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

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

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

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

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

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

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

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

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

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

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

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

14 A5. I have acted as an expert witness on matters related to utility/affiliate transactions  
15 for 30 years. I have presented testimony in more than 90 regulatory proceedings for  
16 46 utility clients. Since 1992, I have performed over 150 affiliate market cost  
17 comparison studies, as summarized in Attachment 6-A.

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

3 A6. Yes. I acted as an expert witness before the Commission on the topic of service  
4 company charges in NIPSCO's 2023 gas rate case (Cause No. 45967), 2022 electric  
5 rate case (Cause No. 45772), 2021 gas rate case (Cause No. 45621), and in Indiana  
6 American Water Company's 2023 rate case (Cause No. 45870) and 2018 rate case  
7 (Cause No. 45142). I have also acted as an expert witness on the matter of affiliate  
8 transactions before regulators in 21 other US states and one Canadian province.

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

10 A7. Yes. I am sponsoring Attachment 6-A and Attachment 6-B, both of which were  
11 prepared by me or under my direction and supervision.

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

13 A8. My testimony presents the results of my study, which evaluated the services  
14 provided during the 12 months ended December 31, 2023, by NiSource Corporate  
15 Services Company ("NCSC") to NIPSCO's electric utility ("NIPSCO Electric") (the  
16 "Study"). The Study was undertaken in conjunction with NIPSCO Electric's rate  
17 case and is accurate to the best of my knowledge and belief. The Study is attached  
18 as Attachment 6-B.

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

2 A9. The Study was undertaken to determine the reasonableness and necessity of  
3 NIPSCO Electric charges from NCSC for services provided during 2023.

4 **Q10. As part of your work in this proceeding, did you conduct a comprehensive study**  
5 **of the NCSC services and charges?**

6 A10. Yes. I undertook a study to determine the reasonableness of affiliate charges for  
7 services provided to NIPSCO Electric during 2023. Reasonableness was determined  
8 by answering four questions. First, are NCSC's 2023 administrative and general  
9 ("A&G") charges to NIPSCO Electric reasonable compared to other utility service  
10 companies? Second, did NCSC provide services to NIPSCO Electric at the lower of  
11 cost or market during 2023? Third, is the 2023 cost of NIPSCO Electric's customer  
12 accounts services comparable to that of other utilities? Fourth, are the services  
13 NIPSCO Electric received from NCSC necessary?

14 **Q11. Briefly describe the methodology you followed in performing the Study.**

15 A11. The first three questions involve benchmarking of NCSC's 2023 costs and charges  
16 using metrics that allow an appropriate comparison against the costs and charges  
17 of other utility service companies and outside service providers. Costs and charges  
18 information for other utilities are obtained from Federal Energy Regulatory

1 Commission ("FERC") Forms 1 and 60, which are filed annually. Cost information  
2 for outside service providers is obtained from relevant survey information (e.g.,  
3 American Institute of Public Accountants). The fourth question is answered by  
4 analyzing the specific services provided by NCSC to NIPSCO Electric to determine  
5 if they are necessary.

6 **Q12. What conclusions were you able to draw concerning question 1, whether NCSC**  
7 **charges to NIPSCO Electric were reasonable?**

8 A12. The cost per NIPSCO Electric's megawatt hour (MWh) Sold for A&G services from  
9 NCSC is reasonable compared to the cost for similar utility service companies.  
10 During 2023, NIPSCO Electric was charged an average of \$6.18 per megawatt hour  
11 ("MWh") sold for these services from NCSC. This is relatively close to the average  
12 of \$6.03 per MWh sold for comparison group service companies. Twelve of 21  
13 comparison group service companies had a higher cost than NIPSCO Electric.

14 I also compared NIPSCO Electric's total A&G expenses and total O&M expenses  
15 to a comparison group of 47 regulated utilities that are part of a utility holding  
16 company with a service company affiliate and that are subject to traditional utility  
17 regulation. These comparisons look at total expenses, including those incurred  
18 directly by NIPSCO and those allocated to it by NCSC. The total A&G expenses

1 comparison showed NIPSCO Electric's average of \$13.57 per MWh sold to be  
2 somewhat above the comparison group average of \$8.77 per MWh sold. Seven of  
3 47 comparison group utilities had a higher cost than NIPSCO Electric.

4 The total O&M expenses comparison showed NIPSCO Electric's average of \$64.79  
5 per MWh sold to be less than the comparison group's average of \$66.46 per MWh  
6 sold. Thirty-three of the 47 comparison group utilities had a higher cost than  
7 NIPSCO Electric. Total O&M expenses are the broadest set of costs that I  
8 compared to other utilities. A&G expenses are just one component of total O&M  
9 expenses. Thus, total O&M expenses are most relevant to customers because they  
10 represent the largest portion of their bills.

11 These cost comparisons show NIPSCO Electric's costs are within a reasonable  
12 range of the average for other service companies and regulated utilities. On this  
13 basis, I can conclude the cost of NCSC services provided to NIPSCO Electric  
14 during 2023 are reasonable.

15 **Q13. What conclusions were you able to draw concerning question 2, whether**  
16 **NIPSCO Electric was charged the lower of cost or market for the services**  
17 **provided by NCSC during 2023?**

18 A13. I was able to draw the following conclusions:

- 1           1.     NCSC's services were provided to NIPSCO Electric during 2023 at the  
2                     lower of cost or market.
- 3           2.     On average, the hourly rates for outside service providers are 63% higher  
4                     than comparable hourly rates charged by NCSC.
- 5           3.     If all of the managerial and professional services now provided by NCSC  
6                     had been outsourced in 2023, NIPSCO Electric and its customers would  
7                     have incurred approximately \$38.9 million in additional expenses.
- 8           4.     NCSC's charges do not include any profit markup. Only the actual cost of  
9                     the service provided is being charged to NIPSCO Electric and its customers.

10 **Q14. What conclusions were you able to draw concerning question 3, whether 2023**  
11 **costs of NCSC's customer accounts services were reasonable?**

12 A14. I was able to conclude that NIPSCO Electric's customer accounts services costs,  
13 which include charges from NCSC, are well below the average of the utility  
14 comparison group from Indiana and neighboring states. During 2023, NIPSCO  
15 Electric's customer accounts services cost per MWh sold was \$0.59 per MWh sold  
16 compared to the utility comparison group's 2023 average of \$1.52. Eighteen  
17 comparison group companies had a higher cost per MWh sold and three had a  
18 lower cost than NIPSCO Electric.

1 **Q15. What conclusions were you able to draw concerning question 4, whether the**  
2 **services NIPSCO Electric receives from NCSC are necessary?**

3 A15. I was able to draw the following conclusions:

- 4 1. The services that NCSC provides are necessary and would be required even  
5 if NIPSCO Electric were a stand-alone electric utility.
- 6 2. There is no redundancy or overlap in the services provided by NCSC to  
7 NIPSCO Electric.

8 The basis for these conclusions is my assessment of whether the services provided  
9 to NIPSCO Electric by NCSC would be necessary if NIPSCO Electric were a stand-  
10 alone electric utility. This evaluation determined specifically what NCSC does for  
11 NIPSCO Electric and documented that in a responsibility matrix showing which  
12 entity—NIPSCO Electric or an NCSC location—is responsible for each function  
13 required to ultimately deliver service to customers. The matrix showed that there  
14 is no redundancy or overlap in the services provided by NCSC to NIPSCO Electric.

15 **Q16. Based on your work, can you conclude that NIPSCO Electric's 2023 affiliate**  
16 **charges for services are reasonable?**

17 A16. Yes. The Study's overall results show that NIPSCO Electric's 2023 service-related  
18 charges from NCSC are reasonable.



1 Q17. Does this conclude your prefiled direct testimony?

2 A17. Yes.

## VERIFICATION

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



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Patrick L. Baryenbruch

Date: September 12, 2024

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

Rate Case					Rate Case				
Client	State	Year	Purpose	Witness?	Client	State	Year	Purpose	Witness?
1 Connecticut American Water	Connecticut	1999	Rate Case	Yes	23 Columbia Gas of Virginia	Virginia	2003	Compliance	No
2 Illinois American Water	Illinois	2007	Rate Case	No	Virginia	2004	Compliance	No	
		2021	Rate Case	Yes	Virginia	2005	Rate Case	Yes	
		2023	Rate Case	Yes	Virginia	2006	Compliance	No	
3 Indiana American Water	Indiana	2017	Rate Case	Yes	Virginia	2007	Compliance	No	
		2022	Rate Case	Yes	Virginia	2008	Compliance	No	
4 Iowa American Water	Iowa	2020	Rate Case	Yes	Virginia	2009	Rate Case	Yes	
5 Kentucky American Water	Kentucky	2003	Rate Case	Yes	Virginia	2010	Compliance	No	
		2006	Rate Case	Yes	Virginia	2011	Compliance	No	
		2008	Rate Case	Yes	Virginia	2012	Compliance	No	
		2009	Rate Case	Yes	Virginia	2013	Rate Case	Yes	
		2018	Rate Case	Yes	Virginia	2014	Compliance	No	
		2022	Rate Case	Yes	Virginia	2015	Rate Case	Yes	
6 Massachusetts American Water	Massachusetts	2000	Rate Case	Yes	Virginia	2016	Compliance	No	
7 Missouri American Water	Missouri	2002	Rate Case	Yes	Virginia	2017	Rate Case	Yes	
		2008	Rate Case	Yes	Virginia	2018	Compliance	No	
		2014	Rate Case	Yes	Virginia	2019	Compliance	No	
		2016	Rate Case	Yes	Virginia	2020	Compliance	No	
		2019	Rate Case	Yes	Virginia	2021	Rate Case	Yes	
		2019	Rate Case	Yes	Virginia	2022	Compliance	No	
8 New Jersey American Water	New Jersey	2005	Rate Case	Yes	Virginia	2023	Rate Case	Yes	
		2007	Rate Case	Yes	24 Columbia Gas of Pennsylvania	Pennsylvania	2015	Internal Info	No
		2009	Rate Case	Yes	Pennsylvania	2020	Rate Case	Yes	
		2010	Rate Case	Yes	Virginia	2008	Rate Case	Yes	
		2014	Rate Case	Yes	Virginia	2009	Compliance	No	
		2017	Rate Case	Yes	Virginia	2010	Compliance	No	
		2019	Rate Case	Yes	Virginia	2011	Compliance	No	
		2021	Rate Case	Yes	Virginia	2012	Compliance	No	
2023	Rate Case	Yes	Virginia	2014	Compliance	No			
9 New Mexico American Water	New Mexico	2007	Rate Case	Yes	Virginia	2017	Compliance	No	
10 New York American Water	New York	2006	Rate Case	Yes	Virginia	2019	Compliance	No	
		2010	Rate Case	Yes	Virginia	2022	Compliance	No	
		2013	Rate Case	Yes	26 Duke Energy	North Carolina	2006	Compliance	No
		2015	Rate Case	Yes	27 Elizabethtown Gas (Southern Co)	New Jersey	2008	Rate Case	Yes
11 Ohio American Water	Ohio	2006	Rate Case	Yes	28 Electric Transmission Texas	Texas	2016	Rate Case	Yes
		2010	Rate Case	Yes	Texas	2020	Rate Case	Yes	
12 Pennsylvania American Water	Pennsylvania	2008	Compliance	No	Texas	2022	Rate Case	Yes	
		2011	Compliance	No	29 General Water Works of Rio Rancho	New Mexico	1993	Rate Case	Yes
		2014	Compliance	No	30 General Water Works of Virginia	Virginia	1992	Rate Case	Yes
		2017	Compliance	No	31 Po River Water and Sewer	Virginia	1993	Rate Case	Yes
		2020	Compliance	No	Virginia	2007	Rate Case	Yes	
13 Tennessee American Water	Tennessee	2006	Rate Case	Yes	Virginia	2008	Rate Case	Yes	
		2010	Rate Case	Yes	32 Progress Energy	North Carolina	2001	Internal Info	No
14 Virginia-American Water	Virginia	1996	Rate Case	Yes	33 Roanoke Gas	Virginia	2006	Compliance	No
		1999	Rate Case	Yes	34 Southern California Edison	California	2002	Compliance	No
		2000	Rate Case	Yes	California	2003	Compliance	No	
		2001	Rate Case	Yes	California	2004	Compliance	No	
		2003	Rate Case	Yes	California	2005	Compliance	No	
		2007	Rate Case	Yes	35 AEP Texas	Texas	2018	Rate Case	Yes
		2009	Rate Case	Yes	Texas	2023	Rate Case	Yes	
		2011	Rate Case	Yes	36 Appalachian Power	Virginia	2021	Rate Case	Yes
		2015	Rate Case	Yes	Virginia	2023	Rate Case	Yes	
		2018	Rate Case	Yes	37 Southwestern Electric Power	Texas	2016	Rate Case	Yes
		2021	Rate Case	Yes	Texas	2020	Rate Case	Yes	
		2023	Rate Case	Yes	38 Kentucky Utilities	Virginia	2020	Rate Case	Yes
		15 West Virginia American Water	West Virginia	2002	Rate Case	Yes	Virginia	2023	Rate Case
2006	Rate Case			Yes	39 Virginia Natural Gas (Southern Co)	Virginia	2004	Compliance	No
2007	Rate Case			Yes	Virginia	2005	Rate Case	Yes	
2009	Rate Case			Yes	Virginia	2010	Rate Case	Yes	
2012	Rate Case			Yes	40 United Water of Pennsylvania	Pennsylvania	2004	Rate Case	Yes
2014	Rate Case			Yes	41 Corix Infrastructure/Water Services Corp.	Enterprise	2018	Internal Info	No
2017	Rate Case			Yes	Enterprise	2019	Internal Info	No	
2020	Rate Case			Yes	Enterprise	2021	Internal Info	No	
2022	Rate Case	Yes	42 Community Utilities of Indiana	Indiana	2020	Rate Case	No		
16 Atlanta Gas Light (Southern Co)	Georgia	2009	Rate Case	Yes	43 Massanutten Public Service Company	Virginia	2006	Rate Case	Yes
17 Atmos Energy Corporation	Virginia	2004	Compliance	No	Virginia	2008	Rate Case	Yes	
18 Columbia Gas of Kentucky	Kentucky	2015	Rate Case	Yes	Virginia	2013	Rate Case	Yes	
19 Columbia Gas of Maryland	Maryland	2015	Rate Case	Yes	Virginia	2019	Rate Case	Yes	
20 Columbia Gas of Massachusetts	Massachusetts	2004	Rate Case	Yes	44 Water Service Corporation	Kentucky	2010	Rate Case	Yes
		2006	Internal Info	No	Kentucky	2012	Rate Case	Yes	
		2011	Internal Info	No	Kentucky	2019	Rate Case	Yes	
		2012	Internal Info	No	Kentucky	2021	Rate Case	Yes	
		2014	Internal Info	No	45 Corix Utilities Oklahoma	Oklahoma	2019	Compliance	Yes
		2017	Internal Info	No	46 Great Basin Water Company	Nevada	2019	Rate Case	Yes
21 Northern Indiana Public Service	Indiana	2015	Internal Info	No	Nevada	2021	Rate Case	Yes	
		2016	Rate Case	Yes					
		2020	Rate Case	Yes					
		2021	Rate Case	Yes					
		2022	Rate Case	Yes					
		2023	Rate Case	Yes					
22 Liberty Utilities New York Water	New York	2022	Rate Case	Yes					

Total Studies 156  
Number of Rate Cases 112  
Number of Utility Clients 46  
Number of States 21

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**Northern Indiana Public Service Company**  
**Market Cost Comparison for Affiliate Company Charges**  
**12 Months Ended December 31, 2023**

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August 2024

**Northern Indiana Public Service Company  
Market Cost Comparison for Affiliate Company Charges  
12 Months Ended December 31, 2023**

Table of Contents

	<u>Page</u>
I – Introduction	1
Purpose of This Study	
Study Results	
II – Background	3
Charges from Affiliates to NIPSCO Electric	
Overview of Services Provided by NCSC	
NCSC Billings to Affiliate Companies	
III – Evaluation Methodology for NCSC Charges	7
IV – Question 1 – Reasonableness of NCSC Services-Related Charges	11
NCSC A&G-Related Charges	
Total A&G Expenses	
Total O&M Expenses	
V – Question 2 – NCSC’s Provision of Services at the Lower of Cost or Market	20
Comparison Methodology	
NCSC Hourly Rates	
Outside Service Provider Hourly Rates	
Cost Comparison of NCSC versus Outside Provider	
VI – Question 3 – Reasonableness of Customer Account Services Costs	36
Comparison Methodology	
Comparison Group	
NIPSCO Electric Cost per MWh Sold	
Comparison Group Cost per MWh Sold	
Summary of Results	
VII – Question 4 – Need for NCSC Services	39
Analysis of Services	
Governance Practices Associated with NCSC Charges	

## I - Introduction

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### **Purpose of This Study**

This study was undertaken to determine if the services that Northern Indiana Public Service Company's electric business (NIPSCO Electric) received from NiSource Corporate Services Company (NCSC) during 2023 were necessary and reasonable. This was determined by answering the following four questions:

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

### **Study Results**

Conclusions concerning question 1:

- The cost to NIPSCO Electric for A&G-related services from NCSC is reasonable compared to the costs of other utility service companies. During 2023, NIPSCO Electric's NCSC A&G-related charges were \$6.18 per megawatt hour (MWh) sold. This is relatively close to the average of \$6.03 per MWh sold for comparison group service companies. Twelve of 21 comparison group service companies had a higher cost than NIPSCO Electric. This determination was based on 2023 service company information included in Forms 1 and 60, which must be annually filed with the Federal Energy Regulatory Commission (FERC) by electric and combination electric/gas utility holding companies.
- NIPSCO Electric's 2023 total A&G expenses, including those incurred directly and allocated from NCSC, amount to \$13.57 per MWh sold. This compares to the 2023 average of \$8.77 per MWh sold for the comparison group of 47 utilities. Seven of 47 comparison group utilities had a higher cost than NIPSCO Electric.
- The total O&M expenses comparison showed NIPSCO Electric's average of \$64.79 per MWh sold to be less than the comparison group's average of \$66.46 per MWh sold. Thirty-three of the 47 comparison group utilities had a higher cost than NIPSCO Electric. Total O&M expenses are the broadest set of costs that are compared to other utilities. A&G expenses are just one component of total O&M expenses. Thus, total O&M

## I - Introduction

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expenses are most relevant to customers because they represent the largest portion of their bills.

Conclusions concerning question 2:

- NCSC's services were provided to NIPSCO Electric during 2023 at the lower of cost or market.
- On average, the hourly rates for outside service providers are 63% higher than comparable hourly rates charged by NCSC.
- If all of the managerial and professional services now provided by NCSC had been outsourced in 2023, NIPSCO Electric and its customers would have incurred approximately \$38.9 million in additional expenses.
- NCSC's charges do not include any profit markup. Only the actual cost of the service provided is being charged to NIPSCO Electric and its customers.

Conclusions concerning question 3:

- NIPSCO Electric's customer accounts services costs, which include charges from NCSC, are well below the average of the utility comparison group from Indiana and neighboring states. During 2023, NIPSCO Electric's customer accounts services cost per MWh sold was \$0.59 per MWh sold compared to the utility comparison group's 2023 average of \$1.52. Eighteen comparison group companies had a higher cost per MWh sold and five had a lower cost per MWh sold than NIPSCO Electric.

Concerning question 4, the following conclusions were drawn:

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

This study's results show that NIPSCO Electric's 2023 service-related charges from NCSC are reasonable.

II – Background

**Charges from Affiliates to NIPSCO Electric**

During 2023, affiliate entities charged NIPSCO Electric approximately \$206.9 million. The analysis below shows charges by affiliate.

Billings to NIPSCO Electric by Affiliate (A)	Purpose	2023
NiSource Corporate Service Company	Contract services (B), (C)	\$ 149,151,930
NiSource Inc.	Interest on debt and employee pensions and benefits	\$ 47,607,484
NIPSCO Accounts Receivable Corp.	Interest on debt	\$ 2,961,779
NiSource Development Company	Rent	\$ 2,411,062
NiSource Insurance Corporation	Injuries & damages, insurance and employee life insurance	\$ 4,793,172
Total Charges to NIPSCO Electric		\$ 206,925,427

Note A: Includes charges to balance sheet and income statement accounts

Note B: Reconciliation to testimony of company witnesses Blye and Weatherford

Total NIPSCO Electric NCS Charges Including Balance Sheet Accounts	\$ 149,151,930
Less: Balance Sheet Account Charges	\$ (34,917,813)
Less: Acct 426.4 not in RC O&M	\$ (40,770)
Total NIPSCO Electric 2023 Base Period NCS O&M Charges per Bly Testimony Attachment 5-D & Total NIPSCO Electric Only O&M per Weatherford Testimony Attachment 3-B-S2.	\$ 114,193,347

Note C: Tie out to Baryenbruch's Testable Charges

Total Contract Services Charges per above	\$ 149,151,930
Total Testable Charges per Baryenbruch's report	\$ 149,151,833
Difference (not material)	\$ 97

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

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

**Overview of Services Provided by NCSC**

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

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



## II – Background

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

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

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

## II – Background

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

NCSC was regulated by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA) until February 8, 2006, when the Public Utility Holding Company Act (PUHCA 2005) was enacted. PUHCA 2005 transferred regulatory jurisdiction over public utility holding companies from the SEC to the Federal Energy Regulatory Commission (FERC). NCSC records transactions in accordance with the FERC Uniform System of Accounts.

Pursuant to FERC Order No. 684 issued October 19, 2006, centralized service companies must use a cost accumulation system, provided such system supports the allocation of expenses to the services performed and readily identifies the source of the expense and the basis for the allocation. NCSC has long used a billing pool system to collect costs that are applicable and billable to all affiliates, including NIPSCO Electric. Each billing pool details the affiliate(s) to be charged for the specified services and the basis for allocating charges when more than one affiliate receives the same service.

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

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

Schedule 1

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

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

### III – Evaluation Methodology for NCSC Charges

During 2023 NCSC charged NIPSCO Electric approximately \$149.2 million for contract services. The table below shows the FERC accounts to which these charges were recorded on the books of NIPSCO. Baryenbruch & Company, LLC's, methodology for evaluating these charges in connection with this study's four questions are described below.

2023	A&G	Non-A&G	Total
Capital and Other Non-O&M Expenditures		\$ 33,860,684	\$ 33,860,684
Operations and Maintenance Expenses			
403 - Depreciation expense		\$ 9,558,400	\$ 9,558,400
404 - Amortization expense		\$ 268,817	\$ 268,817
405 - Amortization of other property		\$ 940,410	\$ 940,410
408 - Taxes other than income taxes		\$ 2,562,598	\$ 2,562,598
409 - Income taxes		\$ 180,030	\$ 180,030
410 - Provision for deferred income taxes		\$ 2,983,996	\$ 2,983,996
411 - Provision for deferred income taxes—credit		\$ (3,009,397)	\$ (3,009,397)
421 - Miscellaneous income or loss		\$ 790,929	\$ 790,929
426 - Other deductions		\$ 52,779	\$ 52,779
430 - Interest on debt to associate companies		\$ 1,206,456	\$ 1,206,456
431 - Other interest expense		\$ 318,587	\$ 318,587
432 - Allowance for borrowed funds used during construction—credit		\$ (20,188)	\$ (20,188)
500 - Operation supervision and engineering.		\$ (590)	\$ (590)
505 - Electric expenses		\$ (23)	\$ (23)
548 - 548 Generation expenses		\$ (61)	\$ (61)
557 - Other expenses		\$ (302)	\$ (302)
580 - Operation supervision and engineering.		\$ 131,328	\$ 131,328
812 - Gas used for other utility operations		\$ 1,549	\$ 1,549
870 - Operation supervision and engineering		\$ 1,514	\$ 1,514
Administrative and General Expenses			
901 - Supervision	\$ (292)		\$ (292)
903 - Customer records and collection expenses	\$ 923,172		\$ 923,172
910 - Miscellaneous customer service and informational expenses	\$ 187,722		\$ 187,722
913 - Advertising expenses	\$ 133,754		\$ 133,754
920 - Administrative and general salaries	\$ 40,340,694		\$ 40,340,694
921 - Office supplies and expenses	\$ 2,087,408		\$ 2,087,408
923 - Outside services employed	\$ 30,956,613		\$ 30,956,613
924 - Property insurance	\$ 23,742		\$ 23,742
925 - Injuries and damages	\$ 507,540		\$ 507,540
926 - Employee pensions and benefits	\$ 7,954,867		\$ 7,954,867
928 - Regulatory commission expenses	\$ 719		\$ 719
930.1 - General advertising expenses	\$ 148,915		\$ 148,915
930.2 - Miscellaneous general expenses	\$ 126,354		\$ 126,354
931 - Rents	\$ 2,487,334		\$ 2,487,334
932 - Maintenance of general plant.	\$ 13,445,775		\$ 13,445,775
<b>Total NCSC Charges to NIPSCO Electric</b>	<b>\$ 99,324,316</b>	<b>\$ 49,827,517</b>	<b>\$ 149,151,833</b>

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

The first question—whether NCSC service-related charges are reasonable—is answered by three cost comparisons: (1) A&G-related NCSC charges per retail MWh sold; (2) total A&G expenses per retail MWh sold; and (3) total O&M expenses per retail MWh sold. Each analysis is described below.

#### Service Company A&G-Related Charges per MWh Sold

NIPSCO Electric's A&G charges from NCSC are compared to those of other utility service companies. The comparison group consists of service companies that file

### III – Evaluation Methodology for NCSC Charges

a FERC Form 60 – Annual Report of Service Companies. Every centralized service company in a holding company system must file a Form 60 in accordance with Section 1270 of the Public Utility Holding Company Act of 2005, Section 390 of the Federal Power Act, and 18 C.F.R. §366.23. This report is designed to collect financial information from service companies that are subject to regulation by FERC.

For 2023, 28 active service companies associated with 22 utility holding companies filed a Form 60. NiSource is excluded from the comparison group because the focus of this study is service company affiliate charges to NIPSCO Electric. Thus, the remaining service companies associated with the following utility holding companies make up the comparison group:

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

Source: FERC Form 60

Service company cost pools include A&G charges to the same FERC accounts in which NIPSCO Electric’s charges from NCSC are recorded. A&G charges recorded to other FERC accounts are excluded from the per-MWh sold cost calculations for the comparison group. Also excluded from the A&G cost pools are charges to FERC account 926 Employee Pensions and Benefits. This account includes charges that relate to labor for all utility O&M functions, generation, transmission, distribution and A&G. By excluding these charges the cost comparison is more focused on the cost of A&G-related services.

#### Total A&G Expenses per MWH Sold

NIPSCO Electric’s 2023 total A&G expenses are also evaluated to provide a more comprehensive cost comparison perspective. The cost pool includes expenses NIPSCO Electric incurs directly and those allocated to it by NCSC.

The source of this comparison’s data is the FERC Form 1. Cost pools included charges to the FERC accounts that NIPSCO Electric’s total A&G charges were recorded to during 2023. Here too, charges to FERC account 926 Employee Pensions and Benefits are excluded from the cost comparison to facilitate a focus on the cost of A&G services.

### III – Evaluation Methodology for NCSC Charges

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

- Part of a utility holding company with a service company affiliate that provides services to regulated utility operating companies.
- Integrated utility with generation, transmission and distribution functions.
- Operations in a state with traditional cost-of-service regulation (i.e., not in a state with market competition for generation services).

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

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

#### Total O&M Expenses per MWh Sold

NIPSCO Electric’s 2023 total O&M expenses are also evaluated to provide the broadest cost comparison perspective. The cost pool includes expenses NIPSCO

### III – Evaluation Methodology for NCSC Charges

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Electric incurs directly and those allocated to it by NCSC. The comparison group of 47 utilities is the same as for the total A&G expenses comparison. The source of data is also the same—the FERC Form 1.

The second question—whether NCSC’s services were provided to NIPSCO Electric at the lower of cost or market—is answered by comparing the cost per hour for managerial and professional services provided by NCSC personnel to hourly billing rates that would be charged by outside providers of equivalent services. NCSC’s costs per hour were based on actual charges to NIPSCO Electric during 2023. Outside providers’ billing rates came from surveys or other information from professionals who could perform the services now provided by NCSC.

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

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

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

**NCSC A&G-Related Charges**

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

FERC Form 60 shows service company charges to affiliates by FERC account. FERC defines A&G charges as those listed in the table below. During 2023, NCSC’s A&G charges to NIPSCO Electric were recorded in the accounts noted below.

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

Note A: Account 926 includes the cost of benefits for employees in all functional areas--generation, transmission, distribution and A&G. Thus, the entire balance in 926 includes more than the cost of employees providing A&G-related services. For this reason, service company charges to Account 926 are excluded from the cost calculation for NIPSCO Electric and comparison group utility companies.



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

NIPSCO Electric’s Cost Per MWh Sold

As calculated below, NCSC charged NIPSCO Electric \$6.18 per MWh sold for A&G services during 2023.

Administrative and General Expenses	2023
901 - Supervision	\$ (292)
903 - Customer records and collection expenses	\$ 923,172
910 - Miscellaneous customer service and info exp	\$ 187,722
913 - Advertising expenses	\$ 133,754
920 - Administrative and general salaries	\$ 40,340,694
921 - Office supplies and expenses	\$ 2,087,408
923 - Outside services employed	\$ 30,956,613
924 - Property insurance	\$ 23,742
925 - Injuries and damages	\$ 507,540
928 - Regulatory commission expenses	\$ 719
930.1 - General advertising expenses	\$ 148,915
930.2 - Miscellaneous general expenses	\$ 126,354
931 - Rents	\$ 2,487,334
932 - Maintenance of general plant.	\$ 13,445,775
Total NCSC A&G Charges to NIPSCO Electric	\$ 91,369,450
NIPSCO 2023 MWh Sold	14,776,345
2023 NCSC A&G Charges per MWh Sold	\$ 6.18

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

Comparison Group Cost Per MWh Sold

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

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

For 2023, Form 60 was filed by service companies associated with 21 utility holding companies, all of which provide regulated electric and, in some cases, electric service to retail customers.

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

The 2023 A&G expenses per MWh sold for the comparison group are calculated in the table below.

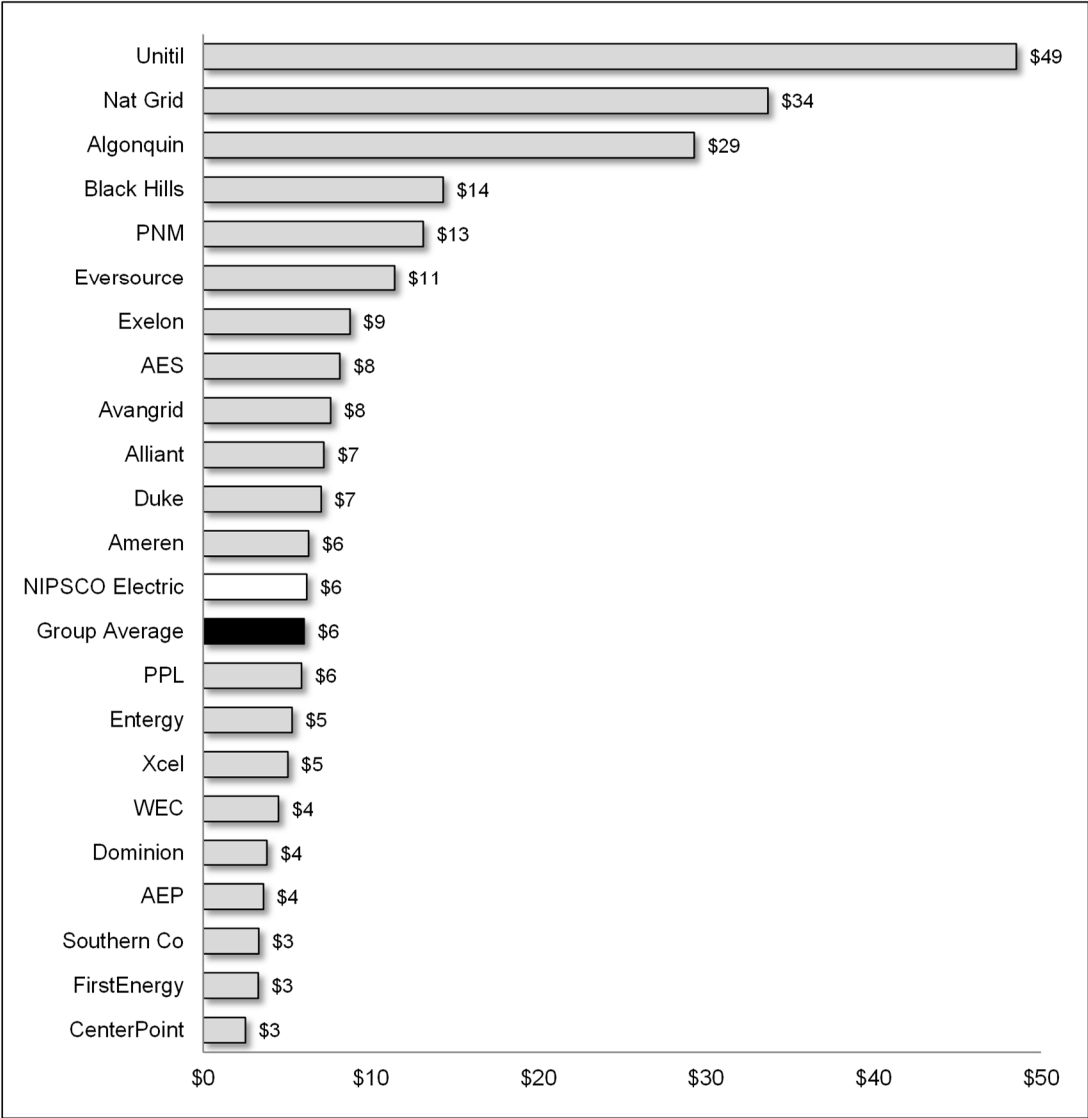
Utility Company	2023 Regulated Retail Service Company A&G Charges	2023 Retail Megawatt Hours Sold	2023 Cost per MWh Sold
AEP	\$601,638,934	167,270,547	\$ 3.60
AES	\$123,637,104	15,142,610	\$ 8.16
Algonquin	\$180,219,213	6,148,679	\$ 29.31
Alliant	\$180,254,878	24,997,056	\$ 7.21
Ameren	\$248,360,120	39,478,497	\$ 6.29
Avangrid	\$204,478,540	26,885,718	\$ 7.61
Black Hills	\$82,525,305	5,758,515	\$ 14.33
CenterPoint	\$273,779,966	108,256,423	\$ 2.53
Dominion	\$417,063,993	109,443,763	\$ 3.81
Duke	\$1,472,036,145	209,101,010	\$ 7.04
Entergy	\$637,490,980	119,984,743	\$ 5.31
Eversource	\$566,578,286	49,559,442	\$ 11.43
Exelon	\$1,650,912,857	188,259,400	\$ 8.77
FirstEnergy	\$468,966,091	142,648,446	\$ 3.29
Nat Grid	\$788,047,153	23,382,455	\$ 33.70
PNM	\$126,984,525	9,667,019	\$ 13.14
PPL	\$375,414,843	63,974,577	\$ 5.87
Southern Co	\$480,369,654	144,531,304	\$ 3.32
Unitil	\$31,173,303	642,320	\$ 48.53
WEC	\$151,534,116	33,736,141	\$ 4.49
Xcel	\$463,161,280	91,464,149	\$ 5.06
<b>Total/Average</b>	<b>\$9,524,627,285</b>	<b>1,580,332,814</b>	<b>\$ 6.03</b>

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

Schedule 2 (page 14) shows that NIPSCO Electric's NCSC A&G charges per MWh sold of \$6.18 for 2023 are very close to the comparison group average of \$6.03 per MWh sold. Of the 21 utility companies in the comparison group, 12 had a higher cost per MWh sold. Based on this result, it can be concluded that NCSC's charges to NIPSCO Electric for 2023 are reasonable.

Schedule 2

Northern Indiana Public Service Company – Electric  
Comparison of 2023 Service Company A&G Charges per MWh Sold



Source: Company information; 2023 FERC Form 60; Baryenbruch & Company, LLC, analysis

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

**Total A&G Expenses**

Total A&G expenses per MWh sold for NIPSCO Electric and comparison group utilities are calculated in the table below:

Utility	2023		Cost per MWh Sold
	A&G Expenses	Retail MWh Sales	
Alabama Power Company	\$ 481,759,269	50,746,188	\$ 9.49
Appalachian Power Company	\$ 143,047,011	25,367,677	\$ 5.64
Black Hills Colorado Electric, LLC	\$ 27,507,521	1,798,655	\$ 15.29
Black Hills Power, Inc.	\$ 36,190,288	1,839,952	\$ 19.67
Cheyenne Light, Fuel & Power Company	\$ 16,917,240	2,119,908	\$ 7.98
Dominion Energy South Carolina, Inc	\$ 204,365,486	21,026,077	\$ 9.72
Duke Energy Carolinas, LLC	\$ 482,472,622	77,847,395	\$ 6.20
Duke Energy Florida, LLC	\$ 767,846,917	40,832,186	\$ 18.80
Duke Energy Indiana, LLC	\$ 139,735,987	25,618,885	\$ 5.45
Duke Energy Kentucky, Inc.	\$ 26,381,581	3,848,896	\$ 6.85
Duke Energy Progress, LLC	\$ 321,919,811	41,891,387	\$ 7.68
Empire District Electric Company	\$ 69,162,627	4,705,027	\$ 14.70
Entergy Arkansas, LLC	\$ 250,081,725	22,518,603	\$ 11.11
Entergy Louisiana, LLC	\$ 313,469,078	57,677,063	\$ 5.43
Entergy Mississippi, LLC	\$ 137,310,482	12,885,232	\$ 10.66
Entergy New Orleans, LLC	\$ 71,163,254	5,739,361	\$ 12.40
Entergy Texas, Inc.	\$ 118,599,219	21,164,484	\$ 5.60
Evergy Kansas Central, Inc.	\$ 84,139,183	9,681,511	\$ 8.69
Evergy Kansas South, Inc.	\$ 86,979,780	9,682,328	\$ 8.98
Evergy Metro, Inc.	\$ 32,064,844	14,588,054	\$ 2.20
Evergy Missouri West, Inc.	\$ 93,345,719	8,460,486	\$ 11.03
Georgia Power Company	\$ 641,951,571	84,130,035	\$ 7.63
Indiana Michigan Power Company	\$ 155,929,224	17,503,941	\$ 8.91
Indianapolis Power & Light Company	\$ 154,254,615	12,470,195	\$ 12.37
Interstate Power and Light Company	\$ 146,821,687	13,940,034	\$ 10.53
Kentucky Power Company	\$ 27,550,389	5,168,345	\$ 5.33
Kentucky Utilities Company	\$ 136,451,575	17,419,210	\$ 7.83
Kingsport Power Company	\$ 4,610,347	1,892,831	\$ 2.44
Liberty Utilities (Calpeco) LLC	\$ 36,690,937	543,980	\$ 67.45
Louisville Gas and Electric Company	\$ 83,751,334	10,858,895	\$ 7.71
Mississippi Power Company	\$ 104,794,483	9,655,081	\$ 10.85
Monongahela Power Company	\$ 82,896,867	12,109,678	\$ 6.85
Northern Indiana Public Service Company	\$ 200,450,936	14,776,345	\$ 13.57
Northern States Power Company (Minnesota)	\$ 447,928,390	33,101,611	\$ 13.53
Northern States Power Company (Wisconsin)	\$ 68,037,528	6,888,194	\$ 9.88
Public Service Company of Colorado	\$ 362,758,669	28,039,983	\$ 12.94
Public Service Company of New Mexico	\$ 170,387,924	9,667,019	\$ 17.63
Public Service Company of Oklahoma	\$ 96,131,655	18,515,197	\$ 5.19
Southern Indiana Gas and Electric Company	\$ 50,907,496	4,394,490	\$ 11.58
Southwestern Electric Power Company	\$ 107,747,027	16,894,653	\$ 6.38
Southwestern Public Service Company	\$ 165,850,503	23,434,361	\$ 7.08
Tampa Electric Company	\$ 357,545,236	20,790,700	\$ 17.20
Union Electric Company	\$ 344,385,430	30,302,136	\$ 11.37
Virginia Electric and Power Company	\$ 523,428,767	88,417,686	\$ 5.92
Wheeling Power Company	\$ 9,535,453	4,805,178	\$ 1.98
Wisconsin Electric Power Company	\$ 104,794,483	22,918,893	\$ 4.57
Wisconsin Power and Light Company	\$ 120,777,475	11,057,022	\$ 10.92
Wisconsin Public Service Corporation	\$ 76,392,943	10,817,248	\$ 7.06
Total/Average	\$ 8,687,222,588	990,552,296	\$ 8.77

Source: 2023 FERC Form 1; Baryenbruch & Company, LLC, analysis

Schedule 3 (page 16) compares NIPSCO Electric’s \$13.57 per MWh sold to the costs of comparison group utilities. NIPSCO Electric’s cost is somewhat higher than the group average of \$8.77 but still lower than 7 of the comparison group’s 47 utilities.

Schedule 3

**Northern Indiana Public Service Company – Electric  
Comparison of 2023 Total A&G Expenses Per MWh Sold**

Utilities Part of a Holdco with Traditional Regulation Comparison	
Utility	A&G Expenses per MWh Sold
Liberty Utilities (Calpeco) LLC	\$ 67.45
Black Hills Power, Inc.	\$ 19.67
Duke Energy Florida, LLC	\$ 18.80
Public Service Company of New Mexico	\$ 17.63
Tampa Electric Company	\$ 17.20
Black Hills Colorado Electric, LLC	\$ 15.29
Empire District Electric Company	\$ 14.70
<b>Northern Indiana Public Service Company</b>	<b>\$ 13.57</b>
Northern States Power Company (Minnesota)	\$ 13.53
Public Service Company of Colorado	\$ 12.94
Entergy New Orleans, LLC	\$ 12.40
Indianapolis Power & Light Company	\$ 12.37
Southern Indiana Gas and Electric Company	\$ 11.58
Union Electric Company	\$ 11.37
Entergy Arkansas, LLC	\$ 11.11
Eergy Missouri West, Inc.	\$ 11.03
Wisconsin Power and Light Company	\$ 10.92
Mississippi Power Company	\$ 10.85
Entergy Mississippi, LLC	\$ 10.66
Interstate Power and Light Company	\$ 10.53
Northern States Power Company (Wisconsin)	\$ 9.88
Dominion Energy South Carolina, Inc	\$ 9.72
Alabama Power Company	\$ 9.49
Eergy Kansas South, Inc.	\$ 8.98
Indiana Michigan Power Company	\$ 8.91
<b>Group Average</b>	<b>\$ 8.77</b>
Eergy Kansas Central, Inc.	\$ 8.69
Cheyenne Light, Fuel & Power Company	\$ 7.98
Kentucky Utilities Company	\$ 7.83
Louisville Gas and Electric Company	\$ 7.71
Duke Energy Progress, LLC	\$ 7.68
Georgia Power Company	\$ 7.63
Southwestern Public Service Company	\$ 7.08
Wisconsin Public Service Corporation	\$ 7.06
Duke Energy Kentucky, Inc.	\$ 6.85
Monongahela Power Company	\$ 6.85
Southwestern Electric Power Company	\$ 6.38
Duke Energy Carolinas, LLC	\$ 6.20
Virginia Electric and Power Company	\$ 5.92
Appalachian Power Company	\$ 5.64
Entergy Texas, Inc.	\$ 5.60
Duke Energy Indiana, LLC	\$ 5.45
Entergy Louisiana, LLC	\$ 5.43
Kentucky Power Company	\$ 5.33
Public Service Company of Oklahoma	\$ 5.19
Wisconsin Electric Power Company	\$ 4.57
Kingsport Power Company	\$ 2.44
Eergy Metro, Inc.	\$ 2.20
Wheeling Power Company	\$ 1.98

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

**Total O&M Expenses**

Total O&M expenses per MWh sold for NIPSCO Electric and comparison group utilities is calculated in the table below.

Utility	2023		Cost per MWh Sold
	Total O&M Expenses	Retail MWh Sales	
Alabama Power Company	\$ 3,316,721,081	50,746,188	\$ 65.36
Appalachian Power Company	\$ 2,389,270,304	25,367,677	\$ 94.19
Black Hills Colorado Electric, LLC	\$ 190,084,978	1,798,655	\$ 105.68
Black Hills Power, Inc.	\$ 175,859,587	1,839,952	\$ 95.58
Cheyenne Light, Fuel & Power Company	\$ 144,599,000	2,119,908	\$ 68.21
Dominion Energy South Carolina, Inc	\$ 1,228,725,750	21,026,077	\$ 58.44
Duke Energy Carolinas, LLC	\$ 4,146,175,959	77,847,395	\$ 53.26
Duke Energy Florida, LLC	\$ 3,150,169,052	40,832,186	\$ 77.15
Duke Energy Indiana, LLC	\$ 1,868,905,214	25,618,885	\$ 72.95
Duke Energy Kentucky, Inc.	\$ 280,539,647	3,848,896	\$ 72.89
Duke Energy Progress, LLC	\$ 3,436,411,191	41,891,387	\$ 82.03
Empire District Electric Company	\$ 375,422,518	4,705,027	\$ 79.79
Entergy Arkansas, LLC	\$ 1,574,814,773	22,518,603	\$ 69.93
Entergy Louisiana, LLC	\$ 2,872,828,252	57,677,063	\$ 49.81
Entergy Mississippi, LLC	\$ 1,169,433,977	12,885,232	\$ 90.76
Entergy New Orleans, LLC	\$ 486,273,845	5,739,361	\$ 84.73
Entergy Texas, Inc.	\$ 1,206,042,754	21,164,484	\$ 56.98
Eversource Kansas Central, Inc.	\$ 767,472,538	9,681,511	\$ 79.27
Eversource Kansas South, Inc.	\$ 599,995,929	9,682,328	\$ 61.97
Eversource Metro, Inc.	\$ 765,043,410	14,588,054	\$ 52.44
Eversource Missouri West, Inc.	\$ 568,987,055	8,460,486	\$ 67.25
Georgia Power Company	\$ 4,813,841,889	84,130,035	\$ 57.22
Indiana Michigan Power Company	\$ 1,240,668,143	17,503,941	\$ 70.88
Indianapolis Power & Light Company	\$ 1,134,240,951	12,470,195	\$ 90.96
Interstate Power and Light Company	\$ 996,748,236	13,940,034	\$ 71.50
Kentucky Power Company	\$ 395,126,219	5,168,345	\$ 76.45
Kentucky Utilities Company	\$ 918,389,838	17,419,210	\$ 52.72
Kingsport Power Company	\$ 200,471,027	1,892,831	\$ 105.91
Liberty Utilities (Calpeco) LLC	\$ 96,735,924	543,980	\$ 177.83
Louisville Gas and Electric Company	\$ 611,816,482	10,858,895	\$ 56.34
Mississippi Power Company	\$ 837,648,192	9,655,081	\$ 86.76
Monongahela Power Company	\$ 1,203,218,699	12,109,678	\$ 99.36
Northern Indiana Public Service Company	\$ 957,429,777	14,776,345	\$ 64.79
Northern States Power Company (Minnesota)	\$ 3,210,496,234	33,101,611	\$ 96.99
Northern States Power Company (Wisconsin)	\$ 644,027,528	6,888,194	\$ 93.50
Public Service Company of Colorado	\$ 2,194,559,418	28,039,983	\$ 78.27
Public Service Company of New Mexico	\$ 1,049,839,041	9,667,019	\$ 108.60
Public Service Company of Oklahoma	\$ 1,406,611,802	18,515,197	\$ 75.97
Southern Indiana Gas and Electric Company	\$ 366,162,592	4,394,490	\$ 83.32
Southwestern Electric Power Company	\$ 1,156,233,765	16,894,653	\$ 68.44
Southwestern Public Service Company	\$ 1,171,133,300	23,434,361	\$ 49.98
Tampa Electric Company	\$ 1,171,815,679	20,790,700	\$ 56.36
Union Electric Company	\$ 1,868,523,594	30,302,136	\$ 61.66
Virginia Electric and Power Company	\$ 4,622,197,172	88,417,686	\$ 52.28
Wheeling Power Company	\$ 359,146,337	4,805,178	\$ 74.74
Wisconsin Electric Power Company	\$ 837,648,192	22,918,893	\$ 36.55
Wisconsin Power and Light Company	\$ 891,627,419	11,057,022	\$ 80.64
Wisconsin Public Service Corporation	\$ 762,845,639	10,817,248	\$ 70.52
Total/Average	\$ 65,832,979,903	990,552,296	\$ 66.46

Source: 2023 FERC Form 1; Baryenbruch & Company, LLC, analysis

Schedule 4 (page 19) compares NIPSCO Electric’s \$64.79 per MWh sold to the costs of comparison group utilities. NIPSCO Electric’s cost is below the average of \$66.46 and lower than 33 of the comparison group’s 47 utilities.

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

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These cost comparisons show NIPSCO Electric's costs are within a reasonable range of the average for other service companies and regulated utilities. On this basis, it can be concluded that the cost of NCSC services provided to NIPSCO Electric during 2023 are reasonable.



Schedule 4

**Northern Indiana Public Service Company – Electric  
Comparison of 2023 Total O&M Expenses Per MWh Sold**

Utilities Part of a Holdco with Traditional Regulation Comparison	
Utility	O&M Expenses per MWh Sold
Public Service Company of New Mexico	\$ 108.60
Kingsport Power Company	\$ 105.91
Black Hills Colorado Electric, LLC	\$ 105.68
Monongahela Power Company	\$ 99.36
Northern States Power Company (Minnesota)	\$ 96.99
Black Hills Power, Inc.	\$ 95.58
Appalachian Power Company	\$ 94.19
Northern States Power Company (Wisconsin)	\$ 93.50
Indianapolis Power & Light Company	\$ 90.96
Entergy Mississippi, LLC	\$ 90.76
Mississippi Power Company	\$ 86.76
Entergy New Orleans, LLC	\$ 84.73
Southern Indiana Gas and Electric Company	\$ 83.32
Duke Energy Progress, LLC	\$ 82.03
Wisconsin Power and Light Company	\$ 80.64
Empire District Electric Company	\$ 79.79
Eergy Kansas Central, Inc.	\$ 79.27
Public Service Company of Colorado	\$ 78.27
Duke Energy Florida, LLC	\$ 77.15
Kentucky Power Company	\$ 76.45
Public Service Company of Oklahoma	\$ 75.97
Wheeling Power Company	\$ 74.74
Duke Energy Indiana, LLC	\$ 72.95
Duke Energy Kentucky, Inc.	\$ 72.89
Interstate Power and Light Company	\$ 71.50
Indiana Michigan Power Company	\$ 70.88
Wisconsin Public Service Corporation	\$ 70.52
Entergy Arkansas, LLC	\$ 69.93
Southwestern Electric Power Company	\$ 68.44
Cheyenne Light, Fuel & Power Company	\$ 68.21
Eergy Missouri West, Inc.	\$ 67.25
Comparison Group Average	\$ 66.40
Alabama Power Company	\$ 65.36
Northern Indiana Public Service Company	\$ 64.79
Eergy Kansas South, Inc.	\$ 61.97
Union Electric Company	\$ 61.66
Dominion Energy South Carolina, Inc	\$ 58.44
Georgia Power Company	\$ 57.22
Entergy Texas, Inc.	\$ 56.98
Tampa Electric Company	\$ 56.36
Louisville Gas and Electric Company	\$ 56.34
Duke Energy Carolinas, LLC	\$ 53.26
Kentucky Utilities Company	\$ 52.72
Eergy Metro, Inc.	\$ 52.44
Virginia Electric and Power Company	\$ 52.28
Southwestern Public Service Company	\$ 49.98
Entergy Louisiana, LLC	\$ 49.81
Wisconsin Electric Power Company	\$ 36.55



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

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### **Comparison Methodology**

NCSC’s 2023 billings to NIPSCO Electric for Contract Services are market-tested by comparing the cost per hour for NCSC services to those of outside service providers to whom these duties could be assigned.

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

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

The next step was to calculate NCSC’s hourly rate for each of the five outside service-provider categories, based on the dollars and hours charged to NIPSCO Electric during 2023.

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

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

### **NCSC Hourly Rates**

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

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

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

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

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

Schedule 5 (pages 22-23) shows the adjustments made to NCSC’s 2023 NCSC total contract services to NIPSCO Electric. The net result is a total cost pool that can be subjected to the lower-of-cost-or-market testing.

Northern Indiana Public Service Company – Electric  
Determination of Lower of Cost or Market Testable 2023 NCSC Charges

2023 Total Contract Billings from NCSC to NIPSCO Electric	\$ 149,151,833
Less Excludable Cost Elements	
<u>Contract Services</u>	
3000 - Consulting Services	\$ 12,043,699
3001 - Advertising Services	\$ 462,042
3002 - Legal Services	\$ 1,905,907
3003 - Auditing Services	\$ 328
3004 - Constructions Services	\$ 1,046
3006 - Engineering Services	\$ 127,436
3008 - Printing and Fulfillment Svcs	\$ 93,213
3011 - Temporary Personnel Services	\$ 3,992,680
3012 - Security Services	\$ 2,526,613
3015 - Other Outside Services	\$ 276,793
3021 - Env Health and Safety Services	\$ 59,554
3022 - Generation Constr Maint Svcs	\$ 117
3024 - Benefit Administration	\$ 401,582
3027 - Cash Processing	\$ 22,396
3030 - Outsourcing - Est Fixed Costs	\$ 1,551
3031 - Outsourcing-Variable Cst-ARCs	\$ 11,443,548
3037 - Miscellaneous Reimbursements	\$ 1,574
3040 - Outsourcing - Act Fixed Costs	\$ 267,589
3044 - IT Costs - Non-IBM Contract	\$ 2,924,911
3046 - HR Services	\$ 557,738
3047 - IT Services	\$ 16,146,990
3093 - Operations Mapping Svcs - GPS	\$ 10,294
3097 - Telecomm Capital Install	\$ 223,787
<u>IT Infrastructure</u>	
2500 - IT Hardware	\$ 2,036,427
2501 - IT Software	\$ 2,055,022
5004 - IT Software Maintenance	\$ 11,355,514
5009 - IT Hardware Maintenance	\$ 184,020
9302 - Hardware Depreciation	\$ 5,402,662
9310 - Other Depreciation	\$ 4,335,888
<u>Travel Expenses</u>	
3100 - Business Travel Expenses	\$ 934,375
3102 - Meals, Food and Water	\$ 365,427
3103 - Entertainment & Other Non-Ded	\$ 1,570
5003 - Aircraft Maintenance	\$ 394,167
5020 - Vehicle Maintenance	\$ 27,261
9230 - Leases - Aircraft	\$ 446,900

Northern Indiana Public Service Company – Electric  
Determination of Lower of Cost or Market Testable 2023 NCSC Charges

<b>Less Excludable Cost Elements (cont.)</b>		
<u>Operational/Non-Service Expenses</u>		
2017 - Other Materials and Supplies	\$	32,793
2023 - Instrumentation & Control	\$	39,549
2024 - Mechanical Equipment	\$	35,018
2203 - Other Gas Materials and Equip	\$	1,962
3604 - Bank Fees	\$	240,521
4017 - Losses_Claims Expense	\$	74,984
4503 - AFUDC_IDC - Debt	\$	(20,188)
4533 - PP Man Acc Excl Int_OH	\$	2,362,019
5013 - Garbage and Waste Disposal	\$	1,085
5030 - Truck Maintenance	\$	(0)
5040 - Tool Maintenance	\$	32,537
9210 - Leases - Vehicles	\$	724
9261 - Overheads Related To Lse-Rent	\$	398,065
9604 - Income Taxes Federal	\$	146,607
9605 - Income Taxes State	\$	33,496
9606 - Deferred Income Taxes Federal	\$	(11,526)
9607 - Deferred Income Taxes State	\$	(13,875)
9610 - Sales and Use Tax	\$	63,498
9629 - State and Local Tax Other	\$	(849,327)
Total Excludable Cost Elements	\$	83,598,562
<b>Less Excludable Departments</b>		
0005000 - Aviation Services	\$	645,676
0007100 - Insurance Premiums	\$	321,000
0019800 - GTS and Choice	\$	94,772
0025600 - Customer Operations Training	\$	138,285
0030300 - Customer Contact Center	\$	295
0030310 - Customer Care Center	\$	396,435
0042800 - Cost of Capital	\$	1,206,456
0053600 - Printing and Inserting - NCS	\$	261,704
0088000 - Fleet Maintenance	\$	104,218
0042850 - Return on Shared Assets	\$	737,369
Total Excludable Departments	\$	3,906,211
2023 Testable Contract Billings from NCSC (Note A)	\$	61,647,060
<b>Note A: This total breaks down as follows for later analysis:</b>		
Service-Related Charges	\$	52,689,563
Overhead-Related Charges	\$	8,957,497
2023 Testable Contract Billings from NCSC	\$	61,647,060

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

The next step is to assign NCSC’s service-related charges to the five outside service-provider cost pools—attorney, certified public accountant, professional engineer, management consultant and IT professional. Among other things, NCSC assigns a “department” to all affiliate charges. Based on the nature of services performed by these departments, NCSC’s charges were assigned to the five outside service-provider cost pools, as shown in Schedule 6 (page 26).

Schedule 7 (page 27) shows the assignment of staff hours by service category to the five outside service provider cost pools. It should be noted that only productive professional personnel hours are included in Schedule 7. Many outside providers charge clients for the time of administrative support personnel (e.g., paralegals). This study chose to be conservative in this regard. By excluding administrative personnel hours from the hourly rate denominator, there are fewer hours to divide into the cost pool. Consequently, NCSC’s hourly rates are somewhat inflated using this approach as compared to the hourly rates of outside providers.

Within 2023 NCSC charges are overhead-related expenses associated with sustaining NCSC personnel. The largest portion of overhead is depreciation expense and rent on various NCSC facilities and equipment. These expenses would also be incurred by outside service providers and must be added into the NCSC cost pools. The table below shows amounts by category.

Department/Cost Element	2023
Cell Phones	\$ 395,676
Corporate Services	\$ 419,357
Facilities Management	\$ 2,226,646
Facility Rent	\$ 398,905
Hardware Depreciation	\$ 1,029,078
Long Term Incentive Expense	\$ 4,297,570
Real Estate	\$ 176,540
Telecommunications	\$ 13,725
Total Overhead	\$ 8,957,497

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

Based on the assignment of expenses and hours to outside provider categories, NCSC's 2023 equivalent cost per hour is calculated below.

	NCSC Hourly Rates					Total
	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	IT Professional	
Service-Related Charges	\$ 3,782,775	\$ 8,247,855	\$ 4,301,572	\$22,538,802	\$13,818,559	\$52,689,563
Overhead Expenses (Note A)	\$ 643,091	\$ 1,402,178	\$ 731,289	\$ 3,831,712	\$ 2,349,226	\$ 8,957,497
Cost Pool Total	\$ 4,425,866	\$ 9,650,033	\$ 5,032,862	\$26,370,515	\$16,167,785	\$61,647,060
Hours	23,456	77,165	39,805	131,018	118,471	389,916
Average Hourly Rate	\$ 189	\$ 125	\$ 126	\$ 201	\$ 136	

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

	Attorney	Certified Public Acct	Professional Engineer	Mgmt Consultant	IT Professional	Total
Service-Related Charges	\$ 3,782,775	\$ 8,247,855	\$ 4,301,572	\$22,538,802	\$13,818,559	\$52,689,563
Percent of Cost Pool Total	7.2%	15.7%	8.2%	42.8%	26.2%	100.0%
Allocation Of Overhead	\$ 643,091	\$ 1,402,178	\$ 731,289	\$ 3,831,712	\$ 2,349,226	\$ 8,957,497

Schedule 6

Northern Indiana Public Service Company – Electric  
Assignment of 2023 NCSC Service-Related Charges to Outside Provider Cost Pools

Service Category	Outside Provider					Total
	Attorney	Certified Public Accountant	Professional Engineer	Management Consultant	IT Professional	
Accounts Payable		\$ (138,059)				\$ (138,059)
Audit		\$ 921,505				\$ 921,505
Business Continuity				\$ 185,672		\$ 185,672
Business Services				\$ 186,834		\$ 186,834
Corporate Accounting		\$ 1,631,733				\$ 1,631,733
Corporate Affairs				\$ 153,723		\$ 153,723
Corporate Communications				\$ 1,060,187		\$ 1,060,187
Corporate Secretary	\$ 213,184					\$ 213,184
Corporate Security				\$ 521,876		\$ 521,876
Credit Risk Management				\$ 140,746		\$ 140,746
Customer Operations		\$ 44,654		\$ 164,229		\$ 208,883
Customer Services		\$ 215,516				\$ 215,516
Engineering Services			\$ 229,054			\$ 229,054
Environmental, Health & Safety			\$ 939,666			\$ 939,666
Executive				\$ 9,257,048		\$ 9,257,048
Finance		\$ 1,600,133				\$ 1,600,133
Gas Supply			\$ 368,466			\$ 368,466
Human Resources				\$ 4,891,450		\$ 4,891,450
Information Technology					\$ 13,782,206	\$ 13,782,206
Insurance				\$ 509,155		\$ 509,155
Investor Relations				\$ 380,102		\$ 380,102
Legal	\$ 3,569,591					\$ 3,569,591
Logistics					\$ 36,353	\$ 36,353
Operations			\$ 2,094,468	\$ 200,723		\$ 2,295,191
Operations Management				\$ 2,368,738		\$ 2,368,738
Regulatory		\$ 2,807,189				\$ 2,807,189
Revenue Transactions		\$ 219,139				\$ 219,139
Risk Management				\$ 576,302		\$ 576,302
Safety and Compliance				\$ 886,567		\$ 886,567
Strategy and Planning				\$ 771,344		\$ 771,344
Supply Chain			\$ 669,918			\$ 669,918
Taxes		\$ 654,112				\$ 654,112
Training				\$ 284,104		\$ 284,104
Treasury		\$ 291,934				\$ 291,934
Total	\$ 3,782,775	\$ 8,247,855	\$ 4,301,572	\$ 22,538,802	\$ 13,818,559	\$ 52,689,563

Schedule 7

Northern Indiana Public Service Company – Electric  
Assignment of 2023 NCSC Service-Related Hours to Outside Provider Cost Pools

Service Category	Outside Provider					Total
	Attorney	Certified Public Accountant	Professional Engineer	Management Consultant	IT Professional	
Accounts Payable		247				247
Audit		7,049				7,049
Business Continuity				1,441		1,441
Business Services				2,467		2,467
Corporate Accounting		15,075				15,075
Corporate Affairs				757		757
Corporate Communications				11,265		11,265
Corporate Secretary	-					-
Corporate Security				6,140		6,140
Credit Risk Management				1,033		1,033
Customer Operations		723		443		1,166
Customer Services		2,041				2,041
Engineering Services			335			335
Environmental, Health & Safety			9,092			9,092
Executive				27,791		27,791
Finance		14,475				14,475
Gas Supply			3,742			3,742
Human Resources				38,559		38,559
Information Technology					118,460	118,460
Insurance				3,517		3,517
Investor Relations				1,483		1,483
Legal	23,456					23,456
Logistics						-
Operations			21,100	307	11	21,418
Operations Management				16,102		16,102
Regulatory		27,259				27,259
Revenue Transactions		3,210				3,210
Risk Management				3,004		3,004
Safety and Compliance				9,162		9,162
Strategy and Planning				5,992		5,992
Supply Chain			5,537			5,537
Taxes		4,106				4,106
Training				1,557		1,557
Treasury		2,980				2,980
Total	23,456	77,165	39,805	131,018	118,471	389,916



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

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**Outside Service Provider Hourly Rates**

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

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

Position	% CPAs
Partner/Owners	98%
Directors (10+ years experience)	87%
Managers (6-10 years experience)	79%
Sr. Associates (4-5 years experience)	50%
Associates (1-3 years experience)	22%
New Professionals	10%

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

Attorneys

An estimate of Indiana attorney billing rates was developed from a survey performed by Clio, a practice management service provider to law firms. The 2023 average rate for relevant practice areas is calculated in Schedule 8 (page 29).

Certified Public Accountants

The average hourly rate for Indiana certified public accountants was developed from a 2022 survey conducted by the American Institute of Certified Public Accountants (AICPA). The average hourly rate was calculated for a range of accountant positions, as shown in Schedule 9 (page 30). Based on a typical staff assignment by each accountant position, a weighted average hourly rate was calculated. This survey covered hourly rates in effect during 2022. The calculated average rate was escalated to June 30, 2023—the midpoint of 2023.

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

Professional Engineers

NIPSCO provided 2023 hourly rate information for several firms that perform services that could be used by the company when outside engineering services are required. As shown in Schedule 10 (page 31), an average rate was developed for a range of engineering positions. Then, using a typical percentage mix by position for a typical engineering project, a weighted average cost per hour was calculated.

Management Consultants

The cost per hour for management consultants was developed from a survey performed by Rodenhauser & Company, LLC, a research company that monitors the consulting industry. The survey includes rates that were in effect during 2023 for firms throughout the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison.

The first step in the calculation, presented in Schedule 11 (page 32), was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position level.

Information Technology Professionals

The 2023 average hourly rate for information technology consultants and contractors was developed from two sources: NCSC IT contractor rates and a survey performed by Rodenhauser & Company, LLC, for IT consultants. As shown in Schedule 12 (page 3), that data was compiled and a weighted average was calculated based on a percent of time that is typically applied to an IT consulting assignment, based on Baryenbruch & Company’s experience.

Schedule 8

Northern Indiana Public Service Company – Electric  
2023 Billing Rates for Indiana Attorneys

Average Billing Rates - Indiana (2023)

Practice Area	Hourly Rate (A)
Administrative	\$ 264
Appellate	\$ 232
Bankruptcy	\$ 331
Business	\$ 316
Civil Litigation	\$ 262
Collections	\$ 321
Commercial/Sale of Goods	\$ 292
Construction	\$ 307
Contracts	\$ 313
Corporate	\$ 320
Employment/Labor	\$ 413
Insurance	\$ 195
Intellectual Property	\$ 384
Mediation/Arbitration	\$ 241
Real Estate	\$ 296
Tax	\$ 428
Worker's Compensation	\$ 168
2023 Average Hourly Rate	\$ 299

Note A: Source is Themis Solutions Inc. (Clio)

Schedule 9

Northern Indiana Public Service Company – Electric  
2023 Billing Rates for Indiana Public Accounting Firms

A. Calculation of Average Hourly Billing Rate by Public Accounting Position				
Survey billing rates were those in effect in 2022				
	Average Hourly Billing Rate (A)			
	Staff Accountant	Senior Accountant	Manager	Partner
Average Hourly Billing Rate by CPA Firm Position	\$ 119	\$ 158	\$ 233	\$ 331
Percent of Accounting Assignment	30%	30%	20%	20%
	\$ 36	\$ 47	\$ 47	\$ 66
				Weighted Average \$ 196
				National Average Hourly Billing Rate (above) \$ 196
				Cost of Living Adjustment
				COL Index for Indianapolis, Ind. (B) 87.8
				Average COL Index 100.0
				Adjustment Percentage 87.8%
				Cost of Living Adjusted 2022 Hourly Rate \$ 172
				<u>Escalation to Midpoint of 2023 (June 30, 2023)</u>
				CPI at December 31, 2022 296.8
				CPI at June 30, 2023 301.8
				Inflation/Escalation (C) 1.7%
				Average Hourly Billing Rate For CPAs as of June 30, 2023 \$ 175

Note A: Source is AICPA's 2023 National PCPS/TSCPA Management of an Accounting Practice Survey

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

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

Schedule 10

Northern Indiana Public Service Company – Electric  
2023 Billing Rates for Professional Engineering Firms

Average Hourly Billing Rates for Professional Engineering Firms During 2022				
Calculation of Average Hourly Rate by Engineer Position				
	Average Hourly Billing Rates			
Firm	Engineering Technician	Engineer	Senior Engineer	Principal Engineer
Firm #1	\$83	\$130	\$174	\$238
Firm #2	\$86	\$130	\$166	
Firm #3	\$87	\$131	\$177	\$247
Firm #4	\$90	\$120	\$164	
Firm #5	\$76	\$117		
Firm #6	\$75	\$144	\$160	
Firm #7	\$100	\$131	\$171	
Firm #8	\$94	\$123	\$177	\$250
Calculation of Overall Average Engineering Hourly Billing Rate				
	Engineering Technician	Engineer	Senior Engineer	Principal Engineer
Average Hourly Billing Rate (From Above)	\$86	\$128	\$170	\$245
Percent of Engineering Staff	8%	63%	22%	7%
	\$7	\$81	\$37	\$17
				Weighted Average \$142

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

Schedule 11

Northern Indiana Public Service Company – Electric  
2023 Billing Rates for U.S. Management Consultants

Survey billing rates in effect in 2023

A. Calculation of Average Hourly Billing Rate by Consultant Position

Average Hourly Rates (Note A)				
Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner
\$ 255	\$ 308	\$ 377	\$ 569	\$ 707

Average

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

Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
\$ 255	\$ 308	\$ 377	\$ 569	\$ 707	
30%	30%	25%	10%	5%	Weighted Average
\$ 76	\$ 92	\$ 94	\$ 57	\$ 35	\$ 355

Average Hourly Billing Rate (from above)

Percent of Consulting Assignment

2023 Average Hourly Billing Rate For Management Consultants \$ 355

Note A: Source is Rodenhauer & Company, LLC

Schedule 12

Northern Indiana Public Service Company – Electric  
2023 Billing Rates for Information Technology Professionals

Calculation of Average Hourly Billing Rate by Information Technology Position

Survey billing rates were those in effect during 2023

		Average Hourly Billing Rate (Note A)					
		Contractor Positions		Consultant Positions			
		Contractor	Senior Contractor	Associate	Manager	Partner	
Average Hourly Billing Rate by IT Position Category		\$ 80	\$ 114	\$ 289	\$ 401	\$ 531	
Percent of IT Assignment		25%	25%	25%	15%	10%	Weighted Average
		\$ 20	\$ 28	\$ 72	\$ 60	\$ 53	\$ 234

Note A: Source is NCSC and Rodenhauser & Company

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

**Cost Comparison of NCSC Versus Outside Providers**

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

Service Provider	2023 Cost/Hour Difference		
	NCSC	Outside Providers	Difference-- NCSC Greater(Less) Than Outside
Attorney	\$ 189	\$ 299	\$ (110)
Certified Public Accountant	\$ 125	\$ 175	\$ (50)
Professional Engineer	\$ 126	\$ 142	\$ (16)
Management Consultant	\$ 201	\$ 355	\$ (154)
IT Professional	\$ 136	\$ 234	\$ (98)

As calculated below, based on these cost-per-hour differentials and the number of hours that NCSC billed NIPSCO Electric during 2023, the services would cost approximately \$38.9 million more from outside providers. This is 63% more (\$38,862,341 / \$61,647,060 = 63%) than NCSC’s total 2023 market-testable contract billings to NIPSCO Electric.

Service Provider	2023 Total Cost Difference		
	Hourly Rate Difference-- NCSC Greater(Less) Than Outside	NCSC Hours Charged	Dollar Difference
Attorney	\$ (110)	23,456	\$ (2,580,212)
Certified Public Accountant	\$ (50)	77,165	\$ (3,858,240)
Professional Engineer	\$ (16)	39,805	\$ (636,885)
Management Consultant	\$ (154)	131,018	\$ (20,176,842)
IT Professional	\$ (98)	118,471	\$ (11,610,162)
Total NCSC Less Than Outside Providers			\$ (38,862,341)



## V – Question 3 – Reasonableness of Customer Service Expenses

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### **Comparison Methodology**

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

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

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

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

- 903 Customer records and collection expenses includes the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.
- 905 Miscellaneous customer accounts expenses include the cost of labor, materials used and expenses for other customer accounts activities.

FERC also classifies account 904 Uncollectible Accounts as a Customer Accounts expense. However, charges to this account are excluded from this cost comparison because these expenses are write-offs of customer bills and not service-related costs (the cost of collecting customer bills are recorded in FERC account 903).

V – Question 3 – Reasonableness of Customer Service Expenses

**Comparison Group**

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

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

**Costs per MWh Sold Calculation**

The table below shows the calculation of actual 2023 Customer Accounts expenses per MWh for NIPSCO Electric and comparison group utilities.

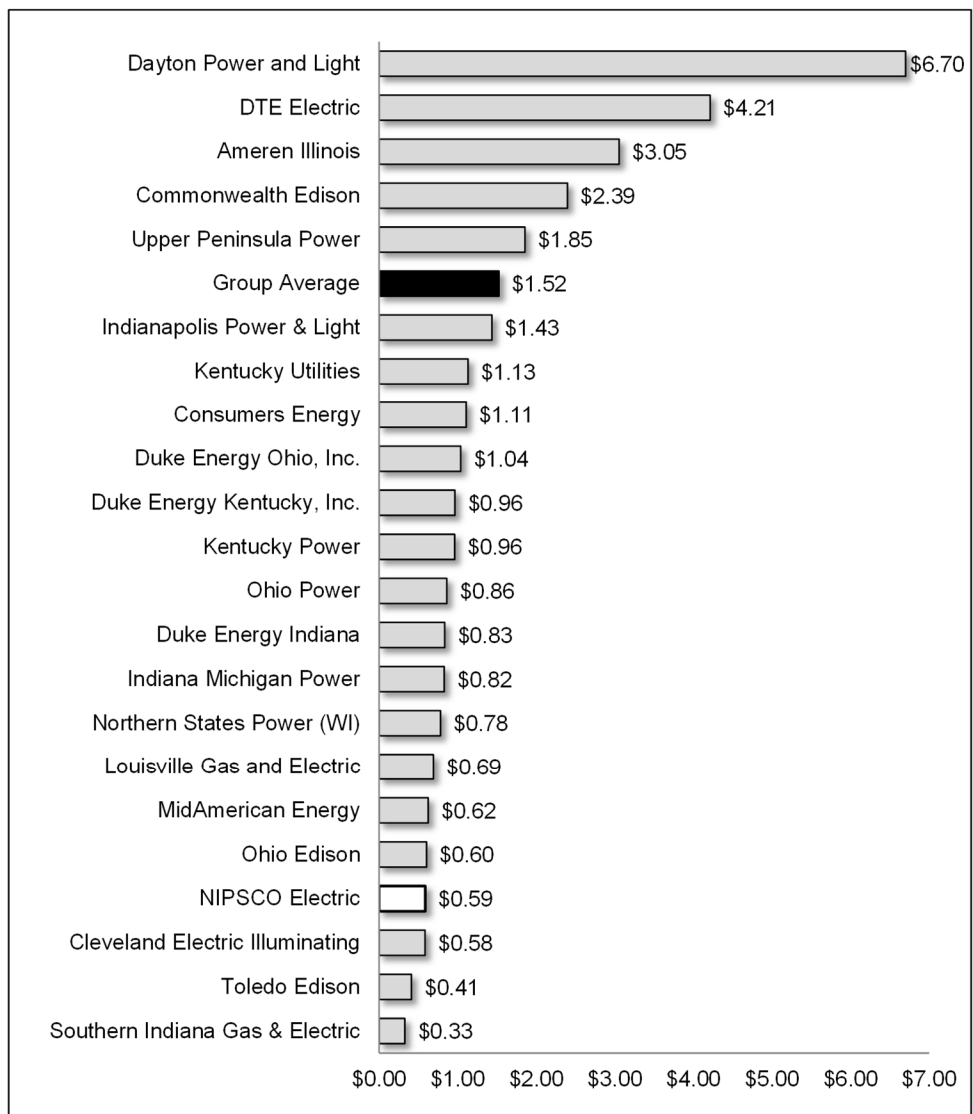
Comparison Group	2023		
	CA Expenses	MWh Sold	CA Exp per MWh Sold
Ameren Illinois Company	\$ 28,031,513	9,176,361	\$ 3.05
Cleveland Electric Illuminating Company	\$ 9,944,392	17,042,067	\$ 0.58
Commonwealth Edison Company	\$ 197,074,440	82,290,221	\$ 2.39
Consumers Energy Company	\$ 35,956,675	32,449,010	\$ 1.11
Dayton Power and Light Company	\$ 17,906,590	2,672,415	\$ 6.70
DTE Electric Company	\$ 164,763,633	39,121,948	\$ 4.21
Duke Energy Indiana, LLC	\$ 21,316,218	25,618,885	\$ 0.83
Duke Energy Kentucky, Inc.	\$ 3,705,188	3,848,896	\$ 0.96
Duke Energy Ohio, Inc.	\$ 19,748,978	19,062,261	\$ 1.04
Indiana Michigan Power Company	\$ 14,437,522	17,503,941	\$ 0.82
Indianapolis Power & Light Company	\$ 17,872,813	12,470,195	\$ 1.43
Kentucky Power Company	\$ 4,958,775	5,168,345	\$ 0.96
Kentucky Utilities Company	\$ 19,669,701	17,419,210	\$ 1.13
Louisville Gas and Electric Company	\$ 7,478,847	10,858,895	\$ 0.69
MidAmerican Energy Company	\$ 18,449,449	29,675,158	\$ 0.62
NIPSCO Electric	\$ 8,652,945	14,776,345	\$ 0.59
Northern States Power Company (Wisconsin)	\$ 5,360,772	6,888,194	\$ 0.78
Ohio Edison Company	\$ 14,126,668	23,499,759	\$ 0.60
Ohio Power Company	\$ 38,088,145	44,317,733	\$ 0.86
Southern Indiana Gas and Electric Company	\$ 1,436,296	4,394,490	\$ 0.33
Toledo Edison Company	\$ 4,441,497	10,830,066	\$ 0.41
Upper Peninsula Power Company	\$ 1,226,563	661,429	\$ 1.85
<b>Total</b>	<b>\$ 654,647,620</b>	<b>429,745,824</b>	<b>\$ 1.52</b>

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

V – Question 3 – Reasonableness of Customer Service Expenses

**Summary of Results**

As shown in the table below, NIPSCO Electric’s 2023 cost per MWh sold of \$0.59 is well below the utility comparison group average of \$1.52. The highest comparison group per-MWh cost is \$6.70 and the lowest \$0.33. Eighteen comparison group companies had a higher cost per MWh sold and three have a lower cost per MWh sold than NIPSCO Electric. Based upon this comparative data, NIPSCO Electric’s charges from NCSC for Customer Account services for 2023 are reasonable.



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

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V - Question 4 – Need for NCSC Services

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### **Analysis of Services**

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

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

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

Northern Indiana Public Service Company Electric  
Designation of Responsibility for Electric Utility Functions

Electric Company Function	Primarily Responsible P Provides Support S		Performed by	
	NIPSCO	NCSC	NIPSCO	NCSC
<b>Electric System Operations</b>				
Generation				
Technical Support Services	P			
Stations Operations	P			
Generation Engineering	P			
Reliability Programs	P			
Transmission				
Transmission Substation Services	P			
Transmission Planning	P			
Electric Asset Management	P			
Distribution Planning	P			
Electric System Planning	P			
Electric System Protection	P			
Electric System Operations	P			
System Reliability	P			
Critical Infrastructure Protection	P			
Distribution				
Distribution Dispatch				
Dispatch Operations	P			
Field Operations	P			
Operations Services	P			
Distribution Field Engineering				
New Business Support	P			
Joint Pole Services	P			
Engineering Services	P			
Distribution Construction & Maintenance				
Distribution Maintenance	P			
Distribution Construction - Lines	P			
Distribution Construction - Substations	P			
Distribution Substation Operations				
Operations Services	P			
T&D Service Center Support	P			
Metering Maintenance Services	P			
Engineering				
T&D Project Technical Services	P			
T&D Project Management	P			
T&D Engineering Administration	P			
T&D Project Technology Support	P			
Electric System Engineering Services	P			
<b>Electric System Operations (cont.)</b>				
Forestry - Tree Trimming	P			
Major Projects				
Engineering Services	P			
Project Management Services	P			
Construction Management	P			
Contractor Services	P			
Commercial Operations				
Demand Side Management	P			
Major Accounts Support	P			
Customer Operations				
Work Management System Support	P			
Engineering Support	P			
Planning And Scheduling	P			
New Business Support	P			
Meter Reading	P			
Dispatch Operations Support	P			
Customer System Support	P			
Billing	P	S		
Revenue Recovery	P	S		
Payment Processing	P			
Customer Programs	P	S		
Postage Management	P	S		
Damage Recovery	P			
Walk in Centers	P			
Contact Center Operations & Support	P	S		
Call Center Operations	P	S		
<b>NIPSCO Delivery Services</b>	P	S		
<b>NIPSCO Warehouse Services</b>				
Warehouse Operations	P	S		
Material Services	P	S		
<b>NIPSCO Fleet Services</b>	P	S		
<b>NIPSCO Supply Chain</b>				
Procurement Operations	S	P		
Compliance	S	P		
Contractor Time Reporting	S	P		
Security Services	S	P		

Northern Indiana Public Service Company Electric  
Designation of Responsibility for Electric Utility Functions

Electric Company Function	Primarily Responsible P Provides Support S		Performed by	
	NIPSCO	NCSC	NIPSCO	NCSC
<b>NIPSCO Planning</b>				
Business Planning	S	P		
Strategic Planning	S	P		
<b>Financial Services</b>				
Financial Planning		P		
Financial Services		P		
Business Support Services - Budgeting	P			
Accounting		P		
Enterprise Transformation		P		
SOX Compliance		P		
Taxes		P		
Credit Risk Management		P		
Enterprise Risk Management		P		
Treasury		P		
Accounts Payable	P	S		
Asset Accounting	S	P		
<b>Insurance</b>		P		
<b>Audit Services</b>		P		
<b>Rates and Regulatory</b>				
Rates and Regulatory Finance		P		
Regulatory Legal		P		
Regulatory Policy				
Federal	P			
State	P			
<b>Executive/Management</b>	S	P		
<b>Legal</b>				
Legal Services		P		
Compliance		P		
Records Management		P		
Corporate Secretary Services		P		
Corporate Security		P		
Business Continuity		P		
<b>Human Resources</b>				
HR Programs Administration		P		
HR Services Delivery		P		
Payroll Services		P		
Organizational Development		P		
<b>Information Technology Services</b>				
IT Security		P		
IT Service Delivery		P		
IT Operations and Maintenance		P		
Enterprise Transformation		P		
Service Performance		P		
<b>Facilities</b>				
Facilities Management	S	P		
Real Estate Management		P		
<b>Other</b>				
Aviation		P		
Corporate Compliance		P		
Corporate Secretary		P		
Corporate Affairs				
Corporate Communications		P		
Government Affairs		P		
Investor Relations		P		
Corporate Affairs		P		
State Governmental Affairs	P			
<b>NIPSCO Communications</b>				
Communications	P			
Public Affairs	P			
Economic Development	P			
Community Development	P			
<b>Energy Supply &amp; Trading</b>				
Portfolio Optimization	P	S		
Energy Trading	P			
Market Research	P			
Resource Planning	P			
<b>Environmental Safety &amp; Training</b>				
Safety Services		P		
Compliance Services		P		
Training		P		
Remediation		P		
Permitting		P		

## VI - Question 4 – Need for NCSC Services

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

There are several ways by which NIPSCO Electric exercises control over NCSC services and charges. The most important of these are described below.

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

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

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

## VI - Question 4 – Need for NCSC Services

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



## VI - Question 4 – Need for NCSC Services

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performed prior to the allocation of charges to the operating subsidiaries. After the Service Company Bills run and NCSC costs are allocated, another review is performed for NCSC and each subsidiary. Unusual variances are researched, explanations are provided and corrections are made by Corporate Accounting, if deemed necessary.

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