f) and approve Petitioner's proposed remote disconnection and reconnection process, and to the extent necessary to implement a low income program.

Petitioner also filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information on September 12, 2024, which motion was granted by Commission Docket Entry dated December 23, 2024. Petitioner submitted the Confidential Information preliminarily granted confidential treatment pursuant to the instructions in such docket entry.

Petitions to Intervene were filed by the United States Steel Corporation ("U.S. Steel"); NLMK Indiana, a division of NLMK USA ("NLMK"); NIPSCO Industrial Group ("Industrial

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[1] On August 13, 2024, NIPSCO provided its notice of intent to file a rate case in accordance with the Commission's General Administrative Order 2013-5. Petitioner's Exhibit 1 (Parisi), Attachment 1-B.

[2] NIPSCO filed corrections or revisions to its case-in-chief on November 26, 2024, December 18, 2024, December 30, 2024, January 27, 2025, and February 6, 2025. NIPSCO also late-filed Attachments 1-C and 1-D (consisting of the Proofs of Legal Notice Publication and Customer Notice) to Mr. Parisi's testimony on January 20, 2025. NIPSCO originally filed the Verified Direct Testimony of Gregory Skinner, Vice President of IT Utilities Systems, NCSC that was not offered into evidence.

[3] NIPSCO initially filed the Verified Direct Testimony of Jonathan Bass.

Group");[4] Walmart Inc. ("Walmart"); Citizens Action Coalition of Indiana, Inc. ("CAC"); RV Industry User's Group ("RV Group");[5] United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union AFL-CIO/CLC and its Locals 12775 and 13796 ("USW"); and Board of County Commissioners of LaPorte County, Indiana ("LaPorte"). These petitions were granted without objection. The Indiana Office of Utility Consumer Counselor ("OUCC") also participated as a party.

On October 9, 2024, a Docket Entry was issued establishing a procedural schedule and related requirements and approving certain stipulations the parties filed on September 12, 2024.[6]

Pursuant to Ind. Code § 8-1-2-61(b), public field hearings were held in Valparaiso, Indiana on November 26, 2024; in Hammond, Indiana on December 5, 2024; and in Gary, Indiana on December 5, 2024. Members of the public presented testimony at each of these hearings.

On December 19, 2024, the OUCC and certain intervenors filed their respective cases-in-chief. For purposes of its case-in-chief, the OUCC prefiled written consumer comments and testimony and attachments from the following witnesses:[7]

- Michael D. Eckert, Chief Technical Advisor, OUCC Electric Division;
- Brian R. Latham, Utility Analyst, OUCC Electric Division;
- Kaleb G. Lantrip, Utility Analyst, OUCC Electric Division;
- Brittany L. Baker, Utility Analyst, OUCC Electric Division;
- Brian A. Wright, Utility Analyst II, OUCC Electric Division;
- Roopali Sanka, Utility Analyst, OUCC Electric Division;
- Gregory L. Krieger, Utility Analyst, OUCC Electric Division;
- Roxie McCullar, a consultant with William Dunkel and Associates;
- Leja D. Courter, Chief Technical Advisor, OUCC;
- John W. Hanks, Utility Analyst, OUCC Electric Division;
- April M. Paronish, Assistant Director, OUCC Electric Division; and
- Michael W. Deupree, a consultant with Acadian Consulting Group.

The OUCC also included with its pre-filed evidence written consumer comments pertaining to the relief requested in NIPSCO's petition as Public's Exhibit No. 13.

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[4] The companies that comprise the Industrial Group are BP Products North America, Inc., Cleveland-Cliffs Steel LLC, Linde, Marathon, and USG Corporation.

[5] The companies that comprise the RV Group are: LCI Industries, Inc., Forest River, Inc., Patrick Industries, Inc., and Thor Industries.

[6] On November 8, 2024, the Presiding Officers issued a docket entry amending Paragraph 2 – Rate Base and Major Projects Cutoff Dates and Major Projects Update and Paragraph 10 – Evidentiary Hearing on the Parties' Cases-in-Chief.

[7] The OUCC filed corrections to its case-in-chief on January 15 and January 31, 2025. Additionally, the Verified Direct Testimony and Attachments of Roxie McCullar were late-filed on December 30, 2024.

The Industrial Group prefiled testimony and attachments from James R. Dauphinais and Michael P. Gorman, both Consultants and Managing Principals with Brubaker & Associates, Inc., and Brian C. Andrews, an Associate with Brubaker & Associates, Inc.[8]

NLMK prefiled testimony and attachments from Jared R. Robertson, Senior Consultant for Energy Strategies, LLC.

Walmart prefiled the testimony and attachments of Lisa V. Perry, Director, Utility Partnerships – Regulatory for Walmart.

CAC prefiled the testimony and attachments of Benjamin Inskeep, Program Director for CAC.[9]

RV Group prefiled the testimony and attachments of Jeffry Pollock, Energy Advisor and President of J. Pollock, Incorporated and Jonathan W. Burke, Chief Energy Consultant at Tactical Energy Group, Inc.

U.S. Steel prefiled the testimony of Jill A. Schuepbach, a Principal in the Energy Practice of NewGen Strategies and Solutions, LLC for U.S. Steel.

LaPorte County prefiled the testimony and attachments of Connie Gramarossa, Board President of LaPorte County; Melissa Whited, Vice President of Synapse Energy Economics; and Michael R. O'Connell, Principal Consultant for Midwest Energy Consulting LLC.

On January 16, 2025, the OUCC prefiled the cross-answering testimony of Michael W. Deupree; the Industrial Group prefiled cross-answering testimony of James R. Dauphinais; CAC prefiled cross-answering testimony of Benjamin Inskeep; RV Group prefiled cross-answering testimony of Jeffry Pollock; U.S. Steel prefiled cross-answering testimony of Jill Schuepbach; and NLMK prefiled cross-answering testimony of Jared R. Robertson.[10]

Also on January 16, 2025, NIPSCO prefiled rebuttal testimony, exhibits, and workpapers for the following witnesses:

- Erin E. Whitehead;
- Richard D. Weatherford;
- Nick Bly;
- Orville Cocking;
- John J. Spanos;
- Vincent V. Rea;
- Jennifer A. Harding;
- John D. Taylor;
- Alan Felsenthal, Managing Director, PricewaterhouseCoopers LLP; and
- Karl E. Stanley, Vice President of Supply & Optimization for NiSource, Inc.

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[8] Industrial Group filed corrections to its case-in-chief on February 9, 2025.

[9] CAC late-filed Attachment BI-4 (consisting of the Field Hearing Transcripts) to Mr. Inskeep's testimony on February 3, 2025.

[10] The OUCC filed corrections to its cross-answering testimony on January 31, 2025.

Petitioner filed a Second Motion for Protection and Nondisclosure of Confidential and Proprietary Information on January 29, 2025, relating to information to be included in Industrial Group Witness James R. Dauphinais' cross-answering testimony, which motion was granted by Commission Docket Entry dated February 4, 2025. Industrial Group submitted the Confidential Information preliminarily granted confidential treatment pursuant to the instructions in such docket entry on February 4, 2025.

On February 3, 2025, NIPSCO, the OUCC, Industrial Group, NLMK, U.S. Steel, Walmart, and RV Group filed a Joint Notice of Agreement in Principle and Request to Vacate Evidentiary Hearing Dates ("Joint Motion") advising an agreement in principle on all issues in this Cause had been reached.[11] The Joint Motion also included a procedural schedule for settlement agreed to by all parties in this Cause. The Presiding Officers modified the procedural schedule as requested in the Joint Motion on February 4, 2025.

On February 7, 2025, a Stipulation and Settlement Agreement ("Settlement" or "Settlement Agreement") was filed by NIPSCO, the OUCC, Industrial Group, NLMK, U.S. Steel, Walmart, and RV Group (collectively the "Settling Parties").

On February 7, 2025, NIPSCO prefiled the settlement testimony, attachments, and workpapers of Ms. Whitehead, Mr. Weatherford, and Mr. Taylor in support of the Settlement Agreement. Also on February 7, 2025, the following witnesses filed additional evidence supporting the Settlement Agreement:

- Brian R. Latham
- Michael P. Gorman;
- James R. Dauphinais;
- Lisa V. Perry; and
- Jill A. Schuepbach

On February 28, 2025, CAC filed additional testimony of Mr. Inskeep opposing the Settlement Agreement.

On March 7, 2025, NIPSCO prefiled the settlement reply testimony of Ms. Whitehead and Mr. Taylor, the OUCC prefiled the settlement reply testimony of Mr. Deupree, U.S. Steel prefiled the settlement reply testimony of Ms. Schuepbach,[12] and the Industrial Group prefiled settlement reply testimony of Mr. Dauphinais. Also on March 7, 2025, RV Group and Walmart filed their Joinder in Settlement Reply Testimony.

A public evidentiary hearing was conducted in this Cause starting at 9:30 a.m. on March 25, 2025, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the evidentiary hearing, the Settlement Agreement and all of the direct, cross-answering, rebuttal,

[11] The Joint Motion indicated the Settling Parties were authorized to state LaPorte County will not oppose the settlement agreement, subject to formal approval of an Addendum to the Settlement to be considered at the next regular meeting of Board of Commissioners on Wednesday, February 5, 2023. The Settling Parties were also authorized to state US Steelworkers do not oppose the settlement agreement. Joint Motion, p. 2.

[12] U.S. Steel prefiled corrections to Ms. Schuepbach's testimony on March 17, 2025.

settlement, opposing settlement, and settlement reply testimony and exhibits of each party were offered and admitted into the record without objection.

The Commission, based upon applicable law and the evidence, finds as follows:

1. Notice and Jurisdiction. Legal and timely notice of the public hearings held in this Cause was given and published as required by law. NIPSCO is a public utility as defined in Ind. Code § 8-1-2-1(a) and an "energy utility" as that term is defined in Ind. Code § 8-1-2.5-2. NIPSCO has also elected to become subject to Ind. Code § 8-1-2.5-6. NIPSCO caused to be published the filing of its petition pursuant to Ind. Code §§ 8-1-2-61 and 8-1-2.5-6 and mailed notice to its customers as required by to 170 IAC 4-1-18(C). The Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. Petitioner's Organization and Business. NIPSCO is a public utility with its principal place of business located at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO renders retail electric utility service to more than 487,000 retail customers located in all or part of the following Indiana counties: Benton, Carroll, DeKalb, Elkhart, Fulton, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Newton, Noble, Porter, Pulaski, Saint Joseph, Starke, Steuben, Warren, and White. Additionally, NIPSCO is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") and is a member of Midcontinent Independent System Operator, Inc. ("MISO"), a regional transmission organization ("RTO") operated under FERC's authority that controls the use of NIPSCO's transmission system and the dispatching of NIPSCO's generating units.

NIPSCO owns, operates, manages, and controls electric generating, transmission and distribution plant and equipment and related facilities, which are used and useful for the convenience of the public in the production, transmission, distribution and furnishing of electric energy, heat, light, and power to the public. NIPSCO classifies its property in accordance with the Uniform System of Accounts as prescribed by FERC and approved and adopted by the Commission.

3. Existing Rates. The Commission approved NIPSCO's current electric basic rates and charges in its August 2, 2023 Order in Cause No. 45772 ("45772 Order"). The petition initiating Cause No. 45772 was filed with the Commission on September 19, 2022; therefore, in accordance with Ind. Code § 8-1-2-42(a), it has been more than 15 months since NIPSCO filed its most recent petition for an increase in basic rates and charges and the filing of NIPSCO's petition in this Cause.

In the 45772 Order, the Commission approved a Stipulation and Settlement Agreement ("45772 Settlement") which included a Stipulation and Settlement Agreement between NIPSCO and its industrial customers on Rate 831/531 implementation (the "Rate 831/531 Modification Settlement").[13]

[13] The Rate 831/531 Modification Settlement was entered into on September 12, 2022 by and between NIPSCO, Cleveland-Cliffs Steel LLC, Linde, Inc., BP Products North America, Inc., Cargill, Inc., NLMK Indiana, Pratt Paper (IN), LLC, and US Steel.

4. Test Year and Rate Base Cutoff. As authorized by Ind. Code § 8-1-2-42.7(d)(1), Petitioner proposed a forward-looking test period using projected data, with the test year used for determining Petitioner's projected operating revenues, expenses, and net operating income being the 12-month period ending December 31, 2025. NIPSCO is utilizing the test year end, December 31, 2025, as the general rate base cutoff date. The historical base period is the 12-month period ending December 31, 2023.

NIPSCO proposed a two-phase rate implementation, with potential interim phases, to reasonably reflect actual rate base, including the utility property that is used and useful at the time rates are placed into effect. Base rates would be implemented in two steps, with the first step following issuance of an Order in this Cause and based upon the actual rate base and capital structure using a general rate base cutoff of May 31, 2025 (Step 1). The second step would take place following the close of the test year, based upon actual rate base and capital structure as of December 31, 2025 (Step 2).

NIPSCO proposed up to two additional steps for two "major projects" (as that term is defined in 170 IAC 1-5-1(l)). The two major projects are the Fairbanks and the Gibson solar generating facilities. Each project is expected to cost greater than one percent (1%) of NIPSCO's projected net original cost rate base. A certificate of public convenience and necessity ("CPCN") was issued for Fairbanks originally in Cause No. 45511 and revised in Cause No. 46028. A CPCN was issued for Gibson originally in Cause No. 45926 and revised in Cause No. 46032. Descriptions of these projects, including scope and location, as well as the best estimate of costs for each project are set forth in the evidence presented in Cause Nos. 46028 and 46032. NIPSCO currently expects Fairbanks to be in service by the Phase 1 general rate base cutoff and Gibson to be in service by July 31, 2025. NIPSCO proposes additional steps for these two projects to the extent they are not in service by May 31, 2025 by adjusting rates to reflect return (using the capital structure as of May 31, 2025) and depreciation rates reflected in the underlying Order issuing the CPCN. To the extent the projects are not in service by May 31, 2025 but are in service by the time Phase 1 rates are implemented, NIPSCO proposed to include the interim step in the Phase 1 implementation as described by NIPSCO Witness Bytnar. Also as explained by NIPSCO Witness Bytnar, NIPSCO seeks a waiver of the monthly investment reporting requirement set forth in 170 IAC 1-5-5(5)(D), to the extent that requirement would be deemed to apply. Pet. Ex. 4 at 9-13.

5. NIPSCO's Requested Relief. NIPSCO seeks approval of changes to its basic rates and charges for electric utility service and associated accounting relief as proposed in its evidence in this proceeding that will provide NIPSCO with the opportunity to recover its ongoing costs of providing electric utility service and earn a fair return on the fair value of its property. NIPSCO's proposal is detailed in its evidence and includes, but is not limited to, the following:

- approval of new common and electric depreciation accrual rates and amortization periods for regulatory assets;
- approval of an ARP in order to partially waive 170 IAC 4-1-16(f) and approve Petitioner's proposed remote disconnection and reconnection process, and to the extent necessary to implement a low income program; and

6. Opposition, Rebuttal, and Cross-Answering. The OUCC and intervenors raised numerous challenges to NIPSCO's filing, including, but not limited to, challenging rate base, rate

of return, operations and maintenance ("O&M") expenses, depreciation rates, cost of service allocation, and rate design. The extent to which these parties disagreed with each other is shown in their cross-answering testimony. The extent to which NIPSCO disagreed or agreed with the OUCC and intervenors was addressed in NIPSCO's rebuttal evidence.

7. Settlement Agreement. The Settling Parties' witnesses presented testimony in support of the Settlement Agreement. They discussed the terms of the Settlement Agreement and explained how the Settlement Agreement resolves all issues presented in the case in a fair and reasonable manner. This includes issues related to the revenue requirement, cost of service, rate design, and cost allocation. The terms of the Settlement Agreement specifically state that it is a settlement of all the issues among all the Settling Parties in this Cause. Jt. Ex. 1, Sec. C.4. In addition to the Settling Parties, LaPorte County and USW agreed not to oppose the Settlement.

The Settling Parties' witnesses conveyed that the Settlement Agreement is a product of a diligent effort by all Settling Parties to reach a comprehensive result. The complexity of the issues and the diversity of the Settling Parties dictated the need for compromise on the part of each party involved, and the Settlement Agreement, taken as a total package, reflects a delicate balance that accommodates the interests of all Settling Parties in a reasonable manner. Pet. Ex. 2-S at 5; Pub. Ex. 1-S at 1-2; USS Ex. 3 at 2, 14; Walmart Ex. 1-S at 2, 7; IG Ex. 6 at 5; and IG Ex. 7 at 5.

Ms. Whitehead testified the Settlement, the core terms as summarized below, is comprehensive in scope and proposes to fairly resolve all issues in dispute. She testified that it provides NIPSCO with an increase in rate revenue sufficient to enable it to meet its revenue requirement including providing an opportunity to earn an adequate return on the investments made to serve its customers. She stated that after much compromise, NIPSCO agreed to a 30.28% reduction from the increase requested in its case-in-chief. Pet. Ex. 2-S at 5.

According to OUCC witness Latham, if approved, the Settlement will provide certainty regarding critical issues that would have otherwise remained contested and, importantly, resolves these within a reasonable range or in a reasonable manner given the case's facts and applicable law. The resolved issues include revenue requirements, authorized return, proposed low income opt-out program, a proposed new Multi-Family rate class, and the allocation of NIPSCO's revenue requirement among its various rate classes. Pub. Ex. 1-S at 1. His testimony explained that the Settlement is the product of intense negotiations, with each party making informed decisions and/or compromises regarding challenging issues. The nature of compromise includes assessing the litigation risks that exist in a contested proceeding. To aid the OUCC in this assessment, the OUCC had the benefit of having filed direct and cross-answering testimony and the related analyses by its witnesses who testified in this case. While the Settlement represents a balancing of interests, the OUCC, as the statutory representative of all NIPSCO's ratepayers, concluded the Settlement is a fair resolution, is within the range of outcomes supported by the case's evidence, and should be approved. The OUCC testimony maintained that the Settlement Agreement represents compromises reached after all the parties engaged in and/or monitored the settlement negotiation process, with give and take by all the Settling Parties as well as the opportunity for input from all parties. Considerable effort was expended over multiple weeks in balancing the interests of customers and NIPSCO while engaging in arms-length negotiations. Pub. Ex. 1-S at 2.

Ms. Schuepbach testified that the Settlement terms represent an equitable compromise among the parties in this proceeding. Further, she explained that the terms agreed upon in the Settlement reflect a compromise that achieves a desirable and beneficial outcome for NIPSCO and its customers. Settlement terms keep NIPSCO profitable and will allow U.S. Steel to remain a customer on the NIPSCO system. Other customer classes benefit as well because of reductions in the overall system revenue requirement and the settlement class revenue allocators. The Settling Parties worked hard to agree on an outcome that represented the best possible result for each customer class and NIPSCO. USS Ex. 3 at 14.

Ms. Perry asserted that the Settlement represents significant compromise among parties with diverse interests based on the evidence presented on the complex issues in this case. She maintained that the Settlement will produce an opportunity for NIPSCO to earn sufficient revenues to provide adequate service to its customers at a fair return while preserving customers' interests in safe and reliable service and reasonable rates. Walmart Ex. 1-S at 7.

Mr. Gorman testified the Settlement was the product of arm's length negotiations conducted in good faith by a range of parties with diverse interests represented by competent counsel, and subsequent to the presentation of their positions in evidentiary filings and discovery. This case raised a number of issues on a variety of subjects, with the various parties presenting views that were sometime complementary and sometimes contradictory. Nevertheless, the Settling Parties were able to achieve consensus on the terms of a comprehensive Settlement resolving the entirety of issues in this case. In Mr. Gorman's opinion, the Settlement, taken as a total package, is a reasonable resolution that appropriately balances the various interests of the Settling Parties in a manner consistent with sound ratemaking principles. IG Ex. 6 at 5.

Mr. Dauphinais testified that, as a total package, the Settlement resolves all of the issues in this complex proceeding on terms that are supported by the record, fall within the range of litigation positions put forward by the parties, and reflect reasonable compromises on the disputed issues. He believes the cost of service and rate design terms operate in conjunction with the revenue terms to produce rates that are just and reasonable for all classes. Importantly, the Settlement is a comprehensive agreement on all of the issues raised in this proceeding, and each term is integral to the overall reasonableness of the Settlement. IG Ex. 7 at 5.

A. <u>Settlement Overview</u>. NIPSCO Witness Whitehead explained that the specific objectives addressed in the Settlement are to establish a level of basic rates and charges for NIPSCO which are calculated to provide the opportunity to earn a fair return on the fair value of its plant and equipment. Pet. Ex. No. 2-S at 3.

Ms. Whitehead noted that the Settling Parties have agreed that NIPSCO's base rates will be designed to produce the gross revenue at proposed rates of $2,086,642,669, resulting in a proposed authorized net operating income of $651,868,680. Pet. Ex. 2-S at 5-6. Ms. Whitehead also supported the Settlement Agreement's stipulated ROE of 9.75%. Pet. Ex. 2-S at 7-8. Mr. Weatherford explained that under the Settlement Agreement, the total increase in base rates results in a revenue increase from current base rates of $257,043,752. This results in a reduction of $111,616,865 from the amount NIPSCO originally requested in its case-in-chief. Pet. Ex. 3-S at 5. Mr. Weatherford presented all of the settlement adjustments in his settlement testimony. Pet. Ex. 3-S at 7-12, 13-15.

Mr. Latham explained that under the Settlement, NIPSCO's originally requested revenue increase is significantly reduced by agreement upon a lower revenue requirement amount and through rate design, thereby furthering affordability. Additionally, NIPSCO's residential customer charge remains unchanged at $14.00 in response to the many ratepayers who voiced opposition to NIPSCO's proposed increase in this charge. Pub. Ex. 1-S at 3.

As shown in Attachment 2-S-A to Ms. Whitehead's settlement testimony, as a result of the Settlement, NIPSCO estimates that residential bills for the average customer consuming 672 kWh would increase approximately 16.75% following Step 2 rate implementation, including anticipated changes in NIPSCO trackers. Ms. Whitehead testified that under NIPSCO's case-in-chief, residential customers would have received a 22.01% increase following Step 2 rate implementation based on average residential customer usage of 729 kWh. She noted that combining the multi-family rate (proposed Rate 615) into Rate 611 results in lower average overall residential customer consumption, which makes comparing these average residential bill impacts challenging. Pet. Ex. No. 2-S at 18.

B. <u>Revenue Requirement</u>. The Settlement Agreement provides that NIPSCO's base rates will be designed to produce $2,086,642,669 prior to application of surviving Riders. The increase in base rates results in an increase from current base rates of $257,043,752. This increase is a decrease of $111,616,865 from the amount originally requested by NIPSCO in its case-in-chief. The agreed upon revenue requirement reflects the depreciation study and accrual rates and amortization provided in the Settlement Agreement. The stipulated revenue requirement is calculated to produce authorized net operating income ("NOI") of $651,868,680. Joint Ex. 1, Sec. B.1. NIPSCO Witness Weatherford described the Step 2 revenue requirement and sponsored the supporting schedules. Pet. Ex. 3-S.

Mr. Gorman testified the Settlement results in a total increase of approximately $257.04 million, which is about $111.62 million lower than the $368.66 million increase initially sought by NIPSCO in its case in chief. As a further point of comparison, the Industrial Group put forward total adjustments of approximately $193.2 million. Accordingly, the agreed upon revenue requirement reflects total reductions equal to just under 58% of the total value of those adjustments proposed by the Industrial Group. Overall, the Settlement results in a NOI to NIPSCO of approximately $651.87 million based on an agreed original cost rate base of $9.129 billion, and a fair rate of return of 7.14%. IG Ex. 6 at 2-3.

C. <u>Original Cost Rate Base, Capital Structure and Rate of Return</u>. The Settlement provides that the weighted average cost of capital times NIPSCO's original cost rate base yields a fair return for purposes of this case. Based upon this agreement, the Settlement provides that NIPSCO should be authorized a fair rate of return of 7.14%. The Settlement provides for a projected net original cost rate base at Step 2 of $9,129,813,441. The Settlement also provides for NIPSCO's forecasted capital structure, including its Prepaid Pension Asset and Post-Retirement Liability at zero cost as reflected in NIPSCO's direct and rebuttal testimony, and a stipulated return on equity of 9.75%. Jt. Ex. 1, Sec. B.2(a) and (b). The Settlement provides for the following forecasted capital structure at Step 2:

	Dollars	Cost %	WACC %
Common Equity	$7,718,129,223	9.75%	5.17%

Long-Term Debt	$5,468,979,284	5.20%	1.95%
Customer Deposits	$59,885,295	5.63%	0.02%
Deferred Income Taxes	$1,691,723,532	0.00%	0.00%
Post-Retirement Liability	$(7,491,885)	0.00%	0.00%
Prepaid Pension Asset	$(372,308,313)	0.00%	0.00%
Post-1970 ITC	$174,612	7.87%	0.00%
Totals	$14,559,091,748		7.14%

Jt. Ex. 1, Sec. B.2.(b).

In its case-in-chief, NIPSCO had proposed a 10.6% ROE and several intervenors, including the OUCC and Industrial Group, advocated for a considerably lower ROE. The testimony in support of the Settlement Agreement explained that as a result of the negotiations, a compromise was reached between the NIPSCO and intervenor ROE recommendations, resulting in a 9.75% Settlement allowed ROE. Ms. Whitehead explained that if NIPSCO's ROE is set too low, it could lead to financial insecurity that would place increased risk on NIPSCO's ability to attract capital, which could also challenge NIPSCO's ability to obtain the capital necessary to continue to provide safe, reliable, affordable service to its electric customers. Pet. Ex. 2-S at 8.

Ms. Whitehead explained that although settlement agreements are not precedential, the settlement proposed allowed an ROE of 9.75% is slightly lower than or equal to (1) the negotiated NIPSCO ROE of 9.80% reflected in the settlement approved by the Commission in its 45772 Order, (2) the negotiated AES Indiana ROE of 9.90% approved by the Commission on April 17, 2024 in Cause No. 45911, (3) the negotiated I&M ROE of 9.85% approved by the Commission on May 8, 2024 in Cause No. 45933; (4) the litigated Duke ROE of 9.75% approved by the Commission on January 29, 2025 in Cause No. 46038; and (5) the negotiated CenterPoint Energy ROE of 9.8% approved by the Commission on February 3, 2025 in Cause No. 45990. She said for all these reasons, the Settlement Agreement represents a reasonable outcome related to ROE in this proceeding. Pet. Ex. 2-S at 8. The Settlement Agreement provides, at Section C.4., that the Agreement "has accounted for the overall level of risk presented to NIPSCO by the Agreement."

Mr. Latham testified the agreed original cost rate base of $9,129,813,441 is lower than the OUCC's recommended rate base of $9,229,256,490 as of December 31, 2025, which reflects the OUCC's recommended $556,951 inventory adjustment NIPSCO accepted in its rebuttal testimony. Pub. Ex. 1-S at 4. He explained that the OUCC's case-in-chief recommended a 9.00% cost of equity and that, in the context of the overall settlement, the OUCC considers the agreed 9.75% cost of equity to be a reasonable result. It is within the range of cost of equity evidence presented to the Commission and is a favorable decrease from NIPSCO's currently authorized level, particularly when combined with other compromises made in the Settlement. Pub. Ex. 1-S at 4-5.

Ms. Perry testified she provided a number of concerns with NIPSCO's proposed 10.6% ROE and presented evidence regarding Walmart's perspective on a reasonable authorized return. While the 9.75% ROE set forth in the Settlement may not be as low as Walmart would have advocated for in litigation, for the purposes of settlement, Walmart believes that a 9.75% ROE provides NIPSCO the opportunity to earn a fair return while still protecting customers' expectations of safe and reliable service at just and reasonable rates. Walmart Ex. 1-S at 3.

Mr. Gorman testified that he recommended that NIPSCO's current cost of equity be set in the range of 9.10% to 9.70%, with a point estimate of 9.40%. His analysis was based upon observable market evidence, an assessment of the risk premium associated with market securities, and a general assessment of the market risk associated with investment in regulated utilities. He testified that a further reduction was appropriate to reflect the lower financial risk NIPSCO faces due to its equity rich capital structure to arrive at his recommended ROE. He also conducted an analysis which determined that his recommended ROE would continue to provide NIPSCO with access to adequate capital on reasonable terms. He testified that although 9.75% is higher than his recommended ROE, and slightly outside his recommended range, it is well below the 10.60% to 11.10% range recommended by NIPSCO. Further, the agreed upon ROE is slightly below NIPSCO's current authorized ROE of 9.80%, and below the midpoint between his recommended 9.15% and NIPSCO's requested 10.60% ROE. He stated that, given the totality of the evidence in this case, he considers the 9.75% ROE to be reasonable for the Commission to approve.

D. Depreciation and Amortization. The Settlement Agreement decreases depreciation expense by $12,270,000 from NIPSCO's case-in-chief filing. That reduction is comprised of a $10,000,000 reduction as a result of reducing decommissioning costs and adjusting originally proposed service lives or net salvage components associated with certain depreciation accrual rates, and a $2,270,000 reduction as a result of the $100,000,000 reduction to NIPSCO's case-in-chief projected Transmission & Distribution Rate Base. Jt. Ex. 1, Sec. B.3(a). The proposed depreciation accrual rates by FERC Account that result from these changes are included in Joint Exhibit B to the Settlement.

The Settlement also decreases NIPSCO's amortization expense by $5,556,445 achieved by changing the amortization periods for TDSIC and Electric Rate Case Expense regulatory asset balances from two to four years. NIPSCO will make a compliance filing at the conclusion of all amortization periods to remove the amortization from the revenue requirement, and rates will be adjusted accordingly. Jt. Ex. 1, Sec. B.3(b). Mr. Weatherford described that the $5,556,445 deduction is comprised of a decrease of $4,909,882 for the extended amortization of the TDSIC Regulatory Asset to now amortize over an additional two (2) year period through August 2029, which deviates from the originally proposed amortization period of two (2) years, as set out in NIPSCO's case-in-chief, and a decrease of $646,563 to reflect Electric Rate Case Expense of $2,586,251 to amortize over a period of four (4) years, resulting in a decrease to Electric Rate Case Expense amortization from $1,293,126 to $646,563. This reflects an increase by two (2) years the period over which the total will be amortized. Pet. Ex. 3-S at 9-10.

Mr. Latham testified that the Settlement Agreement's $12,270,000 depreciation reduction equates closely to the OUCC's recommended $12,557,795 reduction to NIPSCO's proposed depreciation. He also testified that the agreed $5,556,445 reduction to amortization expense is due to extending the amortization periods for the TDSIC and Electric Rate Case Expense regulatory asset balances from two to four years. At the end of the amortization period, NIPSCO agreed to make a compliance filing to remove these amounts from its base rates. Extending the amortization period for these assets reduces the annual financial burden on ratepayers that these amortizations represent. NIPSCO agreed to also make a compliance filing at the conclusion of all amortization periods to remove the amortization from the revenue requirement and adjust rates accordingly. Mr. Latham explained that NIPSCO's agreement to adjust rates will lower rates as the amortization periods end. Pub. Ex. 1-S at 6-7.

Mr. Gorman testified the Industrial Group proposed a significant reduction to NIPSCO's depreciation expense of $46.36 million, based, in large part, on the Industrial Group's concerns related to proposed increases in decommissioning costs for NIPSCO's steam production assets, as well as reductions in net salvage value. Mr. Gorman testified that in his view, the $10 million assigned by the Settlement to reduce decommissioning costs and adjust net salvage value is a reasonable result within the range of reasonably expected outcomes.

E. Pro Forma Net Operating Income at Present Rates. The Settlement Agreement resolved the following issues raised by the parties concerning pro forma net operating income at present rates:

(a) Fuel Costs: The Settling Parties agree the base cost of fuel proposed in NIPSCO's case-in-chief will be reduced by $8,970,840.

(b) O&M Expenses: The Settling Parties agree to a $20,000,000 reduction to total O&M in this case. This reduction is a compromise to resolve numerous disputed issues in this Cause, including NIPSCO labor vacancies (generation and non-generation related), NiSource Corporate Service Company (NCSC) labor vacancies, vegetation management expense, and costs incurred to execute NIPSCO's rate case.

Mr. Latham testified NIPSCO's requested O&M expenses were reduced in the Settlement. More particularly, the Settling Parties agreed NIPSCO's pro forma O&M expenses should be decreased by $20,000,000. This reduction is a general compromise to resolve numerous disputed O&M issues including labor vacancies, vegetation management expenses, and rate case expenses. He explained the OUCC advocated that ratepayers should not be financially responsible for all of NIPSCO's rate case expenses and a reduction was incorporated into the Settlement O&M expense. He stated the Settling Parties also agreed to a $8,970,840 reduction in fuel costs consistent with the OUCC's litigation position. Pub. Ex. 1-S at 5.

Mr. Gorman testified the total reduction in NIPSCO's O&M expense of $20 million resolves a number of disputes between the parties, including NIPSCO's proposed increases in vegetation management program costs, unfilled labor positions, corporate shared services costs, and challenges to the recovery of litigation related expenses. In his opinion, the total adjustment reflects a reasonable resolution to the areas of dispute and good faith efforts to reach compromise in the face of both sides' litigation risk.

F. Low Income Program. The Settlement provides for the approval of NIPSCO's request for approval of a bill assistance program (Rider 697 – Universal Service Program Rider) with the following changes: (a) in recognition of concerns the OUCC expressed, NIPSCO agrees to modify the bill assistance program from an opt-out program as proposed in NIPSCO's rebuttal to a voluntary, opt-in program; and (b) in recognition of concerns expressed by the Settling Parties, NIPSCO will make an annual, below the line (*i.e.*, not to be recovered through rates) shareholder contribution of $1,500,000.

Mr. Latham testified the bill assistance in the Settlement is a ratepayer favorable outcome as NIPSCO will contribute a significantly greater amount of shareholder funding to the program than NIPSCO proposed in its case-in-chief ($400,000). He also testified that ratepayers will have

the opportunity to opt into the program to help those needing assistance and that a benefit of opt-in over opt-out is that an opt-in plan does not rely on involuntary ratepayer contributions, but instead, enables ratepayers to choose to participate in NIPSCO's assistance program. Pub. Ex. 1-S at 7.

G. Other Customer Issues. The Settlement provides for additional provisions to address affordability as follows: (a) the Settling Parties agreed to a reduction of NIPSCO's customer deposit from $50 to $0 for all gas and electric customers who receive bill assistance through the Low Income Home Energy Assistance Program ("LIHEAP"); (b) for customers who are disconnected for non-payment of charges, NIPSCO agreed to waive its $90 electric reconnection charge (at the meter during normal business hours) set out in Section 15.1.1 of its General Rules and Regulations no later than with the implementation of Step 2 rates; (c) NIPSCO agreed to delay disconnection for non-payment of electric service if temperatures are below 20 degrees or above 90 degrees on the day of disconnection or are forecasted to be below 20 degrees or above 90 degrees the following two days; and (d) NIPSCO committed to a stakeholder process within six (6) months of the date of the Final Order in this Cause with the intent of incorporating a public-facing electric vehicle rate to facilitate charging at customer-owned locations in NIPSCO's next electric base rate case.

Mr. Latham testified the elimination of the customer deposit will benefit NIPSCO's gas and electric LIHEAP-eligible customers by making additional funds available to meet their day-to-day expenses rather than their cash being required for this deposit. He also testified that waiving NIPSCO's $90 reconnection charge no later than the implementation of Step 2 rates will enable further potential ratepayer savings and that delaying disconnection for non-payment of electric service if temperatures are below 20 degrees or above 90 degrees on the scheduled day of disconnection or are forecasted to be below 20 degrees or above 90 degrees the following two days is beneficial to ratepayers who may struggle to pay electric bills during periods of extreme weather. Pub. Ex. 1-S at 8. Regarding the stakeholder process for a public-facing EV rate, Mr. Latham stated that, as the need for EV chargers grows, NIPSCO's commitment to a stakeholder process that incorporates input from all affected parties, including the public, should facilitate the availability of this additional electric infrastructure. Pub. Ex. 1-S at 9.

Ms. Perry stated Walmart recommended that NIPSCO should offer a rate structure for business customers who are interested in owning and operating public EV charging equipment, specifically Direct Current Fast Chargers ("DCFC") to ensure that third-party owned DCFCs are able to remain competitive, thus fostering a robust marketplace for EV charging equipment and encouraging the expansion of a comprehensive EV charging network across the Company's service territory. She testified the stakeholder process and intent to incorporate a public facing EV rate in NIPSCO's next rate case thus adopts her recommendation and Walmart commends NIPSCO for being willing to take this necessary step to further the advancement of competitive EV development to the benefit of its service territory and hopes to see similar developments throughout Indiana. Walmart Ex. 1-S at 6.

H. Phased Rate Implementation. The Settlement provides that the rate changes will be implemented on a services rendered basis after NIPSCO's new tariffs have been

approved by the Commission's Energy Division. The agreed rate increase should be implemented in multiple steps, as follows:

Step 1 rates shall be implemented on a services rendered basis as soon as possible following the issuance of an Order in this Cause and will be based on actual net plant certified to have been completed and placed in service no later than May 31, 2025, except for Fairbanks Solar Generating Facility ("Fairbanks") and Gibson Solar Generating Facility ("Gibson) as set forth herein. The Settling Parties agree that Step 1 rates are subject to refund in the event the Commission determines that less than the certified amount of plant additions were placed in service as of May 31, 2025. Prior to implementation of Step 1 rates, NIPSCO will certify the net original cost rate base and current capital structure as of May 31, 2025 and calculate the Step 1 rates using those certified figures. For purposes of Step 1 rates, "certify" means NIPSCO states in a filing with the Commission the amount of forecasted net plant it has completed and verifies that those forecasted additions have been placed in service and are used and useful in providing utility service as of May 31, 2025. NIPSCO will provide all Parties to this proceeding with its certification. The Settling Parties, and other interested parties to this proceeding, will have sixty (60) days to verify or state any objection to the net plant in service numbers from those which NIPSCO certifies. All Parties to this proceeding shall be permitted to conduct discovery to verify relevant construction costs and in service dates. If any objections are stated, a hearing will be held to determine NIPSCO's actual net plant in service as of May 31, 2025, and rates will be trued up, with carrying charges, retroactive to the date Step 1 rates were put into place.

Step 2 rates shall be implemented on a services rendered basis as soon as possible after the end of the Forward Test Year and will be based on actual net plant certified to have been completed and placed in service no later than December 31, 2025. The Settling Parties agree that Step 2 rates are subject to refund in the event the Commission determines that less than the certified amount of plant additions were placed in service as of December 31, 2025. Prior to implementation of Step 2 rates, NIPSCO will certify the net original cost rate base and current capital structure as of December 31, 2025 and calculate the Step 2 rates using those certified figures. For purposes of Step 2 rates, "certify" means NIPSCO states in a filing with the Commission the amount of forecasted net plant it has completed and verifies that those forecasted additions have been placed in service and are used and useful in providing utility service as of December 31, 2025. NIPSCO will provide all Settling Parties with its certification. The Settling Parties, and other interested parties to this proceeding, will have sixty (60) days to verify or state any objection to the net plant in service numbers from those which NIPSCO certifies. The Settling Parties shall be permitted to conduct discovery to verify relevant construction costs and service dates. If any objections are stated, a hearing will be held to determine NIPSCO's actual test-year-end net plant in service, and rates will be trued up, with carrying charges, retroactive to the date Step 2 rates were put into place.

In the event NIPSCO's Fairbanks and/or Gibson are not in service by the general rate base cutoff for Step 1 (May 31, 2025) but come into service on or before the general rate base cutoff for Step 2 (December 31, 2025), the Settling Parties agree to up to two additional steps to include these projects in rates earlier than Step 2 (end of the Forward Test Year). The compliance filing(s) for the additional step(s) will be based on the addition to rate base and associated depreciation expense for Fairbanks or Gibson (whichever the case may be) upon the filing of a certification that the plant is in service. The rates will use the capital structure used for Step 1 rates. NIPSCO shall file a certification that the asset is in service. The rates would take effect on the same interim-

subject-to-refund basis as Step 1 and Step 2 rates, with the same period for other parties to raise objections. To the extent Fairbanks and/or Gibson are not in service by May 31, 2025, but are in service by the time of the Step 1 compliance filing in this Cause, NIPSCO may include the plant in Step 1 rates calculated as provided in this paragraph.

Mr. Latham testified that, as advocated by the OUCC, the Settling Parties agreed the rate changes will be implemented on a services-rendered basis after NIPSCO's new tariff has been approved by the Commission's Energy Division. This helps to ensure the new rates are not applied to electric service rendered before their approval. Step 1 rates will be implemented on a services-rendered basis as soon as possible following the issuance of an Order in this Cause and approval of NIPSCO's new tariffs. Pub. Ex. 1-S at 9.

I. <u>Cost of Service and Rate Design</u>. The Settlement comprehensively resolves the revenue requirement, rate implementation questions, and all cost of service and rate design issues. The Settlement acknowledges that, as presented in NIPSCO's case-in-chief and rebuttal, residential rates under Rate 611 are being subsidized by several other rate classes, including, but not limited to, Rate 620 through Rate 633. For this reason, the Settlement Agreement proposes to mitigate a portion of the on-going subsidy concerns raised by multiple parties in this Cause similar to the resolution in Section 7.b. of the Settlement Agreement approved in the 45772 Order, which balances the goal of subsidy reduction with a policy of gradualism. Consistent with the mitigation approach approved in the 45772 Order, the settlement revenue requirement reduction (*i.e.,* the settled annual revenue requirement below NIPSCO's as-filed case in chief) in this Cause will be apportioned as follows: (1) set revenues for Rate 631 at cost of service based on 162.061 megawatts ("MW") of allocated Tier 1 demand;[14] (2) no revenue change to Rate 642 and Rate 643; (3) credit $575,000 of the settlement revenue requirement decrease first to each Rate 623 and Rate 626; (4) allocate 25% of the remaining settlement revenue requirement decrease to the subsidizing classes in proportion to their excess revenues ("25% portion"); and (5) allocate the remaining amount on an across-the-board basis in proportion to the case-in-chief proposed revenues (75% portion). Because Rate 631 is being brought to parity assuming 162.061 MW of allocated demand, it will not receive either a reduction relating to the 25% portion or a reduction related to the 75% portion, nor will Rate 642 and Rate 643 as there is no change in their revenues. Rate 611 will participate in the across-the-board reduction (the 75% portion).[15] Rates will be designed so that no rate class that is currently subsidizing other rate classes will move to being subsidized by other rates. The provisions of this paragraph will be implemented in the cost of service and rates included with NIPSCO's testimony supporting this Agreement. Jt. Ex. 1, Sec. B.11.(a).

NIPSCO Witness Taylor presented the settlement revenue apportionment, and the Settlement proposed class rate increases in his Attachment 16-S-A. Table 1 in Mr. Taylor's settlement testimony shows the mitigation of interclass subsidies from the case-in-chief proposal to the Settlement. Pet. Ex. 16-S at 6. He presented Attachment 16-S-B which shows detailed calculations for each rate component of each Rate Schedule, as well as how the targeted total rate schedule revenue will be achieved using the proposed rates and volumes. Further, Attachment 16-

[14] The presumed level of Rate 631 allocated Tier 1 (firm service) demand is expected to remain above the actual level of Tier 1 contract commitments by Rate 631 class customers but narrow that differential.

[15] As further provided below, Rate 611 will be NIPSCO's only residential rate, as the proposed Rate 615 will not be adopted under the terms of the Settlement.

S-B provides a presentation of the transition of revenues at current rates and existing 500 series rate classes to the proposed revenues at the 600 series rate classes. Pet. Ex. 16-S at 9. Mr. Taylor presented Attachment 16-S-C showing the typical bill impacts for residential customers. Mr. Taylor also presented Attachment 16-S-D as a revised version, consistent with the Settlement, of his direct testimony Attachment 16-H, providing the updated tracker allocators that result from the Settlement changes to cost of service and revenue mitigation. Pet. Ex. 16-S at 9.

The Settlement Agreement provides that in light of issues raised by the OUCC, Industrial Group, U.S. Steel, and CAC, NIPSCO will study its cost of service production, transmission, and distribution classification and allocation before filing its next general electric rate case. This will include the study of classification and allocation of production, transmission, and distribution customer, demand, and energy related costs both in base rates as well as in the FAC and RA trackers. If, based on that study, NIPSCO subsequently proposes new methods for the classification and allocation of production, transmission, and distribution costs in its next general rate case, NIPSCO will file testimony explaining and substantiating each of those changes. If NIPSCO does not adopt any such changes, it will similarly file testimony providing the results of its analysis explaining and substantiating why the current approach is still appropriate. Jt. Ex. 1, Sec. B.11.(b).

The previous settlement approved by the Commission in Cause No. 45772 contemplated future reductions in Rate 531/631 Tier 1 contract demand and called for progressive narrowing of the disparity between the Rate 531/631 allocated Tier 1 demand and the actual Tier 1 contract demands of customers in that class in order to bring that rate to parity with the cost to serve. The Settling Parties in this Cause agreed that the provisions of the 831/531 Modification Settlement and Section B.7.(e) through (g) of the Settlement Agreement approved in Cause No. 45772 continue to apply. Jt. Ex. 1, Sec. B.11. The Settling Parties further agreed that the method for future reduction in Rate 631 Tier 1 allocated and contract demand provided for in the 831/531 Modification Settlement will be accomplished through the approach recommended by Industrial Group Witness Dauphinais (IG Ex. 2 at 22-23), with the exclusion of costs associated with Sugar Creek Generating Station, as recommended by U.S. Steel Witness Schuepbach in cross-answering testimony (US Steel Ex. 2 at 7)). Using this approach, and reflecting the revenue adjustments under the Settlement, the allocated Rate 631 Tier 1 demand shall be 162.061 MW. Mr. Dauphinais's recommendation (IG Ex. 2 at 24-25) of proportional reductions to Rate 631 Tier 1 contract demand to progressively narrow the disparity between Rate 631 allocated demand and class contract demand in order to move the rate toward the actual cost of service is agreed to in the Settlement. The minimum contract demand assumed for purposes of this Agreement shall be 153.692 MW. The Rate 631 charges (transmission, energy, and demand) will be based upon the 153.692 MW of contract demand assumed for purposes of the Agreement as reflected in Confidential Joint Exhibit C, which is expected to be consistent with executed Rate 631 contracts. Further reductions to Rate 631 Tier 1 cost allocations in future rate proceedings shall continue to follow the methodology set forth in Paragraph 7(f) of the Stipulation and Settlement Agreement approved by the 45772 Order employing the computational methodology utilized in the Agreement. Jt. Ex. 1, Sec. B.11.(c).

The Settlement also addresses a number of rate design issues unrelated to Rate 631. The Settlement provides that the revenue requirement decrease allocated to Rate 626 will be applied 50% to Rate 626's demand charge and 50% to its energy charge. Jt. Ex. 1, Sec. B.11.(d). The

Settlement adopts the customer charges proposed by NIPSCO, except NIPSCO's existing monthly charge for Rate 611 shall remain at $14.00. Jt. Ex. 1, Sec. B.11.(e).

Mr. Taylor testified the ACOSS structure and methodologies remain consistent with those described in his direct and rebuttal testimonies. The changes to the revenue requirement related to legacy coal generation were reflected in an update to the Rate 631 allocated demand in the Settlement ACOSS and the resulting Rate 631 cost of service is the basis of the revenue increase for that customer class. The Settlement ACOSS was further used to inform revenue apportionment to NIPSCO's other remaining customer classes. Pet. Ex. 16-S at 2-3.

Mr. Taylor testified that while the ACOSS supports a higher residential customer charge, the Settling Parties agreed that the customer charge for Rate 611 will be $14.00 per month. *Id.* He stated that both the OUCC and CAC addressed proposed Rate 615 in their prefiled testimony in this Cause and expressed concerns about the robustness of the Company's analysis that was used to establish the rate. Both parties were critical about NIPSCO's ability to identify the potential multi-family customers, the associated load research information used to quantify those customers' demand requirements, and the planning and engineering information used to determine the cost of service differences between single family and multi-family premises. *Id.* at 7-8. Ultimately, CAC recommended the adoption of Rate 615 whereas the OUCC recommended denial of the proposed Rate 615 implementation in this case pending more thorough study. In recognition of these concerns, the Settling Parties agreed to forgo the separation of multi-family customers from Rate 611 – Residential class at this time. *Id.* at 8.

Mr. Latham testified the Settling Parties spent considerable time negotiating a fair and reasonable revenue allocation among NIPSCO's rate classes. Because the OUCC represents all customer classes, the OUCC works to help ensure cost increases are fairly distributed across rate classes, while also being mindful of the importance of applying the principle of gradualism. Pub. Ex. 1-S at 10. The Settling Parties agreed to the customer charge increases NIPSCO proposed in its case-in-chief, with one exception. As recommended in the OUCC's direct testimony, NIPSCO's monthly customer charge for residential customers (Rate 611) will remain at $14.00. Maintaining the monthly customer charge (fixed charge) for residential customers at $14.00 is beneficial because ratepayer actions to mitigate the volumetric component of their bills may have a greater effect on the overall bill when the fixed charge is lower than NIPSCO proposed in its case-in-chief. Pub. Ex. 1-S at 11. The revenue requirement decrease allocated to Rate 626 will be applied 50% to Rate 626's demand charge and 50% to its energy charge. Pub. Ex. 1-S at 12.

Ms. Schuepbach testified the revenue requirement by customer class is based on the use of a 4CP allocation factor for production demand costs. Although her recommendation for the allocation of transmission costs by voltage was not addressed in this general rate case, NIPSCO agreed to study its classification and allocation for production, transmission, and distribution ("Allocation Study") before filing its next general electric rate case. NIPSCO stated that it will either propose new methods for the classification and allocation in its next general rate case or file testimony with the results of its analysis demonstrating why its current approach is still appropriate. USS Ex 3 at 5. She expects NIPSCO's Allocation Study to subfunctionalize transmission costs by voltage and then allocate the costs to each customer class based on the voltage at which they receive service for all rate base and revenue requirement components. She also expects NIPSCO to provide the results of the subfunctionalization analysis, describe how it

affects the cost allocation to each rate class, and describe how it affects the cost allocation for riders. She expects the allocation of transmission costs to Rate 631 to decrease as the majority of Rate 631 customers do not take power at nor use the 69 kilovolt ("kV") system. *Id.* at 6.

Ms. Schuepbach testified the Rate 631 Tier 1 load and cost allocation in the Settlement Agreement is easy to understand, easy to duplicate, and defendable based on the language in the 45772 Settlement Agreement. *Id.* at 8. She stated that when NIPSCO files its next general rate case, she expects to see the Rate 631 Tier 1 load and cost allocation calculation include only legacy coal assets, no trackable fuel, and be based on actual data for the coal plants. She expects that as the coal legacy revenue requirement decreases, so will the allocated demand costs to Rate 631, and Rate 631 will reach 70 megawatts ("MW") by 2035 when the coal legacy assets are fully depreciated and amortized. *Id.*

Ms. Schuepbach testified the settlement revenue requirement by customer class includes mitigation. The Settling Parties agreed to mitigate a portion of the settled revenue requirement increase to be consistent with a policy of gradualism. *Id.* This mitigation is consistent with the approach in the 45772 Settlement Agreement, such that the differential continues to narrow between actual class capacity subscriptions and the allocated class capacity level. Rate 631 is held at parity based on a set total class demand level, as it was in the prior rate cases. *Id.* at 8-9. She explained that absent Rate 631, there were and are valid concerns that industrial customers could shift their production to locations outside of NIPSCO and Indiana. *Id.* at 9. She said that the settlement revenue requirement allocated to each customer class was a product of negotiations that represented a reasonable compromise among the parties, giving consideration to very different views on the proper cost of service allocation methodologies. In recognition that one allocation method compared to another dramatically shifted costs among rate classes, the Settlement Agreement represents a reasonable balance among the different perspectives that yields results that do not unduly harm one rate class over another and does not endorse one allocation method over another. *Id.* at 9. She stated that with respect to U.S. Steel, the resulting rate increases to Class 631 of 10.32% represent an improvement compared to NIPSCO's original revenue proposal. *Id.* at 10.

Ms. Schuepbach stated that for settlement purposes, the overall class rate increases are reasonable. *Id.* at 12. The demand charge is significantly higher than most utility demand charges, but this is partially due to the difference between the demand costs allocated to Rate 631 and the actual contracted demand for the Rate 631 customers. *Id.* If we assume that the demand costs of $65,921,733 are allocated to Rate 631 based on 162.1 MW of demand, the average rate is $33.90 per kW. However, the actual contract or billing demand for the class is 153.7 MW, which results in a rate of $35.74 per kW, which is 5.4% higher. This disconnect between the allocated demand and the contract demand puts additional upward pressure on the demand charge. *Id.* at 13.

Ms. Perry stated in her direct testimony that she recommended that any reduction in revenue requirement from the Company's originally requested amount be allocated using the following methodology: starting with the revenue allocation proposed by the Company, the Commission should apply 50 percent of the overall revenue reduction to those rate classes who are paying in excess to their cost-based levels, except that in no event should a subsidizing rate class be moved to a subsidized position. The remaining 50 percent of the overall revenue reduction should be evenly applied to mitigate the proposed increases for all rate classes on an equal percentage basis. Walmart Ex. 1-S at 4. In her settlement testimony, she testified that while not

adopting her proposal specifically, the revenue allocation set forth in the Settlement Agreement essentially adopts her proposal in concept. Providing for a subsidy reduction by using 25 percent of the overall reduction in annual revenue (as opposed to Walmart's recommended 50 percent), combined with the additional marginal credit to Rate 626, is a reasonable compromise that benefits all classes while moving no class from a subsidized position to a subsidizing position or vice versa. Walmart continues to maintain, and intends to advocate in future rate cases, however, that greater movement to rectify subsidies is necessary. *Id.*

Ms. Perry stated Walmart's concern that the structure of Rate 626 did not reflect appropriate intra-class cost causation by recovering demand-related costs through the energy component of the rate. She recommended in her direct testimony that if a lower revenue requirement than that proposed by the Company was approved, then the reduction to the Rate 626's revenue requirement should be used to reduce the energy charge until the allocations match the Company's cost of service study. *Id.* at 5. She testified the Settlement Agreement thus adopts a compromise position that results in reasonable movement towards a cost-based rate design structure for Rate 626 that is also revenue neutral to all other rate classes. *Id.*

Mr. Dauphinais stated the cost of service study presented in this case by NIPSCO was supported by expert testimony and was further supported by several parties including the Industrial Group. It is consistent with the cost of service methodology approved repeatedly by the Commission in past NIPSCO rate cases. The subsidy reduction provision, moreover, is essentially identical to the corresponding provision in the approved settlement in NIPSCO's most recent rate case, Cause No. 45772. Several parties, including the Industrial Group, proposed greater reductions to inter-class subsidies, and other parties proposed less. The Settlement strikes a reasonable balance between the respective positions taken by the parties in the litigated phase of this proceeding. IG Ex. 7 at 3. He testified the Settlement calls for NIPSCO to study the classification and allocation of production, transmission and distribution customer, demand and energy related costs in base rates as well as in the FAC and RA trackers, and to report on that study in its next rate case filing. *Id.* It is always appropriate for a utility to review and assess reasonable approaches to analyzing cost of service in light of current circumstances. The provision properly leaves the decision to NIPSCO as to whether or not to propose any change to its existing cost of service methodology in the next rate case. *Id.* at 3-4.

Mr. Dauphinais testified that under the Stipulation and Settlement Agreement and Rate 831/531 Modification Agreement which were both approved by the Commission in its 45772 Order, there will be progressive reductions to both the differential between imputed class demand used for allocation purposes and actual contract demand, as well as contracted Tier 1 demand in excess of the tariff minimum under Rate 631 and successor rates. In both respects, the reductions are calibrated to decreases in costs related to legacy coal plants as recovered in base rates. *Id.* at 4. That mechanism was approved by the Commission in the last rate case, but in this case there were some differences among the parties regarding the appropriate way to implement that mechanism. In the Settlement in this case, the parties agreed to adopt the methodology proposed in his direct testimony, as well as a recommendation proposed in the Ms. Schuepbach's testimony. *Id.* The agreed methodology provides clarity regarding the implementation of the Rate 631 Tier 1 adjustment mechanism approved in the 45772 Order, is consistent with the terms of that previously approved agreement and provides appropriate guidance and framework for future implementation in successive rate proceedings. *Id.*

J. Multi-Family Rate. The Settling Parties agree NIPSCO's proposed multi-family rate shall not be implemented. NIPSCO will collect additional data on residential customer housing types to better identify multi-family customers and further analyze cost differentials between single- and multi-family residential customers. NIPSCO may consider requesting a new multi-family rate for qualifying residential customers in its next rate case. Once additional analysis is complete, NIPSCO will meet with CAC, the OUCC, and any other interested stakeholders prior to filing its next base rate case to discuss a potential multi-family rate and will provide CAC, the OUCC, and any other interested stakeholders with the results of its analysis.

Mr. Latham testified NIPSCO will continue to collect data on residential customer housing types to better identify its multi-family customers and analyze the cost differentials between NIPSCO's single- and multi-family residential customers. Once this additional study is complete, NIPSCO will meet with CAC, the OUCC, and other interested stakeholders prior to filing its next base rate case to discuss a potential multi-family rate class. Pub. Ex. 1-S at 11. This additional insight into NIPSCO's customer housing types and a more robust sample than NIPSCO used in this proceeding should facilitate a better informed analysis when considering a separate multi-family rate and its prospective impact upon NIPSCO's rate classes. Pub. Ex. 1-S at 11-12

K. Data Center Sub-docket. Certain parties in this Cause requested the creation of a sub-docket for purposes of developing a standard tariff offering and addressing other pertinent issues related to new large or mega load customers that may locate in NIPSCO's electric service territory. Since the filing of NIPSCO's case-in-chief and the OUCC's and intervenors' cases-in-chief, a filing was made related to NIPSCO's proposed overall strategy to serve large or mega load customers, in which it was acknowledged that NIPSCO has not entered into any special contract or equivalent agreement for energy services for a large or mega load customer. NIPSCO's intention is that any large or mega load customer that may enter into a contract for electric service will commit to pay the direct, incremental costs associated with serving their load and some portion of the costs of NIPSCO's existing electric system. To the extent NIPSCO enters into such contract(s), NIPSCO commits to timely file a proposal with the Commission to timely pass back to NIPSCO's current electric customers the revenues NIPSCO collects related to payment for recovery of some portion of the costs of NIPSCO's existing electric system paid by the large or mega load customer(s). This settlement provision in no way waives or otherwise limits any argument a party may make in pending Cause No. 46183 or related dockets surrounding large or mega load customers, except NIPSCO shall be precluded from requesting that any portion of the revenues identified above not be passed to NIPSCO's then current electric customers.

Mr. Latham stated NIPSCO intends that any large or mega load customer that may enter into a contract for electric service will commit to pay the direct, incremental costs associated with serving its load and some portion of NIPSCO's existing electric system costs. Mr. Latham testified that to the extent NIPSCO enters into such contract(s), NIPSCO committed to timely file a proposal to pass back to its current electric customers the revenues collected related to payments for recovery of the portion of the costs of NIPSCO's existing electric system paid by the large or mega load customer(s). He explained that it is beneficial to NIPSCO's pre-existing ratepayers if large or mega load customers fund a portion of system costs and that this funding would reduce system costs for NIPSCO's other ratepayers and be realized when NIPSCO receives an order on its "pass-back" filing. Pub. Ex. 1-S at 13.

Ms. Schuepbach testified that although NIPSCO has stated that existing customers will not be harmed or saddled with any incremental costs associated with the mega load customers, she hopes her concerns regarding the transparency of the transactions between NIPSCO and the mega load customers and unintended effects on existing rate payers will be addressed in Cause No. 46183. USS Ex. 3 at 13.

L. Other Relief Requested by NIPSCO. Section B.14. of the Settlement Agreement provides that that any matters not addressed by the Settlement Agreement, but NIPSCO expressly supported by testimony, should be approved as NIPSCO proposed or, if modified in NIPSCO's rebuttal, consistent with such modification, without waiving the right to challenge such resolution prospectively. This type of provision is common in Settlement Agreements before this Commission and reasonably identifies the starting point for purposes of the ratemaking and accounting authority being granted.

M. Typical Bill Comparison. Ms. Whitehead presented Attachment 2-S-A, which showed the estimated impact on the average residential customer's monthly electric bill and how that compares to the estimated impact on customers in NIPSCO's case-in-chief. Pet. Ex. 2-S at 18-19. She said that NIPSCO estimates that residential bills for the average customer consuming 672 kWh would increase approximately 16.75% following Step 2 rate implementation, inclusive of anticipated changes in trackers. Under NIPSCO's case-in-chief, residential customers would have received a 22.01% increase following Step 2 rate implementation based on average residential customer usage of 729 kWh. She explained that combining the multi-family rate (Rate 615) into Rate 611 results in lower average overall residential customer consumption, which makes comparing these average residential bill impacts challenging. *Id*. at 18.

Mr. Taylor presented the typical bill impacts for residential customers on Attachment 16-S-C. Pet. Ex. 16-S at 9.

N. Addenda to the Settlement Agreement. Ms. Whitehead explained that Addendum A contains separate terms between NIPSCO and LaPorte County, which were reached to address concerns raised by LaPorte County and that allowed them to not oppose the Settlement. Addendum B contains separate terms between NIPSCO and the RV Group, which were reached to address concerns they raised and that allowed the RV Group to sign the Settlement. Neither of the addenda have a direct base rate impact, but do, in part, respond to and address concerns raised by both parties and were reasonable ways to resolve concerns, promote more effective and efficient use of electricity generally, and allow these parties to either not oppose or to sign on to the Settlement. Because there is no direct base rate impact, NIPSCO does not believe the Commission needs to take any action on the addenda. However, NIPSCO has included them as addenda to the Settlement to ensure the Commission was aware of these terms and to memorialize NIPSCO's commitments to these parties and the basis for the positions to either not oppose or to sign on. Pet. Ex. 2-S at 16-17.

O. Public Interest. Ms. Whitehead testified that the Settlement is consistent with the public interest. Pet. Ex. 2-S at 16-17. She stated the regulatory compact is, by necessity, a balancing of interests between the utility and its stakeholders. As a general matter, negotiated resolutions to complex issues are consistent with the public interest because the result is the byproduct of input and compromise by the various parties that are directly impacted by the

outcome. Pet. Ex. 2-S at 16-17. Ms. Whitehead testified that with respect to the issues addressed in this Cause, NIPSCO was able to reach an agreement that provides for rates and charges sufficient to allow for the recovery of the cost of providing service to its customers, as well as a return of and on its investments in plant and equipment needed to serve its customers. The issues addressed in the Settlement and the Settling Parties' supporting testimony, demonstrate the value of compromise in the context of the public interest and the balancing of interest inherent in the regulatory compact and the public interest that are reflected in the Settlement. Pet. Ex. 2-S at 17.

Mr. Latham testified the Settling Parties each made concessions involving considerable give and take on multiple contested issues to reach an overall agreement. Accordingly, the Settlement Agreement reduces the risk and expense of litigation upon multiple issues. He testified that the Settlement Agreement, considered in its entirety, serves the public interest by guaranteeing ratepayer savings of $111,616,865 annually, if approved, compared to NIPSCO's case as initially filed. The OUCC considers the Settlement Agreement to be both reasonable and in the public interest, given the facts in this case and applicable law. Pub. Ex. 1-S at 13.

8. <u>Opposition to Settlement Agreement</u>. Mr. Inskeep testified as to CAC's opposition to the Settlement. Specifically, he contends (1) the Settlement provides for a modest 30.3% reduction to NIPSCO's overall revenue increase relative to the enormous rate hike requested in its case-in-chief, but residential customers will only see a much smaller 23.6% reduction; (2) is premised on the acceptance of NIPSCO's ACOSS that features a 4CP cost allocation that unfairly assigns large portions of production costs to residential customers, even though the Commission recently determined in a different utility's rate case that the 12CP cost allocation method was superior. Mr. Inskeep added that NIPSCO's Settlement term related to conducting additional cost allocation analyses as part of its next rate case is wholly inadequate and that the rates emanating from these deeply flawed methods are unjust and unreasonable; (3) NIPSCO's misallocation of renewable energy and battery energy storage tax credits is particularly egregious, redistributing millions of dollars each year in tax credits paid for by residential customers and allocating them to non-residential customers, which is particularly unjustified with NIPSCO currently having the highest residential electric bills in the State of Indiana; (4) an unfairly large portion of the reduction in revenue requirement is going towards reducing the rates of non-residential customers, leaving little benefit and extraordinary rate increases for the residential class; (5) the Settlement fails to include NIPSCO's proposed multi-family rate, instead lumping this distinct rate class in with Rate 511, leading to rates that far exceed cost of service for multi-family customers based on NIPSCO's ACOSS; (6) the Settlement transmogrifies what had been a well-designed Low Income Program into one that mirrors the recently failed programs of other Indiana electric utilities, with substantially fewer benefits for eligible customers and without a long-term sustainable funding mechanism; and (7) the Settlement does not provide adequate ratepayer protection with respect to significant data center load growth being actively negotiated by NIPSCO today. CAC Ex. 3 at 4-5.

Mr. Inskeep argues the Settlement is not in the public interest, is inconsistent with Indiana's Affordability Pillar, that the Settlement would result in residential rate shock inconsistent with gradualism and make multi-family residential customers worse off than NIPSCO's case-in-chief. He said the terms impose a preference for non-residential rate classes over residential customers, resulting in unjust and unreasonable rates. Mr. Inskeep testified critical residential affordability protections proposed by NIPSCO were removed or significantly weakened and ultimately, he

recommended the Commission reject the Settlement or substantially modify its terms. CAC Ex. 3 at 35.

9. Settlement Rebuttal. Several of the Settling Parties filed settlement rebuttal testimony. The RV Group and Walmart submitted a joinder in specific statements and positions taken by NIPSCO Witness Taylor and Industrial Group Witness Dauphinais.

NIPSCO Witness Whitehead testified that her direct and rebuttal testimony detailed the lengths to which NIPSCO's request in this Cause incorporated proposals intended to address customer affordability. Pet. Ex. 2-S-R at 3-5. She testified the Settlement further reduces NIPSCO's as-filed revenue requirement by over $110 million and contains several provisions designed specifically to address the needs of NIPSCO's lower income electric customers. *Id.* at 5-6; 12. She stated the agreed revenue reduction is significant and the revenue allocation, as supported by NIPSCO Witness Taylor, is fair and reasonable. *Id.* at 12. She stated that while CAC opposes the Settlement it should be noted that the Settlement contains a number of items that align with CAC's preferred positions, such as, but not limited to, no increase in the residential customer charge, a reduction to NIPSCO's return of equity, eliminating the security deposit for LIHEAP-qualified customers, and timely phase out of the electric reconnection charge for non-payment. The Settlement is either supported or not opposed by nearly every party and was diligently negotiated in an effort to reach a reasonable outcome that benefits all rate classes. *Id.* at 12-13. She testified that ultimately, within the constraints available in a highly complex rate case, the Settlement addresses customer affordability for all of NIPSCO's rate classes through creative problem solving and meaningful adjustments and should be approved in its entirety without modification. *Id.* at 13.

Ms. Whitehead responded to Mr. Inskeep's contention (at 4) that the Settlement's overall revenue reduction of 30.3% is "modest" and that (at 6) the Settlement is "inconsistent with the Affordability Pillar and the public interest." She testified there was a significant focus on affordability by all parties involved in this case, starting with NIPSCO's preparation of the case where the steps that she outlined in her direct (at 21-34) and rebuttal (at 3-6) testimony were taken to mitigate the bill impacts of NIPSCO's case-in-chief request, which was driven by nearly $2 billion in pre-approved investments in renewable generation assets to further NIPSCO's generation transition consistent with its 2018 and 2021 IRPs. *Id.* at 3-4. She noted that no party, including the CAC, opposed recovery of NIPSCO's generation assets expected to be in service by December 31, 2025. *Id.* 4, n. 2. Ms. Whitehead also testified that CAC's website states that CAC "advocate[s] for solar, wind, battery storage, and energy efficiency not only because they help to reduce Indiana's contribution to climate change (and help to improve our poor water and air quality), but also because they are cheaper to operate and maintain than fossil fuels." *Id.* She stated NIPSCO's pre-filing mitigation steps included, but are not limited to: eliminating paysite convenience fees for customers paying their bill by cash or check; implementing a unique ratemaking construct to reduce NIPSCO's total rate request to (a) reflect retirement of Schahfer Units 17 and 18 that will occur on December 31, 2025 (i.e., beyond the Forward Test Year) and (b) reduce base cost of fuel related to the Investment Tax Credit and Production Tax Credit (together, the "Generation Transition Adjustment"); proposing a rate phase-in approach (as necessary) for Gibson and Fairbanks solar projects that reduces the cost to customer; proposing depreciation accrual rates that do not reflect the most current estimates for cost of removal associated with the Bailly Generating Station and instead utilizing the estimates supporting current, and lower, depreciation

rates; and requesting a lower return on equity ("ROE") than the target 10.85% return on equity ("ROE") recommended by NIPSCO Witness Rea. *Id.* at 4-5.

In response to Mr. Inskeep's testimony (at 6) that "NIPSCO residential customers will experience rate shock and accelerating unaffordability" as a result of the Settlement, Ms. Whitehead first pointed out that Mr. Inskeep's residential bill presentation in Figure 1 (at 6) is an inaccurate depiction as it only projects NIPSCO's rates through 2026 and does not reflect the Commission's approval of rate increases for CenterPoint authorized in Cause No. 45990 on February 3, 2025 and Duke authorized in Cause No. 46038 on January 29, 2025. Based on her understanding of those Orders and their respective compliance filings, the authorized increases resulted in an approximate 8.08% residential bill increase for CenterPoint and an approximate 13.11% residential bill increase for Duke. Second, she believes the Settlement furthers affordability as the Settling Parties agreed to nearly $112 million of reductions to NIPSCO's proposed revenue requirement. *Id.* at 5. She explained that these reductions primarily relate to NIPSCO's proposed ROE, operations and maintenance expense, and depreciation and amortization expense. *Id.* at 5-6. Ms. Whitehead testified that as shown in Attachment 2-S-A to her Settlement Testimony, as a result of the Settlement, NIPSCO estimates that the residential bill increase for an average NIPSCO customer has been reduced from 22.01% (in NIPSCO's case-in-chief)[16] to 16.75% (in the Settlement) which is broken into multiple steps over several months.[17] By comparison, the agreed revenue requirement reduction in this Cause exceeds the recent Commission approved reduction in CEI South's electric rate case (Cause No. 45990) while also incorporating customer affordability measures and reasonably balances the remaining pillars of electric utility service in Indiana of reliability, resiliency, stability, and environmental sustainability. She testified the terms of the Settlement have been carefully negotiated by and among the participating parties, almost all of whom either signed or do not oppose the Settlement. *Id.* at 6. She stated that a rate increase of any amount can impact customers, particularly those with limited or fixed incomes. The Settlement recognizes this reality and contains specific measures designed to target assistance to those customers who need it the most. She testified that given all of the compromises needed to reach an agreed resolution of all issues, including the need to provide recovery for NIPSCO's significant capital investment in renewable generation already made and expected to be made by the end of the Forward Test Year (2025), the Settlement and resulting impact on all customers represents a reasonable and fair resolution to this case. *Id.* at 6-7.

Ms. Whitehead testified that in addition to the significant reduction to NIPSCO's proposed revenue requirement in this Cause, other non-revenue requirement terms are included in the Settlement that are intended to benefit residential customers. *Id.* at 7. She explained that these include: eliminating the $50 customer deposit for NIPSCO's gas and electric customers who receive bill assistance through LIHEAP; no later than implementation of Step 2 rates, waiver of NIPSCO's $90 electric reconnection charge for electric customers who are disconnected for non-payment of charges; delay of disconnection of electric service if temperatures are below 20 degrees or above 90 degrees on the scheduled day of disconnection or if forecasted the following two days; and no increase to the monthly residential customer charge of $14. The Settlement also reflects creation of a bill assistance program for NIPSCO's low income electric customers funded by an

[16] Attachment A to Verified Petition.

[17] Combining the multi-family rate (Rate 615) into Rate 611 results in lower average overall residential customer consumption (729 kWh in NIPSCO's case-in-chief, 672 kWh in Settlement).

annual $1.5 million contribution from NIPSCO shareholders and voluntary customer contributions. *Id.* at 7-8.

In response to Mr. Inskeep's testimony (at 4) that the Settlement "transmogrifies what had been a well-designed Low Income Program into one that mirrors the recently failed programs of other Indiana electric utilities, with substantially fewer benefits for eligible customers and without a long-term sustainable funding mechanism," Ms. Whitehead testified that the parties' testimony in this Cause reflects disagreement on the appropriate design of a bill assistance program for low income customers, and NIPSCO agreed to modify its proposed program to achieve a global settlement in this case with all Settling Parties. *Id.* at 8-9. She stated NIPSCO made this decision primarily based on disagreement among the parties as to whether a non-bypassable, opt-in, or opt-out program design was appropriate. She also noted that the Commission has not approved an electric low income program structured like NIPSCO's proposed program, and in Cause No. 45465, the Commission rejected NIPSCO's low income program for electric customers due to its opt-out nature. She testified that in response to the OUCC's opposition to NIPSCO's proposed program in this case, the Settlement reflects a voluntary program that does not require any customer funding and includes an annual $1.5 million NIPSCO shareholder contribution. *Id.* at 9. She testified that while NIPSCO appreciates CAC's continued support of meaningful bill assistance programs to low income customers, denying or modifying the Settlement based on the modified design of this bill assistance program would serve only to harm the eligible low income customers who stand to benefit from the bill assistance that will now be available. She noted that NIPSCO's shareholder contribution is considerable, and the Company is committed to targeting all bill assistance funding to customers most in need. *Id.* at 9-10.

In responding to Mr. Inskeep that (at 27) elimination of the multi-family rate proposed in NIPSCO's direct case from the Settlement creates particular concern with respect to lower-income customers, Ms. Whitehead testified that as with the proposed low income bill assistance program, the OUCC and CAC testimony in this Cause reflects disagreement on this proposal. The parties could not agree on the strength of NIPSCO's supportive data or how many multi-family customers there are in NIPSCO's territory. She noted that in his direct testimony, although CAC Witness Inskeep recommended approval of NIPSCO's multi-family rate, he advocated for additional data in NIPSCO's next rate case related to metering and transformer costs. *Id.* at 10. She testified that ultimately, the Settlement addresses the concerns raised by the OUCC, a key stakeholder in terms of representing the interests of residential ratepayers, regarding the level of analysis NIPSCO had undertaken to support the multi-family rate in this Cause. *Id.*

Ms. Whitehead responded to Mr. Inskeep's statement (at 4) that the Settlement does not provide adequate ratepayer protection with respect to significant data center load growth being actively negotiated by NIPSCO today. *Id.* at 11. She noted that her rebuttal testimony (at 58-60) responded to certain parties' request to create a subdocket in this Cause to address how NIPSCO intends to approach data center load within its service territory. She testified the Settlement contains a term that further describes NIPSCO's intention as it relates to how any large or mega load customer that enters into a contract for electric service will commit to pay the direct, incremental costs associated with serving their load and some portion of the costs of NIPSCO's existing electric system. *Id.* She disagreed with Mr. Inskeep's characterization (at 34) that it is "prima facie discriminatory treatment to the benefit of large load customers, and such special treatment warrants additional scrutiny and consideration." stating that NIPSCO has not entered

into any contract for electric service with any large or mega load customer and the Forward Test Year in this case does not include any anticipated load growth associated with any such customer. She indicated Mr. Inskeep's present concerns – which are hypothetical and premature – are best addressed within the context of a regulatory filing related to the approval of any such special contract. She also noted that one of the parties who proposed creating a data center subdocket in this Cause, U.S. Steel, signed on to the Settlement and supports its intended outcome. *Id.* at 11-12.

NIPSCO Witness Taylor replied to Mr. Inskeep's testimony on cost allocation and rate design matters. In response to Mr. Inskeep's testimony advocating (at 13) that a 4CP cost allocation for production costs is not reasonable in light of MISO's resource adequacy requirements, NIPSCO Witness Taylor testified that NIPSCO has always had the obligation to provide safe and reliable electric service to its customers in all hours of the year. Pet. Ex. 16-S-R at 11-13. He explained that this obligation existed before MISO was created, it existed when MISO had an annual resource adequacy construct, and this obligation remains in place with MISO's seasonal resource adequacy construct. This obligation does not mean that all hours of the year contribute equally (or at all) to the investments necessary to provide reliable service. Rather, the investments driven by a very small number of hours, which have traditionally been in the summer, have caused the investment in the generation system that is able to provide reliable service in all hours of the year. This reality has not changed with the seasonal resource adequacy construct, meaning that the investments NIPSCO has made to meet its summer needs allow it to also meet its other seasonal requirements. Mr. Taylor testified that, while NIPSCO's 2024 IRP shows it may need to invest in additional resources to meet the winter season requirements in 2028, this depends on a number of factors and NIPSCO has not proposed any such investments to the Commission. *Id.* He said Mr. Inskeep's testimony conflates compliance within the IRP models with what seasons are actually binding and driving investment; it is the latter that is relevant. *Id.* at 5.

Mr. Taylor also testified that CAC's primary position in its direct testimony was to abandon the 4CP allocator in favor of the Probability of Dispatch ("PoD") method with an alternative position that if PoD is not approved then a Peak and Average ("P&A") allocation method should be used. *Id.* at 6. He explained that his rebuttal testimony critiqued CAC's positions, the Commission has rejected these positions many times, and CAC did not attempt to refute his rebuttal position related to these allocators. In the event CAC's primary or secondary positions were not accepted, CAC made a catch-all recommendation to use 12CP, which was provided with no analysis and only one sentence for support, which Mr. Taylor rebutted and to which the CAC did not respond. *Id.*

In response to Mr. Inskeep's continued disagreement with the allocation of PTCs and ITCs using class energy as the basis for allocations and flowing the tax credits back to customers through the FAC, Mr. Taylor testified that all four of the solar and solar plus storage projects NIPSCO seeks to include in its Step 2 rate base were pre-approved by the Commission in certificate of public convenience and necessity proceedings, and this approval included authority to pass back of PTC and ITC proceeds through NIPSCO's FAC.[18] Pet. Ex. 16-S-R at 8-9. He explained that no

[18] Dunn's Bridge II Solar Plus Storage and Cavalry Solar Plus Storage (originally approved in Cause No. 45462, modification approving wholly owned structure in Cause No. 45936), 45936 Order at 25; Fairbanks Solar (originally approved in Cause No. 45511, modification approving wholly owned structure in Cause No. 46028), 46028 Order at 17; Gibson Solar (originally approved in Cause No. 45926, modification approving wholly owned structure in Cause No. 46032), 46032 Order at 15.

party, including CAC, opposed this pass back mechanism in those proceedings. Mr. Inskeep is now asking the Commission to invade the Settlement to reverse the relief the Commission previously granted in three separate orders, which Mr. Taylor testified would be extreme. *Id.* at 9.

He said costs flowed through the FAC are allocated amongst the classes using class energy and recovered through an energy rate ($/kWh), and Mr. Taylor pointed out that this is how the FAC was operating at the time the Commission authorized the pass back of PTC and ITC proceeds through NIPSCO's FAC in its 45936, 46028, and 46032 Orders, and how the FAC continues to operate today. *Id.* at 9. He explained Mr. Inskeep essentially reasons (at 18-19) that, purely because a PTC-eligible facility *exists*, any associated PTCs from that facility should be allocated using the Production-Demand allocator and he further postulates that if a PTC-eligible facility were scaled to twice its original size, the PTCs would likely double. *Id.* at 10. Mr. Taylor clarified that PTCs are not generated just because the plant exists; the energy must be produced in order for a PTC to be created and the PTCs are nominated in units of dollar per unit of energy produced.[19] He testified that Mr. Inskeep's attempt to dissimilate his position from how fuel costs are allocated on energy (at 19-20) by suggesting that a large fossil-fired plant would not necessarily incur greater fuel costs compared to a smaller plant just because the facility is larger due to "how often and at what level of output the plant is operating" is a stunning inconsistency. Both renewable and fossil-fuel units are subject to variation in output due to a number of factors, including weather, curtailments, and a host of other external influences that can impact production. *Id.* at 10. Mr. Taylor testified that a more apt comparison for CAC's position is to consider a traditional fossil-fired generation asset such as a coal unit or combined cycle gas turbine that is expected to provide capacity and energy such that it is expected to operate a significant number of hours per year. *Id.* at 11. He explained that the distinction that is drawn between a fossil-fuel fired facility that provides energy such as a coal plant or combined cycle gas turbine rather than a simple cycle combustion turbine is the production expectation for the former is a consistently higher and more predictable dispatch whereas the latter is only expected to dispatch a very small number of hours per year. Renewable energy resources provide a low cost source of energy and are expected to produce energy when available similar to traditional sources of generation with low variable costs. *Id.* at 11, n. 11. Mr. Taylor testified that traditional generation sources with low variable costs quite often have operating restrictions such a minimum up time, minimum down time, minimum operation set points, must run criterion, must take fuel supply, etc. that require the units to operate and consume fuel which will scale with the size of the facility. *Id.* He explained that under CAC's approach, one could argue that fuel expense for a coal or gas resource should be allocated using a production-demand allocator as the fuel could not be combusted to produce energy without the existence of the plant itself. On the other hand, the plant capacity which serves as the basis for participation within the resource adequacy framework is available without producing energy. *Id.* at 11.

Mr. Taylor testified that, of the total expected tax credits included in the Forward Test Year, roughly 93% are PTCs with the remaining 7% being ITCs. *Id.* at 9. He explained that ITCs are different compared to PTCs in that the tax credits are not a function of production but rather a function of the existence of the plant (and meeting the eligibility requirements). He said, however, the Commission has already directed NIPSCO to return the ITCs through the FAC, which is based on energy. Mr. Taylor explained that changing the ITC allocation to the Production-Demand Allocator would result in a reduction to the residential revenue target of approximately $350,000

[19] Internal Revenue Code Section 45Y.

before FAC impacts, but this would not result in realized lower rates for residential customers as they are already receiving a significant subsidy from other customers and any changes on cost allocation reducing allocated costs may not impact their targeted revenues and simply reduce the measured subsidy. *Id.* at 12. He pointed out that billing system adjustments would be needed to code a demand allocation into NIPSCO's FAC, an undertaking that is neither quick nor cost-free. Therefore, Mr. Taylor explained that NIPSCO continues to believe that passing through tax credit benefits as quickly as possible, consistent with prior Commission orders, is appropriate. *Id.* at 12-13.

Mr. Taylor further testified that Mr. Inskeep's recommendation to adjust the PTC/ITC allocation as a single item also creates a process concern in that a holistic review of cost allocation is needed to ensure equity across all customer groups as opposed to Mr. Inskeep's piecemeal approach. *Id.* He said this is necessary to ensure there are no unintended consequences, that all sides are considered, and interactions between different changes are fully vetted and understood. For example, Mr. Taylor explained that, while CAC raised adding a demand component for allocation of costs recovered through the FAC, the Industrial Group (Dauphinais Direct at 5) also questioned the allocation of contracted renewable energy purchased power agreements flowing through fuel. Industrial Group's position is linked to the OUCC's position (Deupree Direct at 29) regarding whether the allocation of NIPSCO's owned renewables should have an energy component included in the allocation. All three of these pieces fit together, along with many others, and to ensure that all pieces are considered including the interactions, it is more appropriate to approach the issue holistically. *Id.* at 14.

Mr. Taylor responded to Mr. Inskeep's testimony regarding steps taken in the Settlement to apportion the agreed reduction in NIPSCO's revenue requirement to the customer classes and stated that Mr. Inskeep appears to ignore that the steps taken to apportion the agreed revenue reduction in the Settlement are nearly identical to those taken in the settlement approved in the 45772 Order – including setting the revenue increase for the residential class at slightly above system average. *Id.* at 14. He explained that the Cause No. 45772 settlement also included a term regarding the step down of Rate 531 allocated demand and the present Settlement merely implements that approved term. Mr. Taylor also noted that, while Mr. Inskeep's direct testimony (at 5) expressed concern about the impact of NIPSCO's rate request on schools in NIPSCO's service territory, his opposition testimony does not acknowledge that schools fall within the "non-residential" rate classes and stand to benefit from the needed mitigation steps included in the Settlement. *Id.* at 15.

Mr. Taylor explained his understanding that Mr. Inskeep believes (at 23) it is unreasonable for the overall Settlement revenue to be reduced by 30.3% but have the reduction apportioned to the rate classes vary in magnitude. Mr. Taylor highlighted that a system average increase not only prohibits any movement towards class parity with cost of service, but in fact exacerbates the cross subsidy to the residential class. Because Mr. Inskeep's position boils down to perpetuating (or growing) the residential class subsidy and asserting that this is a balanced solution and in the public interest, Mr. Taylor disagrees. *Id.* at 15-16. Mr. Taylor explained that his Table 1 shows that even under a 12CP production allocation, residential customers would still be receiving a subsidy of over $99 million. This negates Mr. Inskeep's opposition to the residential class revenue increase under the Settlement because, even in a litigated outcome where CAC's preferred outcome of

12CP is approved, it is likely a residential class revenue increase would be at or above the Settlement amount. *Id.* at 16.

In response to Mr. Inskeep's testimony (pp. 27-28) on the absence of a multi-family rate, Mr. Taylor testified that not implementing NIPSCO's proposed multi-family rate at this time was part of the negotiation process in this Cause, in response to both CAC (Inskeep Direct at 73-75) and OUCC (Hanks Direct at 5-11) concerns with the scope of data to support NIPSCO's original proposal. While Mr. Inskeep characterizes NIPSCO's study analysis as "robust" at p. 25 of his opposition testimony, his direct testimony (p. 75) was critical of NIPSCO's analysis regarding the evaluation of metering and transformer costs and he recommended a more comprehensive evaluation in NIPSCO's next rate case. *Id.* at 17-18. Mr. Taylor stated that NIPSCO originally felt there was sufficient support for the multi-family residential rate; however, the OUCC concluded more robust analyses are needed, and CAC, while also questioning the completeness and adequacy of the analyses, supported the implementation. Ultimately, the Settling Parties agreed to not create the multi-family rate at this time, but to further study those customers for future consideration of a new multi-family rate. *Id.* at 18. Mr. Taylor further testified that the harm Mr. Inskeep alleged is measured against the proposal of implementing a new multi-family rate, but nothing has been taken away from any customer class. He explained that under the Settlement, residential customers are simply being treated equally and as a homogenous rate class as they have always been throughout NIPSCO's recent history. *Id.*

OUCC Witness Deupree summarized CAC's position and testified that he does not agree that the Settlement provides inadequate benefits to residential ratepayers. He testified that as originally proposed, NIPSCO's overall revenue increase was $368.7 million, or a 20.1 percent increase in the Company's total revenues. Under the Settlement Agreement, this proposed overall revenue increase is reduced by $111.6 million to $257.0 million. Pub. Ex. 12-S-R at 2. He explained that all major rate classes receive a benefit as a direct result of reducing the proposed rate increase from NIPSCO's originally requested revenues, including residential customers. Under NIPSCO's case-in-chief, residential ratepayers would have received a $134.1 million rate increase ($124.5 million increase for single-family Rate 511 and $9.6 million for multi-family Rate 515). Under the Settlement Agreement, this revenue increase is reduced to $103.4 million, a savings for residential ratepayers of approximately $30.7 million. *Id.* at 3. Mr. Deupree stated the Settlement provides adequate mitigation of rate increases for residential customers, was a product of intense negotiations and compromises, and that as a result of these settlement efforts, reduced rate increases were successfully negotiated for all NIPSCO's major rate classes compared to NIPSCO's case-in-chief, including residential customers. Pub. Ex. 12-S-R at 2-3.

Mr. Deupree testified that the Settlement reasonably resolves the differences among the parties on ACOSS. He explained that the parties entered into settlement discussions with different positions on the accuracy of NIPSCO's ACOSS results. This included CAC, which advocated in its direct testimony for the allocation of production plant costs on the basis of 12CP and the OUCC, which advocated in its direct testimony for the allocation of production plant costs on the basis of an Average and Peak cost allocation methodology. Other parties, such as the Industrial Group, RV Group, NLMK, and Walmart, largely supported NIPSCO's ACOSS, including its 4CP allocation of production plant costs, but they also advocated for a greater reduction in residential subsidies in revenue distribution. Mr. Deupree testified the Settlement Agreement reasonably resolves these differing viewpoints. Pub. Ex. 12-S-R at 3-4. He noted that Rate Schedules 542 and 543 received

minor revenue increases compared to NIPSCO's case-in-chief; however, this increase merely eliminates or offsets a proposed rate decrease. *Id.* at 3, n. 3. Mr. Deupree stated the Settlement Agreement attempts to balance some parties' desire to reduce residential subsidies under NIPSCO's current rates with concerns over the accuracy of the Company's ACOSS due to the allocation of costs associated with production plant, as raised in testimony. Mr. Deupree testified that he has reviewed CAC's concerns regarding the allocation of benefits associated with tax credits, and that CAC argues that the Company's allocation of benefits from ITCs and PTCs to rate classes on the basis of relative energy sales is inappropriate. Instead, CAC contends these tax credits should be allocated on a basis consistent with the Company's allocation of underlying production plant. *Id.* at 4-5. Mr. Deupree explained that from the OUCC's participation in the underlying CPCN proceedings, the OUCC is aware that NIPSCO's proposed pass back of tax credit proceeds to customers through the FAC, which utilizes an energy allocator, is consistent with the Commission's CPCN orders. He stated that while there are arguments for the allocation of ITC benefits on the basis of underlying production plant, as recognized by the Company in rebuttal, he does not agree with the proposal to allocate PTC benefits on the basis of production plant in the future. *Id.* at 5. Mr. Deupree testified that PTCs accrue with renewable generation, so NIPSCO will earn more PTC benefits in years when its solar and wind generators produce more power than in years in which less renewable energy is generated; therefore, Mr. Deupree concluded that PTC benefits are directly associated with total customer energy requirements and not peak demand requirements. He testified that the Settlement Agreement recognizes NIPSCO will comprehensively review cost allocations before its next base rate case, including allocation of energy-related costs in base rates and the FAC and RA trackers. Pub. Ex. 12-S-R at 4-5.

Mr. Deupree stated that his direct testimony explained the OUCC's concern that NIPSCO's multi-family rate proposal was supported by very limited analysis and research to date into customer loads. It is the OUCC's position that the current analysis may not be representative of actual residential customers in the Company's service territory. Specifically, Mr. Deupree testified that NIPSCO's proposal was supported by a load research sampling of only 127 of the Company's total residential customer base of 431,840 customers (only 0.03%). Likewise, only 21 of these load research customers were found to be multi-family customers, while NIPSCO estimated there were approximately 68,195 multi-family customers on its system. *Id.* at 6. He testified that although Mr. Inskeep's opposition testimony describes the Company's analysis as robust, Mr. Inskeep's direct testimony raised concerns similar to the OUCC's concerns regarding the sufficiency of NIPSCO's analysis to date that could be resolved by further study. Specifically, CAC's direct testimony echoed concerns raised by OUCC Witness Hanks that NIPSCO did not perform a full analysis of all costs associated with the provision of service to multi-family households relative to single-family households. Pub. Ex. 12-S-R at 6. Mr. Deupree stated that he does not agree that not implementing the multi-family rate in this Cause disproportionately harms lower-income households. He said it has not been demonstrated that all, or even most, prospective multi-family customers are low income customers. Mr. Deupree testified that it is likely that a reasonable proportion of low income customers reside in single-family dwellings as owners or renters. The agreement in the Settlement not to implement the multi-family rate yet reflects the OUCC's concern that establishment of a separate multi-family rate in the current proceeding would have likely resulted in single-family customers paying higher rates, harming these low income customers. *Id.* at 7. Mr. Deupree explained that the Settlement Agreement rescinds the Company's proposed separation of the residential rate group into multi-family and single-family groups in this specific Cause; however, NIPSCO will continue to collect data on residential customer housing

types to better identify its multi-family customers and the differences in the costs to serve these customers compared to single-family customers, including using information from Advanced Metering Infrastructure that is anticipated to facilitate these efforts after being fully deployed in NIPSCO's service territory. The Settlement Agreement's terms include providing the results of this additional study to CAC and the OUCC. He stated it should provide greater insight for purposes of potentially facilitating a more robust proposal in future proceedings. Pub. Ex. 12-S-R at 7.

Mr. Deupree testified that the Settlement Agreement modifies NIPSCO's proposed bill assistance program from an opt-out program to a voluntary, opt-in program. He stated that NIPSCO also agreed to make an annual, non-recoverable, $1.5 million contribution from its shareholders, as compared to the $400,000 shareholder contribution proposed in its initial case-in-chief. Mr. Deupree stated this reduces the potential impact of the proposed program on ratepayers, including low income customers, while still enabling assistance from customers who choose to participate in the Company's assistance program. *Id.* at 8. He explained that this is consistent with the OUCC's position and that involuntary assistance programs similar to what the Company originally proposed have been rejected by the Commission in multiple prior proceedings. Mr. Deupree stated the Commission specifically expressed concerns that involuntary programs amount to forced charity of non-qualified customers. The increase in the Company's financial contribution and the change to a voluntary assistance program under the Settlement Agreement mitigate the Commission's previous concerns. Pub. Ex. 12-S-R at 8.

Mr. Deupree testified that the Settlement Agreement includes NIPSCO's stated intent that new data center customers pay for all direct incremental costs associated with serving these customers. The Settlement Agreement also conveys the intent that new data center customers will pay a portion of existing system costs, thus reducing existing customers' rates. He explained that CAC argues the Settlement Agreement fails to meaningfully address concerns regarding new data center customers and the costs required to serve these customers. Specifically, CAC appears to be concerned that the Settlement Agreement language is broad, failing to expressly define what is included in "direct, incremental costs" or what is meant by "some portion" of existing system costs. *Id.* at 9. Mr. Deupree does not share such concerns since the Settlement Agreement preserves flexibility in considering individual proposals from potential data center customers while recognizing NIPSCO's commitment to ensure that the addition of these new customers does not result in higher costs for NIPSCO's existing customers. It also recognizes NIPSCO's commitment to potentially reduce rates to existing customers by allocating certain existing system costs to new data center customers. Pub. Ex. 12-S-R at 9. Mr. Deupree concluded that the OUCC continues to recommend that the Commission find the Settlement Agreement is in the public interest, approving the agreement in its entirety. Pub. Ex. 12-S-R at 10.

Industrial Group Witness Dauphinais testified that Mr. Inskeep suggests that the Commission should reject the Settlement on the ground that the use of a 4CP method for production costs in the underlying cost of service study is inappropriate, and that he argues only a 12CP allocation for production costs would be reasonable. IG Ex. 7 at 2. Mr. Dauphinais explained the Settlement utilizes the cost of service study presented and endorsed by NIPSCO in this case and that the 4CP allocation of production costs was further supported by several parties with extensive analysis and testimony, in particular the Industrial Group. *Id.* He pointed out that the term in the Settlement is consistent with the cost of service methodology approved by the Commission

in a series of NIPSCO electric rate cases over the past decade, including a Commission determination rejecting CAC's arguments in a contested case in Cause No. 45159. See Final Order, Cause No. 45159 (IURC 12/4/2019) at pp. 157-58. *Id*. at 2-3. Mr. Dauphinais stated the Settlement continues the same 4CP method for allocating production costs that was approved by the Commission in NIPSCO's most recent rate case, which was also resolved by a settlement. See 45772 Order. Mr. Dauphinais testified it is implausible to suggest that the cost of service methodology consistently endorsed by NIPSCO and approved by the Commission over a longstanding period, in both contested and settled cases, has suddenly become grounds for rejecting a Settlement that is acceptable to all other parties except for CAC. *Id.* at 3. Mr. Dauphinais testified that, he has previously addressed the grounds raised by Mr. Inskeep in support of the 12CP proposal. In particular, Mr. Inskeep opines at length on the significance of MISO's seasonal resource adequacy construct, which Mr. Dauphinais addressed at pages 37 through 42 of his Verified Cross-Answering Testimony in this case. In that testimony, Mr. Dauphinais explained why the seasonal requirements do not alter the fact that the NIPSCO system retains a clear summer-peaking status that drives its capacity needs, and that the production assets acquired by NIPSCO to meet its summer (June through September) peak demand continues to inherently provide sufficient capacity to meet its MISO requirements for the rest of the year. *Id.* He pointed out that Mr. Inskeep's opposition testimony does not rebut that analysis. *Id.*

Mr. Dauphinais stated that the approval of the Duke study in Cause No. 46038 does not indicate that the Settlement in this case is unreasonable. He explained that the Duke case involved significantly different circumstances, including that the utility proposed a 12CP allocation for production costs. The Commission had approved a 4CP study in the prior case, but before that the Duke system had been allocated on a 12CP basis for many years. See Final Order, Cause No. 45253 (IURC 6/29/ 2020) at 119; Final Order, Cause No. 42359 (IURC 5/18/2004) at 101 (noting Duke's predecessor had used a 12CP methodology since 1971). By contrast, Mr. Dauphinais highlighted that, in this case, NIPSCO proposed a 4CP allocation for production costs, consistent with its established cost of service studies as approved over a number of past rate cases. IG. Ex. 7 at 4. Mr. Dauphinais noted that the Duke order was issued on January 29, 2025, but on February 7, 2025, more than a week later, the Settlement in this case was executed and submitted for Commission approval, with the affirmative support or non-opposition of every party except for CAC. *Id.* at 4. Mr. Dauphinais testified that the situation here parallels the CEI South electric rate case, in which the Commission issued an order approving a settlement on February 3, 2025. See Final Order, Cause No. 45990 (IURC 2/3/2025). In that case, just like this NIPSCO case, the utility sponsored a cost of service study utilizing a 4CP allocation for production assets, consistent with its longstanding methodology as approved by the Commission in past cases. He explained that there, too, there was a settlement among less than all the parties which adopted the 4CP allocation for production costs. CAC, in that case as in this case, opposed that settlement and argued that the 4CP methodology was unreasonable. The Commission, however, approved the settlement and rejected CAC's arguments regarding the cost of service terms, emphasizing the consistency with the utility's established methodology. See 45990 Order at 112. IG. Ex. 7 at 4-5. Mr. Dauphinais stated the Commission approved the settlement in the CenterPoint case the week following the Duke order, and clearly did not regard the adoption of Duke's proposed cost of service study to be any barrier to approval of the cost of service terms in the CenterPoint settlement. In his testimony opposing the settlement here, Mr. Inskeep attempts to distinguish the CenterPoint order on the premise that there the Commission only rejected proposals for energy-based allocation methods, whereas here he is proposing a 12CP allocation for production costs. But Mr. Dauphinais points

out that, in both cases, CAC's litigation position advocated an energy-based methodology, particularly the Probability of Dispatch method. See 45990 Order at 108; CAC Ex. 1 at 67-69. IG. Ex. 7 at 5. He explained that in the CenterPoint order, the Commission not only rejected energy-based methods, but specifically found that "CEI South's system does not pass the three FERC tests which guide us as to whether the 12CP would be appropriate." See 45990 Order at 112. He explained that, again, the same status supports the cost of service terms of the Settlement in this case. See NIPSCO Ex. 16 at 22. IG. Ex. 7 at 5.

Mr. Dauphinais stated that there is a theme in Mr. Inskeep's testimony to the effect that the Settlement is designed for the particular benefit of industrial customers, to the specific detriment of residential customers. He explained that was also CAC's position in opposing the CenterPoint settlement but was rejected by the Commission. See 45990 Order at 120-21. He explained that the Settlement here, like the one approved in the CenterPoint case, provides for a substantial reduction in the revenue increase sought by the utility, to the benefit of all customer classes, while providing for continued use of the utility's established cost of service methodology. IG. Ex. 7 at 6. In addition, Mr. Dauphinais stated the Settlement in this case, unlike the CenterPoint settlement, was entered into and endorsed by the OUCC and other parties representing multiple customer classes. He testified that the attempt to characterize the Settlement here as an instance of special favoritism for industrial customers is meritless. *Id.*

Mr. Dauphinais stated that Mr. Inskeep's objection to the agreed reduction in Tier 1 demand levels for the Rate 531/631 class does not raise any valid concern. He explained that the orderly process to progressively reduce the Tier 1 demand level for Rate 531/631 customers – both to bring imputed demand for cost allocation purposes closer to actual contract demand as well as to move eligible customers closer to the tariff minimum – was a feature of the settlement approved by the Commission in NIPSCO's last rate case, Cause No. 45772. *Id.* at 6. Mr. Dauphinais testified that the computation of adjustments to Tier 1 demand is correlated to reductions in the costs of legacy coal plants embedded in base rates and the agreed reduction in this case simply implements the terms of the settlement approved in the 45772 Order. *Id.* at 6-7. He explained that the difference between the 164 MW initially proposed by NIPSCO in its direct case and the 162 MW provided for in the Settlement is attributable to the substantial reduction in the revenue requirements originally sought by NIPSCO by virtue of the Settlement and that those reductions result in less coal plant-related costs being reflected in NIPSCO's base rates, and hence have a modest effect on the computation of new Tier 1 demand levels. *Id.* at 7.

Mr. Dauphinais testified that Mr. Inskeep's position regarding the revenue distribution provision in the Settlement is not reasonable. He explained that NIPSCO's existing rate structure features substantial inter-class subsidies, with several rate classes paying rates in excess of system-average while the residential rate yields revenue significantly below a system-average return. He testified that several parties in this case offered testimony supporting reductions in the current subsidies for the residential class and that the Settlement starts with the revenue distribution proposed by NIPSCO but then devotes a defined 25% component of the agreed decrease below NIPSCO's proposed revenue to reducing subsidies with the remainder allocated to all classes. Mr. Dauphinais testified that this provision mirrors the subsidy mitigation term in the settlement approved by the Commission in NIPSCO's last rate case, Cause No. 45772. *Id.* He stated that Mr. Inskeep, apparently, and advocates perpetuating the subsidized rate structure without mitigation and further testified that the effort to institutionalize a clear deviation from cost-based rates by

maintaining the subsidy is unreasonable and certainly does not indicate any defect in the Settlement. *Id.* at 7-8.

U.S. Steel Witness Schuepbach responded that Mr. Inskeep's allegations regarding cost shifting or subsidization are not accurate. USS Ex. 4 at 4. She first explained that the IURC has repeatedly found in Cause Nos. 45159 and 45772 that Rate 831/531 is not subsidized. As the Commission stated in the Final Order in Cause No. 45159, any perceived "subsidy" to Rate 831 suggested by the OUCC, CAC, and other parties is a mischaracterization. She testified that repeating this mischaracterization in case after case does not make it true. *Id.* Second, Ms. Schuepbach stated that the proposed demand allocation to Rate 631 is consistent with the 45772 Order and Settlement Agreement terms, which state that "Future reductions to Tier 1 load and cost allocations to Rate 531 as contemplated in the Rate 831/531 Settlement will be correlated to further reductions in the costs of legacy coal assets reflected in NIPSCO's base rates." Therefore, she explained this is simply an application of the Settlement Agreement term that the Commission approved in the last NIPSCO electric base rate case and that to retroactively undo the regulatory treatment already approved is inappropriate. *Id.* at 4-5. Third, Ms. Schuepbach stated Rate 831/531/631 has historically and continues to subsidize other customer classes and that, at a minimum, Rate 831/531/631 is overallocated costs in the following three areas: production demand, transmission expenses, and FAC expenses. *Id.* 5. She testified that, in the ACOSS, Rate 831/531/631 is allocated more demand costs than they need and the Settlement Agreement is based on a demand allocation of 162 MW compared to the lower capacity amounts that the class will receive. Ms. Schuepbach said Rate 631 customers will be paying more than their share of demand costs. She testified that in the ACOSS, transmission expenses are overallocated to Rate 631 based on the voltages at which the Rate 631 customers receive power and that Rate 631 is allocated transmission costs for services and infrastructure that do not benefit and are not utilized by the class. *Id.* Ms. Schuepbach also explained that as provided in Industrial Group Witness Dauphinais' direct testimony, NIPSCO charges one FAC rate to all customer classes regardless of the voltage at which the customers receive power and this lack of accounting for service voltage in NIPSCO's ACOSS cost allocation and FAC rate design results in an overallocation of costs to Rate 631. Ms. Schuepbach testified that Rate 631 is set to "parity" for rate mitigation (revenue distribution) and that means the rates will be set to collect revenues based on the ACOSS. However, Ms. Schuepbach stated that the ACOSS over allocates expenses and Rate 631 customers are already paying more than their cost of service, in particular for legacy coal generation costs they no longer use. *Id.* at 5-6.

Ms. Schuepbach testified that she does not agree with Mr. Inskeep that the system rate increase should be applied to each customer class. *Id.* at 6. She explained that under the Settlement Agreement, Rate 631 is set to parity with a rate increase of 10.32% or $15.5 million. Mr. Inskeep recommended a rate increase of 14.05% or $21.0 million (14.05% x $149,681,610). The CAC proposal would harm Rate 631 customers by increasing their revenue requirement by $5.6 million ($21,029,048 - $15,450,084). *Id.* at 7. She noted that she has many concerns with applying the same rate increase to each customer class. *Id*. at 7-8. First, Ms. Schuepbach stated this approach goes against industry standard cost of service and ratemaking principles, including James Bonbright's book on utility ratemaking, *Bonbright Principles of Public Utility Rates*, published nearly 64 years ago that is still applicable and used today. Of the many principles in this book, she testified that one principle Bonbright describes is the need for fair and equitable rates, or rates that represent the cost of service. Anything beyond cost-based rates means that there is

subsidization among and/or within the customer classes. Ms. Schuepbach stated Mr. Inskeep is familiar with Bonbright as his direct testimony in Cause No. 45505 references Bonbright multiple times. In addition, Ms. Schuepbach testified that the National Association of Regulatory Commissioners Electric Utility Cost Allocation Manual states that cost of service studies are one of the basic tools of ratemaking. She explained there is no point to conducting a cost of service study if the system rate increase will be provided equally to all customer classes. *Id.* at 8. Finally, Ms. Schuepbach testified that CAC's proposal goes against NIPSCO's statement that the ACOSS is used as a guideline for class revenue levels and rate structures. NIPSCO believes that movement toward cost of service is the ultimate goal, while implementing moderation. Ms. Schuepbach stated any proposal that is not moving classes towards their cost of service is compounding the subsidization issue, making ongoing subsidization worse for certain classes, like the Residential class. She explained that if any revenue mitigation is done, it should be in a way that reduces subsidies and moves classes closer to their actual cost of service, rather than amplifying and prolonging the subsidization problem. *Id.* Ms. Schuepbach testified that in her more than 25 years of experience, cost of service studies have always been the cornerstone of rate design and cost recovery. She recommended the IURC reject CAC's recommendation to apply the system rate increase to each customer class and that the Settlement Agreement be accepted and approved by the Commission. *Id.* at 9.

Ms. Schuepbach testified that she agrees that the data centers need to pay their fair share of embedded costs for joining the NIPSCO system and that the Settlement Agreement misstated that NIPSCO filed the petition when the Petitioner was NIPSCO Generation, LLC. Overall, Ms. Schuepbach agreed with Mr. Inskeep that the data center load is a major issue that needs to be addressed transparently and in detail with enforceability, but she does not agree with Mr. Inskeep that the Settlement Agreement needs to be rejected or modified for the Commission to effectively deal with the issue, as it is now pending in another proceeding. *Id.* at 9-10. She testified that the Settling Parties agreed that this base rate case was not the place to address data center issues. Ms. Schuepbach stated the Settlement Agreement is consistent with the public interest because there is an established docket (where CAC is a party) to deal with NIPSCO's proposed structure for obtaining generation for data centers. Thus, it is reasonable and appropriate to address those issues in that docket while approving this Settlement. *Id.* at 10.

Ms. Schuepbach concluded that the Settlement Agreement is fair, reasonable, and in the public interest. She stated it is her opinion that the Settlement Agreement terms represent an equitable compromise among the parties in this proceeding. She testified that the Settlement terms keep NIPSCO profitable and will allow USS to remain a customer on the NIPSCO system. *Id.* at 10. Ms. Schuepbach explained other customer classes benefit as well because of reductions in the overall system revenue requirement and the settlement class revenue allocators. *Id.* at 10-11. She recommended the Commission reject the CAC recommendation to "reject the Settlement or substantially modify its terms" and recommended that the Settlement Agreement be accepted and approved by the Commission. Ms. Schuepbach stated the parties involved in the settlement process worked hard to agree on an outcome that represented the best possible result for each customer class and NIPSCO. *Id.* at 11.

10. <u>Commission Discussion and Findings</u>. At the outset, we recognize that the Commission previously approved most of the capital investment additions that NIPSCO proposes to include in its rate base in this proceeding. Cause No. 45936 (IURC 1/17/2024), Cause No. 46028

(IURC 8/14/2024), Cause No. 46032 (IURC 8/21/2024), Cause No. 45557 (IURC 12/28/2021), and Cause No. 46025 (IURC 8/7/2025); Pet. Ex. 2 at 14-15. These include the development and acquisition of four solar and solar plus storage facilities that make up approximately $2 billion (approximately 68%) of NIPSCO's rate base additions. NIPSCO's rate base request also reflects inclusion of NIPSCO's Commission-approved transmission, distribution, and storage system ("TDSIC") investments of $769.5 million (approximately 25% of the capital additions). The remaining portion of NIPSCO's rate base request (approximately 7%) relates to ongoing capital investment in other assets, including information technology and customer-driven capital work through new underground electric services, new business electric extensions, and new customer substations. It is also important to recognize the extent to which NIPSCO's initial filing in this Cause addressed Indiana's Five Pillars and included measures intended to meaningfully address customer affordability. (NIPSCO Witness Whitehead Direct at 21-34 and Rebuttal at 3-6.)

Even with the various preapproved projects discussed above, the record demonstrates that there were a number of highly contested issues in this Cause. Despite the complexity and number of issues in this proceeding, the Settling Parties reached a comprehensive agreement, as reflected in the Settlement Agreement. Although it is opposed by one party, those joining or not opposing the Settlement Agreement and Addenda represent a wide variety of interests and types of customers, including residential, commercial, and industrial customers. A complete copy of the terms and conditions of the Settlement Agreement can be found in Attachment A to this Order (Jt. Ex. 1), including the schedules supporting the calculation of the agreed settlement Revenue Requirement based on the 12-month period ending December 31, 2025 (Joint Exhibit A to the Settlement), the new depreciation rates (Joint Exhibit B to the Settlement), and the redacted Rate 631 contract demand (Confidential Joint Exhibit C to the Settlement). These attachments are incorporated into and made a part of this Order by reference.

Settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced to all concerned. The Settlement Agreement represents the Settling Parties' proposed resolution of the issues in this Cause. As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co*., 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id*. (quoting *Citizens Action Coal. Of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal. Of Ind., Inc.*, 664 N.E.2d at 406.

Further, any Commission decision, ruling, or order, including approval of a settlement must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum,* 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Public Service Co.*, 582 N.E.2d 330 (Ind. 1991)). The Commission's procedural rules require that the settlement be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that the Agreement serves the public interest.

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement Agreement on all issues, including Petitioner's rate base, methodology to be used in determining Petitioner's rate increase, allocation of the rate increase, rate design, ROE and capital structure, and the other terms of the Settlement Agreement, all of which we find are supported by the evidence and testimony presented. The Settlement Agreement, along with its attachments and the Settling Parties' testimony and exhibits, provide substantive information from which to discern the basis for the components of the increase in NIPSCO's base rates and charges under the Settlement Agreement, and we find the evidence supports that they are reasonable. We also recognize that all but one party in the proceeding either support or do not oppose the Settlement Agreement, including NIPSCO, the OUCC, Industrial Group, NLMK, U.S. Steel, RV Group, Walmart, and LaPorte County.[20] These parties represent varied and competing customer groups and interests, encompassing practically all (if not all) NIPSCO rate classes.

As discussed in Section 7 of this Order, the Settling Parties made numerous compromises in order to reach an agreement. NIPSCO, in its initial case-in-chief provided evidence supporting a revenue deficiency of $369 Million, reflective of an overall 20.15% revenue increase. As shown by Paragraph B.1.(a) of the Settlement Agreement, the Settling Parties agree that NIPSCO's base rates will be designed to produce $2,086,642,669 prior to application of surviving Riders. The increase in base rates results in an increase from current base rates of $257,043,752 (approximately 16.75%). This increase is a decrease of approximately $111,616,865 (30%) from the amount originally requested by NIPSCO in its case-in-chief.

Based on the evidence presented, we decline to reject the Settlement Agreement or make the modifications suggested by CAC for the reasons set forth below. The Settlement Agreement is approved without modification.

A. Settlement Opposition.

1. Reasonableness of the Settlement Agreement. In opposition to approval of the Settlement Agreement, CAC alleges that several of its concerns were inadequately addressed in the Settlement Agreement, and it consequently recommends the Commission reject the Settlement or substantially modify its terms. CAC Ex. 3 at 35. We will address each of CAC's major concerns below, but, based on the evidence presented, we are not persuaded by CAC's arguments to reject or modify the Settlement. The Settling Parties have sufficiently shown that the Settlement provides reasonable resolutions to the disputed issues presented in this proceeding. We find the Settlement Agreement, which substantially reduces the requested relief and upholds the tenets of affordability, reliability, resiliency, stability and environmental sustainability, represents the constant balancing this Commission has been charged to perform by the Indiana General Assembly.

(a) Cost Allocation. Other than using an updated Settlement Agreement revenue requirement, Mr. Inskeep acknowledges in his testimonies that the Settlement ACOSS is essentially consistent with the structure and methodologies used in NIPSCO's direct

[20] Because they have no impact on NIPSCO's rates set in this Cause, Addendum A and B to the Settlement Agreement do not require Commission action; however, we note that based on the evidence presented, the terms reasonably address concerns raised by the RV Group and LaPorte County, respectively.

and rebuttal testimony. He notes that limited modifications were made, including the final adjustment reducing Rate 531's allocated demand to approximately 162 MW. Nevertheless, he contends that the cost allocation in the Settlement is an unreasonable and unbalanced resolution to the issues raised by CAC, among other parties, regarding several of the key methodologies used in NIPSCO's ACOSS. In particular, Mr. Inskeep disagrees with the Settlement's use of a 4CP cost allocation method for production costs and he states a more reasonable 12CP cost allocation method could be adopted instead. He also disagrees with the modification of Rate 531 / 631 Tier 1 demand that further reduces the production costs allocated to Rate 531. Mr. Inskeep also criticizes the Settlement's adoption of NIPSCO's proposed allocation of the ITC and PTC benefits in base rates and in the FAC, instead recommending that the allocation of these benefits mirror the allocation ultimately adopted by the Commission in this proceeding for allocating the costs of generation and battery storage facilities. Mr. Inskeep's proposed solution is to effectively disregard the ACOSS results and allocate the Settlement revenue increase on an equal percentage basis to all customer classes. We are persuaded that this would not produce a reasonable outcome.

NIPSCO Witness Taylor replied that NIPSCO's production investments continue to be driven by a very small number of hours, which have traditionally been in the summer. This circumstance requires investment in the generation system that is able to provide reliable service in all hours of the year. Mr. Taylor addressed how this issue had been addressed in other recent Indiana utility rate cases. He testified that Duke proposed using a 12CP production cost allocation methodology primarily to address the Five Pillars with the MISO seasonal resource adequacy construct as a secondary influence, but that utility did not offer any testimony identifying specific investments driven by non-summer seasons.[21] He stated the Commission approved CenterPoint Indiana's settlement agreement utilizing the 4CP method at about the same time that it issued its order in Duke's rate case[22] and he concluded this result highlights that the Commission has not prescribed a standardized approach because each utility's system and circumstance must be considered to align cost causation with cost allocation.

Next, in response to Mr. Inskeep's continued disagreement with the allocation of solar-related PTCs and ITCs using class energy as the basis for allocations as the Settlement Agreement proposes, Mr. Taylor testified that the Commission's approval of NIPSCO's four solar and solar plus storage projects proposed to be included in Step 2 rates in this Cause included authority to pass back PTC and ITC proceeds through NIPSCO's FAC tracker, where costs are allocated among the classes using class energy and are recovered through an energy rate ($/kWh).[23] Mr. Taylor explained that energy must be produced in order for a PTC to be created and the PTCs are nominated in dollar per unit of energy produced.[24] He further stated that of the total expected tax credits included in the Forward Test year, roughly 93% are PTCs with the remaining 7% being ITCs, and that changing the ITC allocation to the Production-Demand Allocator would result in a reduction to the residential revenue target of approximately $350,000 before FAC impacts.

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21 Cause No. 46038, Direct Testimony of DEI witness Diaz at 29 20:22, 31 10:12

22 Final Order Cause No 45990.

23 Dunn's Bridge II Solar Plus Storage and Cavalry Solar Plus Storage (originally approved in Cause No. 45462, modification approving wholly owned structure in Cause No. 45936), 45936 Order at 25; Fairbanks Solar (originally approved in Cause No. 45511, modification approving wholly owned structure in Cause No. 46028), 46028 Order at 17; Gibson Solar (originally approved in Cause No. 45926, modification approving wholly owned structure in Cause No. 46032), 46032 Order at 15.

24 Internal Revenue Code Section 45Y.

However, Mr. Taylor pointed out that residential customers are already receiving a significant base rate subsidy from other customer classes. He explained that any tax credit-related reduction to allocated costs would simply reduce the measured subsidy and would not alter the proposed targeted class revenues. With respect to Rate 531, Mr. Taylor responded that there was no reasoned basis for the CAC's objection. The proposed Settlement Agreement merely implements the approved term in the Cause No. 45772 settlement regarding the step down of Rate 531 allocated demand, and that the steps taken to apportion the agreed revenue reduction in the Settlement Agreement are nearly identical to those taken in the approved Cause No. 45772 settlement.

Industrial Group Witness Dauphinais correctly explained that MISO's seasonal requirements do not alter the fact that the NIPSCO system retains a clear summer-peaking status that drives its capacity needs, and that the production assets acquired by NIPSCO to meet its summer (June through September) peak demand continue to inherently provide sufficient capacity to meet its MISO requirements for the rest of the year. Mr. Dauphinais pointed out that Mr. Inskeep's opposition testimony does not rebut that analysis. He stated that the approval of the Duke study in Cause No. 46038 does not indicate that the Settlement in this case is unreasonable and explained that the Duke case involved significantly different circumstances, including that, other than its most recent rate case, Duke systems had been allocated on a 12CP basis for many years. See Final Order, Cause No. 45253 (IURC 6/29/2020) at 119; Final Order, Cause No. 42359 (IURC 5/18/2004) at 101 (noting Duke's predecessor had used a 12CP methodology since 1971). Mr. Dauphinais testified that the situation here parallels the CenterPoint South electric rate case, in which the utility sponsored a cost of service study utilizing a 4CP allocation for production assets, consistent with its longstanding methodology as approved by the Commission in past cases. Mr. Dauphinais pointed out that, in both cases, CAC's litigation position advocated an energy-based methodology, particularly the Probability of Dispatch method, which the Commission rejected in its 45990 Order. See 45990 Order at 108; CAC Ex. 1 at 67-69. Mr. Dauphinais concluded that CAC's attempt to characterize the Settlement here as an instance of special favoritism for industrial customers is meritless. Mr. Dauphinais also stated that the orderly process to progressively reduce the Tier 1 demand level for Rate 531/631 customers – both to bring imputed demand for cost allocation purposes closer to actual contract demand as well as to move eligible customers closer to the tariff minimum – was a feature of the settlement approved by the Commission in NIPSCO's last rate case, Cause No. 45772.

U.S. Steel Witness Schuepbach also explained that the IURC has repeatedly found in Cause Nos. 45159 and 45772 that Rate 831/531 is not subsidized and that the proposed demand allocation to Rate 631 is consistent with the 45772 Order and settlement terms. She also stated Rate 831/531/631 has historically and continues to subsidize other customer classes and that, at a minimum, Rate 831/531/631 is overallocated costs in production demand, transmission expenses, and FAC expenses.

OUCC Witness Deupree testified that the Settlement ACOSS reasonably resolves differing viewpoints on cost allocation matters. Mr. Deupree explained that from the OUCC's participation in the underlying CPCN proceedings, the OUCC is aware that NIPSCO's proposed pass back of tax credit proceeds to customers through the FAC, which utilizes an energy allocator, is consistent with the Commission's CPCN orders. He does not agree with the proposal to allocate PTC benefits on the basis of production plant in the future as PTC benefits are directly associated with total customer energy requirements and not peak demand requirements.

The record evidence establishes that NIPSCO's system peak occurs in the summer and that its system does not satisfy the three FERC tests that guide determination as to whether a change to a 12CP methodology is appropriate. Pet. Ex 16 at 22. Just as this Commission recently reiterated, the Commission has long recognized that it is reticent to make significant changes in cost allocation (CEI South, Cause No. 45990, (IURC 2/3/2025), at 112 citing *CEI South*, Cause No. 43839, 289 PUR4th 9 (IURC 4/27/2011), 2011 WL 1690057). A nearly unanimous settlement with a broad array of customer interests is not the appropriate venue to depart from this established principle when the record also supports the allocation method that the Settlement relies upon. We also agree with NIPSCO Witness Taylor, that the Duke Order is not appropriate for assessing the reasonableness of the Settlement here. The facts and circumstances of this case are different from those in Duke's rate case. NIPSCO, Duke Energy and CenterPoint all participate in MISO. The MISO seasonal construct, however, is not determinative of how each utility should allocate its production costs. The appropriate cost allocation appropriate for each utility is, and must be, a function of its cost to serve. Mr. Inskeep's undue emphasis on the Duke order and disregard for the CenterPoint Order is unbalanced in the first instance, and distracts from the results indicated by NIPSCO's ACOSS, which we find to be dispositive. The Settlement Agreement's reliance on the 4CP allocation methodology for production costs is reasonable and amply supported on this record.

We are further not convinced by CAC's criticism of the allocation of PTCs and ITCs in the Settlement Agreement as CAC fails to acknowledge the proposed treatment is consistent with three prior Commission orders providing for pass back of PTCs and ITCs to customers through NIPSCO's FAC. CAC also fails to accept that energy must be generated by a solar facility in order to generate PTCs, and CAC ignores that any adjustment for ITCs would be de minimis and ultimately would not impact the residential revenue target proposed in the Settlement Agreement due to the continued class subsidy. Finally, we recognize that the step down of Rate 531/631 Tier 1 allocated demand in the Settlement Agreement relates to reductions in coal plant-related costs being reflected in NIPSCO's base rates, which is consistent with the methodology previously approved in the 45772 Order. Therefore, we find that incorporation of NIPSCO's ACOSS into the Settlement Agreement is reasonable and appropriate, and the resulting cost allocation in the Settlement Agreement is approved. NIPSCO shall follow the terms of the Settlement Agreement, including Section 11(b) regarding production and distribution classification and allocation.

(b) Revenue Distribution. Mr. Inskeep states that, while the Settlement Agreement provides for a 30.3% reduction to the revenue requirement from NIPSCO's original filing, residential customers will experience only a 23.6% reduction to their revenue requirement relative to NIPSCO's case-in-chief, resulting in what Mr. Inskeep describes as an unbalanced Settlement mitigation that benefits non-residential customers. Mr. Inskeep proposed an alternative resolution, which would be to assign the same percentage increase to each existing customer class, i.e., equal to the system average increase, and then, prior to NIPSCO's next rate case, NIPSCO can conduct a holistic examination to more accurately identify existing cross-subsidization occurring in rates and propose the appropriate cost allocation modifications and mitigation steps to address any identified cross-subsidies, while taking into consideration gradualism and other important public policy objectives.

In response to Mr. Inskeep's recommendation of an across the board system average increase, Mr. Taylor testified that a system average increase not only prohibits any movement

towards class parity with cost of service, but it exacerbates the cross subsidy to the residential class. Table 1 in Mr. Taylor's testimony shows that even under a 12CP production allocation, residential customers would still be receiving a subsidy of over $99 million, which negates Mr. Inskeep's opposition to the residential class revenue increase under the Settlement because, even in a litigated outcome where CAC's preferred outcome of 12CP is approved, it is likely a residential class revenue increase would be at or above the Settlement amount.

Industrial Group Witness Dauphinais testified that the revenue distribution provision in the Settlement provision mirrors the subsidy mitigation term in the settlement approved by the Commission in NIPSCO's last rate case, Cause No. 45772, and that Mr. Inskeep's effort to institutionalize a clear deviation from cost-based rates is unreasonable and does not indicate any defect in the Settlement.

Ms. Schuepbach testified that while Rate 631 is set to "parity" at a designated class firm service (Tier 1) demand level for rate mitigation (revenue distribution), she stated the ACOSS over allocates expenses and Rate 631 customers, and they consequently would continue to pay more than their cost of service under the rates resulting from the Settlement Agreement. Ms. Schuepbach testified that CAC's proposed system rate increase for each customer class would harm Rate 631 customers by increasing their revenue requirement by $5.6 million ($21,029,048 - $15,450,084) and that any proposal that is not moving classes towards their cost of service is compounding the subsidization issue, making ongoing subsidization worse for certain classes, like the Residential class. She explained that if any revenue mitigation is done, it should be in a way that reduces subsidies and moves classes closer to their actual cost of service, rather than amplifying and prolonging the subsidization problem.

OUCC Witness Deupree stated that the Settlement Agreement attempts to balance some parties' desire to reduce residential subsidies under NIPSCO's current rates with concerns over the accuracy of the Company's ACOSS due to the allocation of costs associated with production plant. He pointed out that the Settlement Agreement reduces the revenue increase to residential customers by approximately $30.7 million.

We recently made a decision to modify the revenue distribution in an opposed settlement by adopting a lower cap on the agreed system average overall increase for the residential class. (*CEI South*, Cause No. 45990, (IURC 2/3/2025) at 115). In that case, the tendered settlement limited the increase to each class to no more than 1.35 times the system-average increase, and we found it appropriate to narrow that band to no more than 1.15 times system average. Under the Settlement here, however, the residential increase of 14.75% is only 1.05 times the system average of 14.05%. Pet. Att. 16-S-A at 1. The settled increase here, accordingly, is already well within the constraint found appropriate in the CenterPoint Order. In that case, moreover, we acknowledged that "[a]ffordability is a key consideration across all customer classes, and the desire to provide affordability across the board supports a revenue requirement increase that is as evenly borne as practical, while considering any subsidies that may be identified by the ACOSS." *Id.* This guiding principle speaks directly to the rationale that supports the revenue distribution agreed to in this Settlement Agreement. The record evidence is clear that, under the analysis of multiple cost of service experts in this Cause (Pet. Ex. 16 at 22; Pub. Ex. 12, Revised Attachment MWD-14; Walmart Witness Perry Direct at 19; RVG Ex. 1 at Attachment JP-2 and Attachment JP-3; Industrial Group Ex. 2 at 29-30 and Attachment JRD-4; and Walmart Ex. 1-S (Perry) at 12-13),

NIPSCO's residential class is being subsidized by the rates paid by other customer classes. Specifically, even under the 12CP allocation methodology proposed by the OUCC on direct, and as CAC now proposes, the residential class would continue to receive a $99 million subsidy. Pet. Ex. 16-S-R at 16. We cannot ignore this substantial evidence when making a determination on the reasonableness of the agreed distribution of the Settlement Agreement's revenue requirement reached in this Cause. Indeed, the extent to which NIPSCO's rates should be designed to mitigate this interclass subsidy was a highly disputed issue in this Cause. (See RVG Ex. 1 at 22-24, Walmart Ex. 1-S (Perry) at 19).

We reject CAC's recommended across the board system average as it would perpetuate and potentially grow the residential class subsidy, which would undermine customer affordability in deviation from cost causation principles. Accordingly, we find that the Settlement Agreement reflects fair and appropriate compromises made by representatives of the majority of customer classes, while recognizing the policy of gradualism, to reach a distribution that is as evenly borne as practical considering the identified interclass subsidy. The agreed revenue distribution as presented in the Settlement Agreement is reasonable, balanced, and hereby approved.

(c) Multi-Family Rate. Mr. Inskeep concludes that, by not adopting NIPSCO's Multi-Family Rate, the Settlement will significantly harm multi-family customers and produce rates that are unjust and unreasonable and well in excess of what NIPSCO considered to be the cost to serve such customers, even prior to the reduction in revenue requirement included in the Settlement.

The OUCC and CAC's testimony in this Cause reflected disagreement on NIPSCO's multi-family rate proposal as the parties could not agree on the strength of NIPSCO's supportive data, although both took issue with its scope and robustness in their direct testimony, and upon how many multi-family customers there are in NIPSCO's territory. In his direct testimony, CAC Witness Inskeep recommended approval of NIPSCO's multi-family rate but sought additional data in NIPSCO's next rate case related to metering and transformer costs. NIPSCO Witness Whitehead testified that ultimately, the Settlement addressed the concerns raised by the OUCC, a key stakeholder in terms of representing the interests of all ratepayers including residential ratepayers, regarding the level of analysis NIPSCO had undertaken to date to support the Multi-Family Rate in this Cause.

NIPSCO Witness Taylor testified that not implementing NIPSCO's proposed multi-family rate at this time was part of the negotiation process in this Cause, in response to both CAC (Inskeep Direct at 73-75) and OUCC (Hanks Direct at 5-11) concerns with the scope of data to support NIPSCO's original proposal. While Mr. Inskeep characterizes NIPSCO's study analysis as "robust" at p. 25 of his opposition testimony, his direct testimony (p. 75) was critical of NIPSCO's analysis regarding the evaluation of metering and transformer costs, and he recommended a more comprehensive evaluation in NIPSCO's next rate case. Mr. Taylor stated that NIPSCO conducted its analyses and felt there was sufficient support for the multi-family residential rate; however, the OUCC concluded more robust analyses are needed and CAC, while questioning the completeness and adequacy of the analyses, supported the implementation. Ultimately, the Settling Parties agreed a multi-family rate should not be implemented at this time, but to further study those customers for future consideration of a new multi-family rate. Mr. Taylor further testified that the harm Mr. Inskeep alleged is measured against the proposal of implementing a new multi-family

rate, but nothing has been taken away from any customer class. He explained that, under the Settlement, residential customers are being treated equally and as a homogenous rate class as they have always been throughout NIPSCO's recent history.

Mr. Deupree stated the OUCC is concerned that NIPSCO's current analysis may not be representative of the actual residential customers in the Company's service territory and that NIPSCO's proposal was supported by a load research sampling of only 127 of the Company's total residential customer base of 431,840 customers (only 0.03%). He testified that he does not agree with the CAC that not implementing the Multi-Family Rate in this Cause disproportionately harms lower-income households because it has not been demonstrated that all, or even most, of NIPSCO's multi-family customers are low income customers. He testified that it is likely a reasonable proportion of low income customers reside in single-family dwellings as owners or renters, and the agreement not to implement the multi-family rate yet reflects the OUCC's concern that establishment of a separate multi-family rate in the current proceeding would have likely resulted in single-family customers paying higher rates, harming these low income customers. Mr. Deupree explained that NIPSCO agreed to continue collecting data on residential customer housing types to better identify its multi-family customers and the differences in the costs to serve these customers compared to single-family customers, including using information from Advanced Metering Infrastructure that is anticipated to facilitate these efforts after being fully deployed in NIPSCO's service territory. The Settlement Agreement's terms include providing the results of this additional study to CAC and the OUCC. Mr. Deupree stated this should provide greater insight for purposes of potentially facilitating a proposal in future proceedings.

The evidence demonstrates there is disagreement among the parties as to whether NIPSCO's proposed multi-family rate was adequately studied and supported with sufficient information to warrant the creation of a new class of residential customers in multi-family dwellings with a lower revenue target than the residential class residing in single-family dwellings. The Settlement Agreement reasonably resolves that dispute by foregoing implementation of the Multi-Family Rate in this Cause but committing NIPSCO to further study its multi-family customers. NIPSCO has committed to provide the results of such additional study to CAC and the OUCC before incorporating such a proposal in a future rate case. As such, we decline to require NIPSCO to create a new multi-family rate in this Cause and find the Settlement Agreement reasonably reflects agreement to not do so in this Cause.

(d) Low Income Program. Mr. Inskeep recommends the Commission approve the Low Income Program NIPSCO proposed in its case-in-chief, as modified by Mr. Inskeep's recommendations in his direct testimony. He stated that the changes agreed to in the Settlement dramatically reduce the funding for the Program, meaning eligible customers will receive substantially smaller benefits. Mr. Inskeep suggests that approval of the Low Income Program NIPSCO proposed in its case-in-chief instead of the Settlement is more consistent with the Affordability Pillar and the public interest generally.

NIPSCO Ms. Whitehead replied that the parties' testimony in this Cause reflects disagreement on the appropriate design of a bill assistance program for low income customers, and NIPSCO agreed to modify its proposed program in order to achieve a global settlement in this case with all Settling Parties. She stated NIPSCO made this decision primarily based on disagreement among the parties as to whether a non-bypassable, opt-in, or opt-out program design was

appropriate. She also noted that the Commission has not approved an electric low income program structured like NIPSCO's proposed program, and in Cause No. 45465, the Commission rejected NIPSCO's low income program for electric customers due to its opt-out nature. She testified that in response to the OUCC's opposition to NIPSCO's proposed program in this case, the Settlement reflects a voluntary program that does not require any customer funding and includes an annual $1.5 million NIPSCO shareholder contribution. She testified that while NIPSCO appreciates CAC's continued support of meaningful bill assistance programs to low income customers, denying or modifying the Settlement based on the modified design of this bill assistance program would serve only to harm the eligible low income customers who stand to benefit from the bill assistance that will now be available. She noted that NIPSCO's shareholder contribution is considerable, and the Company is committed to targeting all bill assistance funding to customers most in need.

OUCC Witness Deupree testified that the modification of NIPSCO's proposed bill assistance program in the Settlement Agreement reduces the potential impact of the proposed program on ratepayers, including low income customers, while still enabling assistance from customers who choose to participate in the Company's assistance program. He explained that this is consistent with the OUCC's position and that involuntary assistance programs similar to the Company's original proposal have been rejected by the Commission in multiple prior proceedings based on the Commission's expressed concern that involuntary programs amount to forced charity of non-qualified customers.

Under the Settlement Agreement, the Low Income Program has been modified in response to concerns the OUCC raised while remaining informed by prior Commission orders regarding ratepayer-funded bill assistance programs. As presented by the Settling Parties, it remains an important measure intended to address utility affordability for residential customers who face income challenges. NIPSCO's shareholder contribution has increased from its direct case and will provide bill assistance to customers in need. When the Settlement Agreement is considered in its entirety, we find the agreed Low Income Program balances the consumer parties' interests and concerns, including those expressed by CAC, with NIPSCO's interest in providing bill assistance for its low income customers. We, therefore, find the stipulated Low Income Program is reasonable and should be approved.

(e) Data Centers. Mr. Inskeep concludes the Settlement does not adequately resolve the legitimate issues raised by parties in this proceeding with respect to new large load customers like data centers. He states the Settlement fails to meaningfully address the issues he raised in his direct and cross-answering testimonies on data centers and contends that data centers, like other NIPSCO ratepayers, should pay the full embedded cost of service – not merely "direct, incremental" costs and "some portion" of embedded costs. Mr. Inskeep contends that a subdocket to holistically examine issues would be a more appropriate forum for the Commission to collect and weigh the evidence and determine the appropriate path forward, rather than approving a vaguely worded term containing inaccurate statements expressing an intention for further discriminatory treatment.

Ms. Whitehead responded that her rebuttal testimony (at 58-60) responded to certain parties' requests to create a subdocket in this Cause and addressed how NIPSCO intends to approach data center load within its service territory. She testified the Settlement contains a term

that further describes NIPSCO's intention as it relates to how any large or mega load customer that enters into a contract for electric service will commit to pay the direct, incremental costs associated with serving their load and some portion of the costs of NIPSCO's existing electric system. She disagreed with Mr. Inskeep's characterization regarding discriminatory treatment and stated that NIPSCO has not entered into any contract for electric service with any large or mega load customer and the Forward Test Year in this case does not include any anticipated load growth associated with any such customer. She indicated Mr. Inskeep's present concerns – which are hypothetical and premature – are best addressed within the context of a regulatory filing requesting approval of any such special contract. She also noted that one of the parties who proposed creating a data center subdocket in this Cause, U.S. Steel, signed on to the Settlement and supports its intended outcome.

Ms. Schuepbach testified she does not agree with Mr. Inskeep that the Settlement Agreement needs to be rejected or modified for the Commission to effectively deal with data centers, as that issue is now pending in another proceeding involving NIPSCO Generation LLC. She stated the Settlement Agreement is consistent with the public interest because there is an established docket (where CAC is a party) to deal with NIPSCO's proposed structure for obtaining generation for data centers.

Mr. Deupree did not agree with CAC's concern regarding the data center term in the Settlement Agreement and states the Settlement Agreement preserves flexibility in considering individual proposals from potential data center customers while recognizing NIPSCO's commitment to ensure that the addition of these new customers does not result in higher costs for NIPSCO's existing customers.

The evidence is clear that no costs or expected revenues associated with data center load are part of the Forward Test Year in this Cause. Pet. Ex. 2-S-R at 11-12; Pet. Ex. 2-R at 58-59; CAC Ex. 1 at Attachment BI-3. Adding this with the Settling Parties' agreement that the currently pending proceeding, Cause No. 46183, or a future proceeding should be where new data center load is dealt with, we find that a subdocket to this Cause to address data centers is neither necessary nor appropriate. The Settlement Agreement states NIPSCO's intention as it relates to how any large or mega load customer that enters into a contract for electric service will commit to pay the direct, incremental costs associated with serving their load and a portion of the costs of NIPSCO's existing electric system is reasonable and approved, and does not limit positions or arguments that parties may raise in Cause No. 46183. We find that the Settlement Agreement maps out a reasonable approach for addressing these emerging questions.

(f) <u>Residential Customer Affordability</u>. CAC Witness Inskeep contends the Settlement is inconsistent with Indiana's Affordability Pillar and the public interest, and he asserts that hundreds of thousands of NIPSCO residential customers will experience rate shock and accelerating unaffordability. He further states the Settlement discards some of the most critical residential affordability protections proposed by NIPSCO in its case-in-chief, such as a ratepayer-funded income-qualified bill assistance program, a cost-based multi-family rate, and limiting the residential class rate increase to the system average increase. He testifies the modest consumer protection provisions included in the Settlement do little to mitigate the unprecedented rate shock NIPSCO residential customers will experience. Mr. Inskeep states the undue burden being placed on residential customers is unnecessarily and unfairly exacerbated by unreasonable provisions included in the Settlement.

Ms. Whitehead responded to Mr. Inskeep's affordability concerns and testified there was a significant focus on affordability by all parties involved in this case, starting with NIPSCO's preparation of the case with the steps that she outlined in her direct (at 21-34) and rebuttal (at 3-6) testimony. Her settlement rebuttal noted that, in addition to the $111 million reduction to NIPSCO's proposed revenue requirement in this Cause, the Settlement Agreement contains other non-revenue requirement terms intended to benefit residential customers. All of these residential customer affordability measures were also proposed by the CAC. (Inskeep Direct, pp. 43, 39, 77, and 33.)

OUCC Witness Deupree testified that the Settlement Agreement creates $30.7 million in savings for residential customers. He explained that all major rate classes, including residential customers, receive a benefit as a direct result of reducing the proposed rate increase from the Company's originally requested revenues. Mr. Deupree stated the current Settlement Agreement was a product of intense negotiations and compromises, and the Settlement provides adequate mitigation of rate increases for residential customers.

Industrial Group Witness Dauphinais testified that the Settlement here, like the one approved in the CenterPoint case, provides for a substantial reduction in the revenue increase sought by the utility, to the benefit of all customer classes, while providing for continued use of the utility's established cost of service methodology. In addition, Mr. Dauphinais stated the Settlement in this case, unlike the CenterPoint settlement, was entered into and endorsed by the OUCC and other parties representing multiple customer classes. He testified that CAC's attempt to characterize the Settlement Agreement as an instance of special favoritism for industrial customers is meritless.

U.S. Steel Witness Schuepbach concluded that the Settlement Agreement is fair, reasonable, and in the public interest. She stated it is her opinion that the Settlement Agreement terms represent an equitable compromise among the parties in this proceeding. She explained other customer classes benefit because of reductions in the overall system revenue requirement and the settlement class revenue allocators. Ms. Schuepbach stated the parties involved in the settlement process worked hard to agree on an outcome that represented the best possible result for each customer class and NIPSCO.

The Settlement Agreement in this Cause results in over $111 million in reductions to NIPSCO's as-filed revenue requirement and an over $30 million reduction to the proposed revenue increase for the residential class. The Agreement also reflects a number of measures intended to address residential customer needs, including eliminating the $50 customer deposit for NIPSCO's gas and electric customers who receive bill assistance through LIHEAP; no later than implementation of Step 2 rates, waiver of NIPSCO's $90 electric reconnection charge for electric customers who are disconnected for non-payment of charges; delay of disconnection of electric service if temperatures are below 20 degrees or above 90 degrees on the scheduled day of disconnection or if forecasted the following two days; and no increase to the monthly residential customer charge of $14. The Settlement also reflects the creation of a bill assistance program for NIPSCO's low income electric customers funded by voluntary customer contributions and an annual $1.5 million contribution from NIPSCO shareholders. Taken together, we find the Settlement Agreement reasonably addresses customer affordability consistent with Indiana's Five Pillars and is in the public interest.

B. <u>ARP for Remote Disconnection/Reconnection</u>. The Settling Parties agree in Section B.14. of the Settlement Agreement to the approval of the ARP for remote disconnect/reconnect and Mr. Inskeep does not oppose this portion of the Settlement Agreement.

In her direct testimony, Ms. Whitehead explained that as part of the Advanced Metering Infrastructure Project ("AMI Project") through its electric TDSIC Plan approved in the Commission's December 28, 2021 Order in Cause No. 45557, NIPSCO expects approximately 205,000 of its electric customers will have AMI meters installed by the end of the Forward Test Year (December 31, 2025). She said AMI meter technology provides for the efficient and safe remote capability to disconnect and reconnect electric service. Pet. Ex. 2 at 34. She explained NIPSCO's business practice as it relates to customer contact information like phone numbers and email addresses, how customers are currently notified of a service disconnection due to non-payment, and the proposed procedure for notifying customers of a service disconnection for non-payment using AMI technology. *Id*. at 36-38. Ms. Whitehead testified that NIPSCO's requested ARP for waiver of the requirements in 170 IAC 4-1-16(f) is in the public interest as required by Ind. Code § 8-1-2.5-6(a)(1)(A). *Id*. at 43.

Ms. Whitehead testified that NIPSCO's requested ARP for waiver of the requirements in 170 IAC 4-1-16(f) enhance the value of NIPSCO's retail energy services or property, as reference in Ind. Code § 8-1-2.5-6 (a)(1)(B). *Id*. at 44. She said minimizing the time any customer is not connected to NIPSCO's electric service provides value to NIPSCO's retail energy services and property. *Id*. at 44.

In his direct testimony, but not his settlement opposition testimony, Mr. Inskeep opposed NIPSCO's remote disconnection proposal because it would make it easier for utilities to disconnect residential ratepayers without adequately informing them through an on-premises visit. CAC Ex. 1 at 35. He argued that NIPSCO's proposed ARP for remote disconnection is inconsistent with the requirements of Ind. Code ch. 8-1-2.5. Id. at 36-37. No other party opposed the request, however, OUCC Witness Paronish recommended enhancements to NIPSCO's communications plan, including, to the extent NIPSCO has the information, utilizing all three communication mechanisms – a phone call, a text message, and an email communication – to contact a customer prior to disconnection. She also proposed additional communication methods to notify customers that service disconnection will be conducted remotely. Pub. Ex. 11 at 18-19.

On rebuttal Ms. Whitehead explained that based on NIPSCO's communications plan, as modified by the rebuttal, NIPSCO's customers will be adequately informed that their service is being disconnected for non-payment. Pet. Ex. 2-R at 17-18. In response to Mr. Inskeep, she explained that as detailed in her direct testimony (at 43-44), and then further set out in her rebuttal, NIPSCO's requested waiver of the requirements in 170 IAC 4-1-16(f) is in the public interest and meets the statutory criteria set out in Ind. Code ch. 8-1-2.5. *Id*. at 20-22. She presented Table 1 which detailed NIPSCO's response to each additional communication method proposed by the OUCC. *Id*. at 24-25. She explained that also in response to the OUCC, NIPSCO proposes to modify its messaging. *Id*. at 25-26.

This Commission has previously granted waivers from 170 IAC 4-1-16(f) to electric utilities to allow for remote disconnection/reconnection. 170 IAC 4-1-16(f) provides that prior to disconnection of electric service, a NIPSCO employee is required to, among other things, make an

on-site premises visit. Based on NIPSCO's direct and rebuttal testimony and Section B.14. of the Settlement Agreement, NIPSCO has committed to undertake a campaign to notify its customers of its ability to remotely disconnect/reconnect upon our approval of the requested waiver. NIPSCO has agreed to certain continuing protections for its customers. Certain customers will be exempt from remote disconnection, including medical alert customers, AMI opt-out customers, and those customers without documented telephone numbers or email addresses. Pet. Ex. 2 at 49.

Given that Petitioner's waiver request is part of an ARP under Ind. Code ch. 8-1-2.5, in addition to our overall approval of the Settlement Agreement we proceed to our findings under the four criteria set forth in that chapter for granting an ARP. We must determine:

(1) whether technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies render the exercise, in whole or in part, of jurisdiction by the commission unnecessary or wasteful;

(2) whether the commission's declining to exercise, in whole or in part, its jurisdiction will be beneficial for the energy utility, the energy utility's customers, or the state;

(3) whether the commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency;

(4) whether the exercise of commission jurisdiction inhibits an energy utility from competing with other providers of functionally similar energy services or equipment.

The record shows that, due to the advancement in technology and through the use of AMI, there are safer and more effective ways to notify a customer of potential disconnect due to nonpayment and to ultimately disconnect the customer than what was historically available when 170 IAC 4-1-16(f) was promulgated. Pet. Ex. 2 at 34. Modern technology allows NIPSCO to notify the customer multiple times and in many different forms in the event of a potential disconnect. Further, through the use of AMI and the remote connect/disconnect capability, NIPSCO does not need to be physically present on the customer's premises to connect or disconnect service. Thus, the goals of 170 IAC 4-1-16(f) – to sufficiently notify a customer of potential disconnect and to identify oneself while on a customer's property – can be achieved in a safer and more effective way through the use of modern technology because AMI allows for remote connect and disconnect. Pet. Ex. 2 at 43-44.

The record also reflects that this Commission's approval of NIPSCO's proposed ARP will be beneficial for the utility, its customers, and the state, as remotely performing disconnect for non-payment orders will further reduce safety risks, improve work efficiencies, and significantly reduce the reconnect charge for remote reconnects. *Id.*; Pet. Ex. 2-R at 17-19. NIPSCO will be able to complete disconnects for non-payment more safely, quickly, and efficiently through the remote disconnect capability through AMI than through the traditional truck roll and field personnel being dispatched to the customer's premise.

The exercise of this Commission's jurisdiction would inhibit NIPSCO from competing with other providers of functionally similar services or equipment insofar as it would deny NIPSCO a waiver of a requirement that has been waived for other similarly situated utilities in the State of Indiana. Pet. Ex. 2 at 43-44; Pet. Ex. 2-R at 20-22. We have approved similar waivers for

CEI South in Cause No. 45990, Duke Energy Indiana in Cause No. 45253, Indiana Michigan Power in Cause No. 45567, and AES Indiana in Cause No. 45911. Based on the evidence of record, we find that NIPSCO's proposed ARP to provide a waiver of the requirement of an on-site premises visit prior to disconnection is in the public interest and so approve it. NIPSCO shall pursue the three-month customer communication plan outlined in Ms. Whitehead's direct testimony, with the additional OUCC recommended communication methods and language as agreed to in Ms. Whitehead's rebuttal and agreed to by the Settling Parties in Section B.14. of the Settlement Agreement. Pet. Ex. 2 at 39-40; Pet. Ex. 2-R at 24-26.

C. Ultimate Findings on Settlement. In short, nothing presented in Mr. Inskeep's opposition testimony causes the Commission to find it necessary to modify or reject the Settlement reached in this Cause. The Settlement did not result in an outcome that perfectly aligns with CAC's litigated position, but the same can be said for all parties to this Cause. Nevertheless, the Settlement Agreement does reasonably address the revenue, cost allocation and rate design matters in this Cause in the context of all parties' litigated positions, including the CAC. Mr. Inskeep's opposition testimony is focused solely on CAC's own proposals, which blurs the fact that the Settlement is the outcome of comprehensive negotiations among experienced parties that resolved all issues raised in this case in a balanced manner. The Settlement Agreement results in a reasonable revenue increase which reflects a fair return of and on capital investment made by NIPSCO if the utility is operated efficiently and enables NIPSCO to continue to provide reliable service to its customers on a sound financial foundation. The evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is within the range of potential outcomes and represents a fair resolution of the issues presented within the guardrails of the Five Pillars statutory construct. The Settlement Agreement is supported by substantial evidence and is in the public interest. Based on the evidence presented, we find that the Settlement should be approved without modification.

The revenue allocation shall be as set forth in the Settlement and Petitioner's Exhibit 16-S, Attachment 16-S-A. This revenue allocation is based upon the projected rate base and capital structure; the actual revenue allocation shall be based upon the actual rate base, and capital structure at the time, following the multiple-step mitigation process set forth in the Settlement. We find that based upon the projected capital structure and rate base, the rates set forth in Attachment 16-S-B and the tracker allocations set forth in Attachment 16-S-D of Petitioner's Exhibit 16-S, are appropriate and should be approved.

We further find that the depreciation accrual rates set forth in Joint Exhibit B to Attachment A hereto should be approved.

As noted, Section B.14. of the Settlement provides that any matters not addressed by the Settlement will be adopted as expressly proposed and supported by NIPSCO's case-in-chief, as modified in its rebuttal testimony. This includes all the relief summarized in Paragraph 5 of this Order, which has not otherwise been modified by the Settlement. The Commission finds Section B.14. of the Settlement Agreement to be reasonable and it is approved with the entirety of the Settlement Agreement.

We therefore find that NIPSCO should be authorized to increase its base rates and charges in multiple steps, calculated to produce additional annual base rate revenue of $257,043,752, total

base rate revenue of $2,086,642,669, and total net operating income of $651,868,680. This is based upon a projected test year ending net original cost rate base of $9,129,813,441 as follows:

Net Utility Plant	$7,396,151,653
Schahfer Units 14, 15, 17, and 18 Retirement	$661,125,225
WAM – Regulatory Asset	$28,237,008
Renewable Energy Joint Venture Investments	$772,866,616
Cause Nos. 45772 & 45159 Remainder	$24,524,961
Electric TDSIC Cause Nos. 44733 and 45557	$18,679,396
Wholly Owned Solar Farms – Regulatory Asset	$99,839,760
Materials & Supplies	$112,720,299
Production Fuel	$15,668,523
	$9,129,813,441

We further find that a fair return should be authorized based upon this net original cost rate base and a projected weighted average cost of capital of 7.14%, as follows:

	Dollars	Cost %	WACC %
Common Equity	$7,718,129,223	9.75%	5.17%
Long-Term Debt	$5,468,979,284	5.20%	1.95%
Customer Deposits	$59,885,295	5.63%	0.02%
Deferred Income Taxes	$1,691,723,532	0.00%	0.00%
Post-Retirement Liability	($7,491,885)	0.00%	0.00%
Prepaid Pension Asset	($372,308,313)	0.00%	0.00%
Post-1970 ITC	$174,612	7.67%	0.00%
Totals	**$14,559,091,748**		**7.14%**

The rate increase authorized herein should be implemented in multiple steps as set forth below:

(a) Step 1 Rates Subject to Refund: Step 1 rates shall be implemented on a services rendered basis as soon as possible following the issuance of an Order in this Cause and approval of NIPSCO's new tariffs by the Commission's Energy Division and will be based on actual net plant certified to have been completed and placed in service no later than May 31, 2025, except for Fairbanks Solar Generating Facility ("Fairbanks") and Gibson Solar Generating Facility ("Gibson), which may be placed in service later, as set forth herein. The Settling Parties agree that Step 1 rates are subject to refund in the event the Commission determines that less than the certified amount of plant additions were placed in service as of May 31, 2025. Prior to implementation of Step 1 rates, NIPSCO will certify the net original cost rate base and current capital structure as of May 31, 2025, and calculate the Step 1 rates using those certified figures. For purposes of Step 1 rates, "certify" means NIPSCO states in a filing with the Commission in the above-captioned

Cause the amount of forecasted net plant it has completed and verifies that those forecasted additions have been placed in service and are used and useful in providing utility service as of May 31, 2025. NIPSCO will serve all Parties to this proceeding with its certification. The Settling Parties, and other interested parties to this proceeding, will thereafter have sixty (60) days to verify or state any objection to the net plant in service numbers from those which NIPSCO certifies. All Parties to this proceeding shall be permitted to conduct discovery to verify relevant construction costs and in service dates. If any objections are stated, a hearing will be held to determine NIPSCO's actual net plant in service as of May 31, 2025, and rates will be trued up, with carrying charges, retroactive to the date Step 1 rates were put into place.

(b) Step 2 Rates Subject to Refund: Step 2 rates shall be implemented on a services rendered basis as soon as possible after the end of the Forward Test Year and will be based on actual net plant certified to have been completed and placed in service no later than December 31, 2025. The Settling Parties agree that Step 2 rates are subject to refund in the event the Commission determines that less than the certified amount of plant additions were placed in service as of December 31, 2025. Prior to implementation of Step 2 rates, NIPSCO will certify the net original cost rate base and current capital structure as of December 31, 2025 and calculate the Step 2 rates using those certified figures. For purposes of Step 2 rates, "certify" means NIPSCO states in a filing with the Commission in the above-referenced Cause the amount of forecasted net plant it has completed and verifies that those forecasted additions have been placed in service and are used and useful in providing utility service as of December 31, 2025. NIPSCO will serve all Parties to this proceeding with its certification. The Settling Parties, and other interested parties to this proceeding, will thereafter have sixty (60) days to verify or state any objection to the net plant in service numbers from those which NIPSCO certifies. The Settling Parties shall be permitted to conduct discovery to verify relevant construction costs and service dates. If any objections are stated, a hearing will be held to determine NIPSCO's actual test-year-end net plant in service, and rates will be trued up, with carrying charges, retroactive to the date Step 2 rates were put into place.

(c) Additional Interim Phases: In the event NIPSCO's Fairbanks and/or Gibson are not in service by the general rate base cutoff for Step 1 (May 31, 2025) but come into service on or before the general rate base cutoff for Step 2 (December 31, 2025), the Settling Parties agree to up to two additional steps to include these projects in rates earlier than Step 2 (end of the Forward Test Year). The compliance filing(s) for the additional step(s) will be based on the addition to rate base and associated depreciation expense for Fairbanks or Gibson (whichever the case may be) upon the filing of a certification that the plant is in service. The rates will use the capital structure used for Step 1 rates. NIPSCO shall file a certification in the above-captioned Cause that the asset is in service and serve a copy of such certification upon all Parties to this Cause. The rates will be implemented on a services rendered basis and take effect on the same interim-subject-to-refund basis as Step 1 and Step 2 rates, with the same period for other parties to raise objections and for a hearing to potentially be conducted. To the extent Fairbanks and/or Gibson are not in service by May 31, 2025, but are in service by the time of the Step 1 compliance filing in this Cause, NIPSCO may include the plant in Step 1 rates calculated as provided in this paragraph, subject to potential objections, true-up, and all other matters described in Section 10(a) above with respect to Step 1 rates.

The Commission further finds and concludes that the Settlement Agreement is reasonable, supported by substantial evidence, and in the public interest. Accordingly, the Settlement Agreement is approved.

D. Five Pillars. Through Ind. Code § 8-1-2-0.5, the Indiana General Assembly established the state's policy recognizing utility service affordability for present and future generations. This legislative policy states affordability should be protected when utilities invest in infrastructure necessary for system operation and maintenance.

Through Ind. Code § 8-1-2-0.6, the Indiana General Assembly declared it is the continuing policy of the state that decisions concerning Indiana's electric generation resource mix, energy infrastructure, and electric service ratemaking constructs must consider each of the Five Pillars of electric utility service: reliability, affordability, resiliency, stability, and environmental sustainability. As such, the Five Pillars have served as the lens through which the Commission has viewed all parties' requested relief in this Cause, including the Settlement Agreement. Per the Legislature's directive, we have considered and evaluated each of the Five Pillars in making our determinations in this case, and our considerations are discussed throughout the findings set forth above.

We find that our approval of the Settlement Agreement properly addresses utility service affordability for present and future generations and balances all of the Five Pillars. The Settlement agreement reduces the requested overall revenue requirement which supports affordability. It still allows for NIPSCO to maintain its system reliability, resiliency and stability, as a significant portion of NIPSCO's requested revenue increase in this case is driven by preapproved projects and TDSIC projects, which contributes to NIPSCO's reliability, resiliency, stability, and environmental sustainability. It supports NIPSCO's generation transition which supports environmental sustainability and further allows for additional options for low-income customers which supports affordability for present and future generations.

11. Effect of Settlement Agreement. The parties agree that the Settlement Agreement is not to be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms; consequently, with regard to future citation of the Settlement Agreement or of this Order, the Commission finds our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at 7-8 (IURC March 19, 1997).

12. Confidentiality. NIPSCO filed two motions for protection and nondisclosure of confidential and proprietary information on September 12, 2024 and January 29, 2025, both of which were supported by affidavits showing certain documents to be submitted to the Commission contain confidential, proprietary, competitively sensitive, and/or trade secrets as defined under Ind. Code §§ 23-2-3-2 and 5-14-3-4. A Docket Entry was issued on each motion finding such information to preliminarily be confidential, after which the information was submitted under seal. The Commission finds all such information preliminary granted confidential treatment is confidential under I.C. §§ 5-14-3-4 and 8-1-2-29, is exempt from public access and disclosure by Indiana Law and shall continue to be held by the Commission as confidential and protected from public access and disclosure.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. The Settlement Agreement, a copy of which is attached to this Order, shall be and hereby is approved in its entirety without modification.

2. Petitioner shall be and hereby is authorized to increase its rates and charges for electric utility service in multiple steps as described in Finding Paragraph 10 herein.

3. New depreciation rates applicable to NIPSCO's common and electric plant shall be and hereby are approved as attached to this Order and as further explained in this Order.

4. Petitioner shall file new schedules of rates and charges along with its revised tariff under this Cause consistent with the Settlement Agreement and the rates and charges approved above.

5. Petitioner shall certify its net plant, original cost rate base, and capital structure at May 31, 2025 (Step 1) and December 31, 2025 (Step 2) and calculate the resulting rates and charges, which shall be made effective upon filing in accordance with the findings herein, subject to being contested and trued-up consistent with the Settlement Agreement.

6. To the extent that either Fairbanks or Gibson is not completely in service as of May 31, 2025 but is in service before December 31, 2025, Petitioner shall be and hereby is authorized to implement up to two additional interim phases to its increase, based upon the Step 1 capital structure as described in Finding Paragraph 10.C. herein. To the extent Fairbanks and/or Gibson are not in service by May 31, 2025, but are in service by the time of the Step 1 compliance filing in this Cause, NIPSCO may include the plant in Step 1 rates calculated as provided in this paragraph.

7. Petitioner is authorized to file updated factors for its rate adjustment mechanisms in accordance with this Order, and such changes shall be effective simultaneously with approval of NIPSCO's new basic rates.

8. Petitioner's proposed form of Electric Service Tariff is approved, consistent with the Settlement Agreement and this Order, inclusive of the associated General Rules and Regulations and Standard Contracts.

9. Petitioner is directed to file in this docket all information required by the Settlement Agreement.

10. The information filed in this Cause pursuant to Petitioner's motions for protection and nondisclosure of confidential and proprietary information is deemed confidential under Ind. Code § 5-14-3-4, is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

11. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR;

APPROVED:

I hereby certify that the above is a true and correct copy of the Order as approved.

_____

Dana Kosco
Secretary of the Commission