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December 19, 2024
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7, 8-1-2-61 AND 8-1-2.5-6 FOR (1) AUTHORITY TO MODIFY ITS RETAIL RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A PHASE IN OF RATES; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL OF REVISED COMMON AND ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING, BUT LIMITED TO, AUTHORITY TO CAPITALIZE AS RATE BASE ALL EXPENDITURES FOR IMPROVEMENTS TO PETITIONER'S INFORMATION TECHNOLOGY SYSTEMS THROUGH THE DESIGN, DEVELOPMENT, AND IMPLEMENTATION OF A WORK AND ASSET MANAGEMENT ("WAM") PROGRAM, TO THE EXTENT NECESSARY; AND (5) APPROVAL OF ALTERNATIVE REGULATORY PLANS FOR THE PARTIAL WAIVER OF 170 IAC 4-1-16(f) AND PROPOSED REMOTE DISCONNECTION AND RECONNECTION PROCESS AND, TO THE EXTENT NECESSARY, IMPLEMENTATION OF A LOW INCOME PROGRAM.	**CAUSE NO. 46120**

Verified Direct Testimony and Attachments of

Michael P. Gorman

On behalf of

The NIPSCO Industrial Group

December 19, 2024

1

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<u>Verified Direct Testimony of Michael P. Gorman</u>

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A The NIPSCO Industrial Group ("Industrial Group"). The Industrial Group's members purchase substantial quantities of electrical energy from Northern Indiana Public Service Company ("NIPSCO" or "Company") for their operations located inside NIPSCO's service territory.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q HAVE YOU BEEN INVOLVED WITH PRIOR PROCEEDINGS BEFORE THE INDIANA UTILITY REGULATORY COMMISSION ("IURC" OR "COMMISSION")?

A Yes. I have been involved in prior proceedings before this Commission and have presented testimony in some of those proceedings.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A My testimony will address adjustments to NIPSCO's proposed revenue requirement, the overall rate of return including return on equity, embedded debt cost of NIPSCO, and analysis of NIPSCO's testimony on these subjects.

Q DOES THE FACT THAT YOU DID NOT ADDRESS EVERY ISSUE RAISED IN NIPSCO'S TESTIMONY MEAN THAT YOU AGREE WITH NIPSCO'S TESTIMONY ON THOSE ISSUES?

A No. It merely reflects that I did not choose to address all those issues. It should not be read as an endorsement of, or agreement with, NIPSCO's position on such issues.

In addition, other parties may offer reasonable adjustments to NIPSCO's revenue requirement that I have not addressed in my direct testimony.

I. SUMMARY

Q PLEASE SUMMARIZE YOUR ADJUSTMENTS TO NIPSCO'S REVENUE REQUIREMENT AS PRESENTED IN YOUR TESTIMONY.

A I recommend several adjustments to NIPSCO's claimed revenue deficiency. As outlined in Table 1 below, the Company's claimed revenue deficiency is $368.7 million. NIPSCO proposes a two-step increase to adjust rates for this claimed revenue deficiency. The first step will reflect plant in-service as of May 30, 2025, and the Step 2 increase will revise rates again to reflect plant in-service on December 31, 2025, the end of the forward test year.[1] As outlined in Table 1 below, my associates and I estimate that the Company's claimed revenue deficiency in each of the two steps, and for the full forward test year, is overstated by at least $201.3 million.

[1] Verified Petition at 13.

TABLE 1

Revenue Requirement Adjustments
($000)

Line	Description	Step 1 (1)	Step 2 (2)	Total (3)
1	Claimed Revenue Deficiency	$ 319,067	$ 49,594	$ 368,661
	Adjustments			
2	Return on Equity	$ 90,668	$ 4,147	$ 94,815
3	Remove Prepaid Pension Asset	21,472	851	22,323
4	Rate of Return	$ 112,140	$ 4,998	$ 117,138
5	Depreciation Adjustment	$ -	$ 46,363	$ 46,363
6	Levelized Schahfer 17 & 18 Recovery	-	5,765	5,765
7	Levelized Schahfer 14 & 15 Recovery	12,086	(2,699)	9,388
8	Vegetation Management Expense	3,203	-	3,203
9	Cause No. 45159 Amortization	-	7,905	7,905
10	Remove Unfilled Positions	3,926	-	3,926
11	Adjust NCSC Affiliate Transactions	7,590	-	7,590
12	Total Adjustments	$ 138,945	$ 62,332	$ 201,278
13	Adjusted Revenue Deficiency	$ 180,122	$ (12,739)	$ 167,383

These revenue requirement adjustments will be supported in my testimony and the depreciation expense adjustment, which is based on modifications in the Company's proposed depreciation rates, is supported in my colleague Mr. Andrews' testimony.

Q RATE OF RETURN RECOMMENDATIONS AND CONCLUSIONS.

A I recommend the Commission approve an overall rate of return for NIPSCO of 6.65%. this return includes a recommended return on equity of 9.15%, reduced by 25 basis points for NISCO's excess weight of common equity in its ratemaking capital structure. This adjustment is proposed to account for the difference in NIPSCO's investment risk from its parent company and utility peers due to the high level of common equity, and to ensure that NIPSCO's ratepayers are not paying a premium for decisions made at the parent company level.

Q PLEASE EXPLAIN YOUR RECOMMENDATIONS REGARDING NIPSCO'S PROPOSAL FOR INTERIM RATE INCREASES.

A In addition to a 2-step increase, with rates taking effect upon issuance of the order and the close of the test year, NIPSCO is proposing up to two additional interim rate increases due to uncertainty around the in-service date of two solar farms. This exposes ratepayers to 4 possible base rate increases in a short period. Rather than approve more than a 2-step increase, if the Solar facilities are not in service by May 30, 2025, the Step 1 cutoff, I recommend the Commission include the costs of the solar facilities in Step 2 rates if the facilities are placed in-service before December 31, 2025 (the end of forward test year). If the facilities are not placed in-service by the end of the test year, the solar facility cost should be removed from this rate case. NIPSCO can then use post in-serve deferrals to recover the in-service cost between the plant in-service date and the date plant cost is embedded in tariff rate charges.

In making this recommendation, I am mindful that the Step 2 rates will include the planned retirement of Schahfer Units 17 and 18. Rather than exposing customers to multiple, additional, base rate increases, I consider it more equitable for customers if the final rates include both the new costs of the new solar facilities and the savings associated with the retirements of the remaining Schahfer Units. This approach will ensure that NIPSCO's ratepayers are not unnecessarily exposed to cost increases related to NIPSCO's the generation transition before the corresponding generation transition savings is realized.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO THE SCHAHFER ABANDONED PLANT REGULATORY ASSETS.

A The Company is proposing to recover the Schahfer (Units 14, 15, 17, and 18) abandoned plant costs through 2034 using a declining balance methodology. A more appropriate ratemaking treatment for these abandoned plant costs would be to use levelized cost recovery rather than a declining balance cost recovery. Under the levelized cost recovery approach, NIPSCO would recover a level revenue requirement for these abandoned plant costs each year over the amortization period. In contrast, under NIPSCO's proposed declining balance methodology, the highest revenue requirement for the abandoned plant regulatory assets occurs in the first year of the amortization period and the lowest revenue requirement in the last year of amortization period.

The Company's declining balance recovery places the greatest transition cost burden on customers in the first year of the amortization period, and a far reduced transition cost burden on customers in the last year of the amortization period. A levelized recovery will place an equitable and equal transition cost impact on customers' bills each year over the amortization period. This equal transition cost burden is fair and reasonable because the Schahfer regulatory assets will provide no benefits to customers in any year of the abandoned plant amortization period. Hence all customers over the amortization period receive an equal share of the transition cost burden.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO VEGETATION MANAGEMENT.

A The Company proposes an increase in vegetation management expense in 2025 of $4.3 million over its spending in 2023. This proposed increase in vegetation management expense has not been proven to be reasonable or cost justified. I, therefore, propose to reject a portion of the proposed increase in expense.

The Company's current vegetation management budget, which reflects increased spending over historical amounts, supports a program that is expected to lower outages and inconveniences to customers based on typical tree-related events that result in outages. In this case, the Company is further proposing an additional increase in vegetation management expense, above current elevated levels, but has provided little justification or proof that the additional spending will result in measurable benefits to customers in either reduced outage time or stability in system revenue that outweigh the additional costs to customers.

For these reasons, I recommend that the Commission reject the Company's proposed increase in vegetation management expense above the current spending that has already been increased over time. The Company's proposal to increase expense due to the proposed move to a seven-year trimming cycle is unreasonable and has not been justified, but I am not challenging cost increases in other areas such as inflation. This reduces the forecasted test year vegetation management expense and lowers the claimed revenue deficiency by approximately $3.2 million.

Q PLEASE SUMMARIZE YOUR ADJUSTMENT TO THE REGULATORY ASSET APPROVED IN CAUSE NO. 45159.

A I recommend the remaining unamortized Cause No. 45159 regulatory asset balance in the forward test year be offset by the overcollection of the amortization expense recovery related to the regulatory asset approved in Cause No. 44688.[2] The Cause No. 44688 amortization expense and regulatory asset is still being recovered in current rates, but the regulatory asset was fully recovered at the end of September 2023.

The regulatory asset approved in Cause No. 44688 was amortized over the seven-year period ending September 2023. The Commission approved an annual amortization expense for this regulatory asset of approximately $3.4 million, or $282,567 per month.[3] NIPSCO will continue to recover the monthly Cause No. 44688 amortization expense in its current rates despite the fact that the regulatory asset was fully amortized by the end of September 2023. NIPSCO removed this Cause No. 44688 regulatory asset and amortization expense from its Step 1 cost of service.

The Cause No. 45159 regulatory asset will be amortized over a seven-year period ending December 2026. NIPSCO includes the regulatory asset in its Step 2 cost of service because this cost will not be fully recovered by the time rates approved in this proceeding will go into effect.

NIPSCO can, and should, use the over recovery of amortization expense for the Cause No. 44688 regulatory asset to pay for the deferred cost included in the regulatory asset approved in Cause No. 45159. That is, the amortization expense approved in Cause No. 44688 (and already fully recovered from customers) that is no

[2] The Company's deferrals under these regulatory assets approved in prior rate cases primarily includes deferrals for prior cases' Federally Mandated Cost Adjustment Factor ("FMCA"), Transmission, Distribution and Storage System Improvement Charge ("TDSIC"), and COVID-19 costs, Workpaper AMTZ 8 S2, Page [.3]

[3] *Id.*

longer needed to provide NIPSCO recovery of the Cause No. 44688 regulatory asset regulatory asset, after September 2023, should be applied to the unamortized balance of the Cause No. 45159 regulatory asset in the forward test year. NIPSCO will continue to collect amortization expense associated with Cause No. 44688 in current rates over the 19-month period October 2023 through April 2025 (ending just prior to the cutoff period for Step 1 rates in this proceeding).

This adjustment reduces the forward test year rate base by $5.4 million, and amortization expense by $7.5 million. The combined adjustment lowers the Company's claimed forward test year revenue deficiency by approximately $7.9 million.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO THE COMPANY'S LABOR EXPENSES TO REMOVE THE COSTS ASSOCIATED WITH UNFILLED POSITIONS.

A The Company's forecasted test year labor expense is based on its budgeted level of full-time equivalent employees for the test year. The Company's data shows that its labor budget routinely includes unfilled full-time equivalents ("FTE") employee positions. However, the Company does not actually incur costs for the unfilled employee positions even if the positions are included in the budgeted payroll expense for the forward test year unless those positions are actually filled and not offset by positions opening up in other areas of NIPSCO due to employee retirements, transfers, or other factors. Removing the cost of vacant positions from the annual labor budget is a known and measurable adjustment to the test year labor expense.

In the forward test year, the Company's budgeted level includes approximately 95 vacant positions that I recommend be excluded. Removing the cost of these vacant positions from the Company's test year budget lowers the test year cost of service by approximately $3.9 million.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO THE NCSC AFFILIATE TRANSACTION COSTS INCLUDED IN THE TEST YEAR COST OF SERVICE.

A NIPSCO's allocated share of NCSC O&M costs has increased dramatically, faster than NCSC's total cost to provide services to all affiliates. This appears to be caused by both a general escalation in NCSC's costs and because the allocation factors used to assign NCSC cost to NIPSCO increased significantly in 2021 - a year in which NiSource sold an affiliate company that received services from NCSC. This affiliate sale caused NIPSCO's allocation of total NCSC O&M costs to increase, but NCSC's total costs were not reduced to reflect that, as a result of the affiliate sale, it was providing services to fewer NiSource affiliate companies. The result is that NIPSCO is paying a much higher price now for the services it receives from NCSC then it did for the services received in periods prior to 2021. Neither the increase in allocation of total NCSC cost to NIPSCO after 2021, nor the recovery of that increased cost from NIPSCO's ratepayers, has been shown to be reasonable.

For these reasons, I recommend rejecting the increase in NIPSCO's allocated share of NCSC's total service company costs. Instead, I recommend the allocated share of NCSC O&M expenses in NIPSCO's cost of service in this case be set equal to the 2023 historical base period for those expenses, plus an adjustment to account for inflation between 2023 and the 2025 forward test year.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO NIPSCO'S PROPOSAL TO INCLUDE A PREPAID PENSION ASSET IN ITS COST OF SERVICE AS A COMPONENT OF ITS CAPITAL STRUCTURE.

A NIPSCO has not justified including a prepaid pension asset in either rate base or as an increase in its weighted average cost of capital, and therefore this adjustment to its cost of service should be denied. Including a prepaid pension asset as a negative component of capital, as NIPSCO has proposed in this proceeding, has the effect of increasing the weight of investor capital and customer deposits, and increases the overall rate of return.

Q PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENT TO NIPSCO'S PROPOSED ACCUMULATED DEFERRED FEDERAL INVOME TAX ("ADFIT") REDUCTION FOR A STAND-ALONE NET OPERATING LOSS CARRY-FORWARD ("NOLC").

A. NIPSCO requests the Commission grant authority for it to record in a regulatory asset the cost of service benefits associated with increases to its ADIT balances recorded in its test year cost of service associated with the use of NIPSCO NOLC balances in the NiSource consolidated affiliate tax filing agreement. NIPSCO is investigating whether including these ADIT balances conflicts with the Internal Revenue Service (IRS) normalization rules based on Private Letter Rulings obtained by other utilities. I recommend the Commission deny this request, and, instead, to the extent NIPSCO determines it should adjust its ADIT balances, require the Company to initiate a new proceeding which will include an investigation into the benefits associated with NIPSCO's continued participation in the consolidated tax agreement, any other adjustments to NIPSCO's cost of service, and the appropriate adjustment to NIPSCO's

ROE to reflect its reduced investment risk. If NIPSCO makes such a filing, I also recommend the Commission order NIPSCO to record as a regulatory liability the revenue requirement cost associated with at downward adjustment of 25 basis points to its authorized ROE to account for both its reduced investment risk, and other savings to ratepayers.

II. INTERIM STEPS PROPOSAL

Q CAN YOU DESCRIBE NIPSCO'S PROPOSAL FOR ADDITIONAL INTERIM RATE INCREASES?

A NIPSCO proposes to implement up to two additional interim steps due to the uncertainty around the in-service date for the Fairbanks Solar and Gibson Solar facilities. Fairbanks is expected to be in-service by May 31, 2025, and Gibson is expected to be in-service by July 31, 2025.[4] NIPSCO includes both solar facilities in Step 1 rates which has a rate base cutoff of May 31, 2025, roughly two months before the Gibson project is expected to be in-service. NIPSCO states both projects have an estimated cost of more than one percent of NIPSCO's total proposed rate base and meet the definition of "major project" under 170 IAC 1-5-1(l).

Given that neither of the projects may be in-service by the May 31, 2025, rate base cutoff for Step 1 rates, NIPSCO proposes to implement interim rate increases before the end of the forward test year (December 31, 2025), and the corresponding Step 2 increase, that would only update rates for the addition to rate base and depreciation expense for Fairbanks and/or Gibson.[5] The interim rate increases would continue to use the May 31, 2025, capital structure used in Step 1 rates.

[4] Petitioner's Exhibit No. 4 at 8.
[5] Petitioner's Exhibit No. 4 at 9.

NIPSCO argues it should be allowed to implement the interim steps because it received approval for the deferral of depreciation and post in-service carrying charges ("PISCC") to a regulatory asset. Therefore, that regulatory asset will increase until final rates are implemented.

Q DO YOU HAVE ANY CONCERNS WITH NIPSCO'S PROPOSAL?

A Yes. NIPSCO's Fairbanks and Gibson investments are part of a broader effort to support the Company's generation transition. A critical component of that transition is the retirement of Schahfer Units 17 and 18 and the associated savings. The retirement of those units is not scheduled to occur until the end of the forward test year; consequently, the savings associated with their retirement will not be reflected until Step 2 rates are implemented. NIPSCO's proposal for interim rate increases between the Step 1 and Step 2 increases would force customers to pay for both the costs of the retired coal assets while also paying costs associated with the replacement resources.

Q WHAT DO YOU RECOMMEND?

A Adjustments to NIPSCO rates should be limited to the two step increases proposed by NIPSCO. No interim step increases should be approved. The Step 1 increase should reflect rate base assets in service as of May 31, 2025, and the Step 2 increase at year end December 31, 2025. If the Fairbanks and Gibson resources are not placed in-service before the Step 1 rate base in-service target date of May 31, 2025, then the in-service costs should be removed from the Step 1 increase, and NIPSCO should defer the post in-service costs for these resources and record them in the approved regulatory asset. The in-service cost of Fairbanks and Gibson (both in-service plant and deferral costs) can still be included in the Step 2 cost of service rate adjustment if the units are placed in-service before December 31, 2025.

If either or both of these units are not placed in-service by December 31, 2025, then they do not qualify as components of NIPSCO's forward 2025 test year cost of service items for this case and should be removed from both the Step 1 and Step 2 rate increases. In this case, the resource cost would be deferred to NIPSCO's next rate case.

I recommend the Commission reject NIPSCO's proposal for additional interim rate increases in addition to the Step 1 and Step 2 increases in this case.

III. SCHAHFER RETIREMENT AMORTIZATION

Q PLEASE SUMMARIZE NIPSCO'S PROPOSED RATEMAKING TREATMENT FOR THE RETIREMENT OF SCHAHFER UNITS 17 AND 18.

A For the Step 2 period, NIPSCO proposes to remove fuel and purchased power ("FPP") expense, operations, and maintenance ("O&M") expense, and payroll taxes for Schahfer Units 17 and 18. These units will be retired by the end of the test year, December 31, 2025. This adjustment lowers the Step 1 cost of service by $55.7 million effective in the Step 2 period, as explained by NIPSCO witness Richard D. Weatherford.[6]

NIPSCO proposes to defer the Schahfer 17 and 18 unrecovered net plant in-service costs at the date of their retirements in a regulatory asset. NIPSCO proposes to amortize this unrecovered plant cost regulatory asset on a straight-line basis for 8.5 years (December 31, 2025, to June 30, 2034). Under NIPSCO's proposal, the

[6] Petitioner's Exhibit No. 3 at 20.

unrecovered net plant regulatory assets for both Schahfer Units 14 and 15 and Schahfer Units 17 and 18 will be recovered over a period ending June 30, 2034.

Q WHAT IS THE MAGNITUDE OF NIPSCO'S PROPOSED REGULATORY ASSET FOR SCHAHFER UNITS 17 AND 18 AT RETIREMENT?

A. NIPSCO provided the test year cost of service impacts for Schahfer Units 17 and 18 as Workpaper AMTZ 3-S2, Page [.6]. NIPSCO estimates a regulatory asset for the unrecovered net book value of $181.5 million at retirement and proposes an annual amortization expense of $21.4 million (or $181.5 million divided by 8.5 years). NIPSCO includes the increase in amortization expense on Workpaper AMTZ 3-S2, Page [.1], and includes the $181.5 million net book value in rate base on Workpaper RB 7-S2, Page [.1].

The full cost of service impact for this regulatory asset, which includes the combination of rate base inclusion and the annual amortized expense, increases the 2025 forward test year revenue requirement by approximately $36.3 million for the Schahfer Units 17 and 18 at my proposed rate of return or by approximately $38.6 million at the Company's proposed rate of return.

NIPSCO witness Erin E. Whitehead describes the removal of Schahfer Unit 17 and 18 costs in Step 2 rates as part of a "Generation Transition Adjustment" which she describes as one of the steps NIPSCO took to mitigate the proposed rate increase on customers.[7]

[7] Petitioner's Exhibit No. 2 at 22.

Q WHAT IS THE UNAMORTIZED BALANCE AND ANNUAL AMORTIZATION EXPENSE FOR THE SCHAHFER UNITS 14 AND 15 REGULATORY ASSETS IN THE STEP 2 COST OF SERVICE PERIOD?

A In the Cause No. 45772 Settlement Agreement, the parties agreed to an amortization period for the Schahfer Units 14 and 15 regulatory assets through June 30, 2034. NIPSCO provided an amortization table for Schahfer Units 14 and 15 as Workpaper AMTZ 3-S1, Page [.4]. Based on a net book value of $592.5 million at the end of 2023, the regulatory asset increases amortization expense in Step 1 and Step 2 rates by approximately $56.4 million. NIPSCO includes the increase in amortization expense on Workpaper AMTZ 3-S1, Page [.1], and includes the applicable net book value for Step 1 and Step 2 rates in its Workpaper RB 7 workpapers.

III.A. TRANSITION ADJUSTMENT COST OF SERVICE IMPACT

Q DOES NIPSCO'S GENERATION TRANSITION ADJUSTMENT MINIMIZE THE COST TO CUSTOMERS IN PROVIDING RECOVERY OF THE SCHAHFER REGULATORY ASSET FOR UNITS 14 AND 15 AND THE REGULATORY ASSET FOR UNITS 17 AND 18?

A No. The Company proposes a declining balance revenue requirement for the two Schahfer regulatory asset balances. This recovery method results in an annual cost of service that is based on a return on and of the unrecovered regulatory asset balance in the test year. However, the revenue requirement attributable to the regulatory asset will decline each year over the amortization period. This means that the highest revenue requirement to provide full recovery of the two regulatory asset balances will be in the forward test year, 2025, and the lowest revenue requirement will be in final year of the amortization, 2034.

As a result, customers in 2025 will pay a disproportionately large share of the abandoned plant cost and customers in 2033 will pay a disproportionately small share of these costs. The amortization of the regulatory assets does not provide any benefits to any customers over that period. That is, customers in 2025 receive no benefit from the amortization of abandoned plant, and neither do customers in 2033. Hence, a recovery mechanism that equalizes the cost burden on all customers over the amortization period is fair to the customers served over the entire amortization period while the Company will still fully recover the regulatory asset.

Q IS THERE A RECOVERY MECHANSISM THAT CAN EQUALLY SPREAD THE COST BURDEN OF THE TWO REGULATORY ASSETS ACROSS THE AMORTIZATION PERIOD?

A Yes. A levelized recovery of the two regulatory asset balances will provide recovery of the two regulatory asset balances over the amortization period and equalize the annualized cost burdens over all customers during the amortization period. This levelized cost recovery will lower the cost burden of the two regulatory assets in the forward test period and help mitigate the cost burden on customers for the Company's proposed transition adjustment.

Q HOW DOES THE TEST YEAR AND AMORTIZATION PERIOD REVENUE REQUIREMENT COMPARE BETWEEN THE COMPANY'S PROPOSED STRAIGHT LINE RECOVERY METHOD AND YOUR PROPOSED LEVELIZED RECOVERY METHOD?

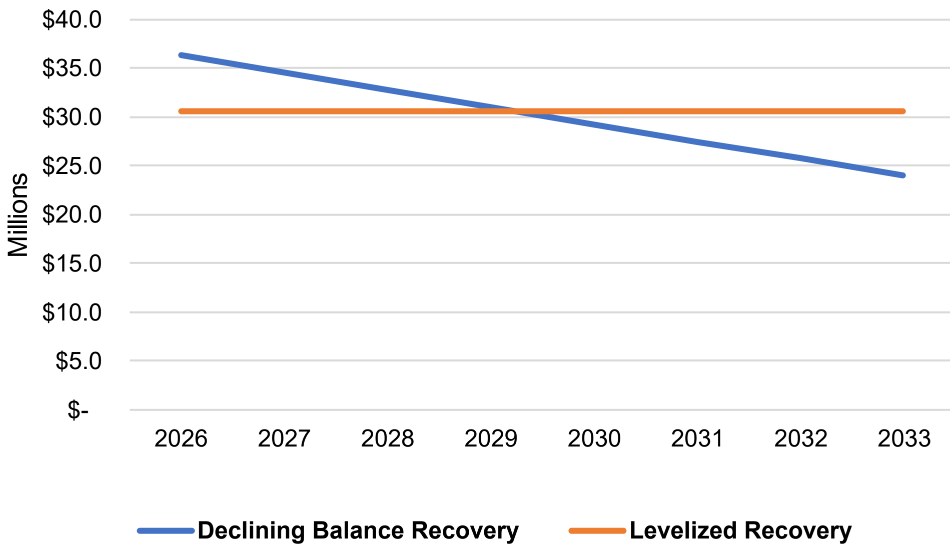
A This comparison is shown on Attachment MPG-2. Page 1 shows Units 17 and 18. Page 2 shows Units 14 and 15. Under the Company's proposed straight line recovery method, the Step 2 revenue requirement for the Unit 14/15 and Unit 17/18 regulatory assets are approximately $95.8 million, and $36.3 million, respectively at my proposed rate of return, grossed up for income taxes.

The reduction in the Step 2 revenue requirement using the levelized versus straight line methods is approximately $9.4 million for Units 14/15, and approximately $5.8 million for the Units 17/18 regulatory assets. Please note that the net present value of the revenue requirement collected by NIPSCO for both recovery methods is the same. This shows that NIPSCO is not harmed by a levelized recovery method, while customers are better off because a levelized recovery equitably spreads the cost of the abandoned plant regulatory assets across the entire amortization period, recognizing that no customer truly receives a "benefit" associated with this asset.

A graphical comparison of the two recovery methods is shown in the figure below. The figure is based on the Schahfer Units 17 and 18 regulatory assets and excludes the last half year of recovery. Support for the figure is found on Attachment MPG-2, page 1.

FIGURE 1

Annual Revenue Requirement
<u>Declining Balance vs. Levelized Recovery</u>



Source:
Attachment MPG-2, page 1.

Q **DOESN'T NISPCO'S REVENUE CREDIT MECHANISM ADDRESS YOUR CONCERNS ABOUT NIPSCO'S OVER RECOVERY OF THE SCHAHFER REGULATORY ASSETS?**

A No. The revenue credit mechanism does help ensure that NIPSCO doesn't over recover the cost of the regulatory assets during years between rates cases using a straight-line recovery method. But it does not address the need to recover the regulatory asset cost in a manner that is most fair to the customers that will be asked to pay a portion of the regulatory asset costs over time.

Q PLEASE DESCRIBE YOUR ADJUSTMENT.

A My levelized cost recovery for the two regulatory asset (Units 14/15 and Units 17/18) is developed on Attachment MPG-2.

. Page 2 of the attachment is based on the Schahfer Units 14 and 15 regulatory asset workpapers provided by the Company, and my proposed rate of return for Step 1 rates, grossed up for income taxes. I first replicated the Company's declining balance revenue requirement. Then I developed a levelized cost recovery that results in the same cost recovery for NIPSCO and the same total amortization expense from 2024 to 2034. My adjustment lowers the Company's revenue requirement by approximately $12.1 million for Step 1 rates and $9.4 million for Step 2 rates as shown on Attachment MPG-2, page 2, column (7).

The adjustment for the Schafer Units 17 and 18 lowers the Company's revenue requirement by approximately $5.8 million as shown on Attachment MPG-2, page 1, column (7). Stated another way, $5.8 million is the difference between the two lines in Figure 1, above, during the first year of recovery.

Both adjustments are tied to my proposed rate of return. Should the Commission implement a levelized recovery but use a different rate of return than I propose, the total adjustment will, necessarily, be different.

IV. VEGETATION MANAGEMENT

Q PLEASE SUMMARIZE NIPSCO'S VEGETATION MANAGEMENT PROGRAM COSTS IN THE FOWARD TEST YEAR.

A NIPSCO witness Orville Cocking discusses the Company's proposed vegetation management expenses and program changes in his direct testimony. Mr. Cocking discusses how the Company has steadily increased funding for its vegetation management program in order to trim more circuit miles on its distribution and sub-transmission circuits and that the budget increases have primarily focused on clearing circuits with the highest tree-related outages.[8] He continues by saying that the Company's data analytics team worked to define the most efficient method to improve NIPSCO's trim cycle and, as a result, NIPSCO is proposing an increase in vegetation management spending in this proceeding.

Currently, NIPSCO trims enough distribution and sub-transmission circuit miles per year to be on a ten-year cycle.[9] This means NIPSCO addresses vegetation at each mile of circuit once every ten years. NIPSCO proposes to increase its vegetation management spending in order to move to a seven-year cycle.[10] As shown on NIPSCO's Workpaper OM 2-S2, Page [.1], the increase in vegetation management spending associated with the move to a seven-year cycle (or the increase in miles needed to reach a seven-year cycle) is $3,203,224 annually. Per the Company's workpapers, NIPSCO also applies a 3% escalation factor to other non-labor vegetation management costs in order to forecast its 2025 costs in the forward test year.[11] NIPSCO stated in discovery that targeted miles and reliability metrics are used to develop the vegetation management budget.[12]

Q WHY HAS NIPSCO PROPOSED TO INCREASE ITS VEGETATION MANAGEMENT SPENDING IN THE TEST YEAR?

A NIPSCO proposes to increase funding for its vegetation management program to reduce customer outages and improve overall system reliability.[13] However, the

[8] Petitioner's Exhibit No. 7 at 40.
[9] Petitioner's Exhibit No. 7 at 44.
[10] Petitioner's Exhibit No. 7 at 41.
[11] Workpaper OM 2-S2, Page [.9].
[12] NIPSCO response to OUCC Request 8-004. Provided in Attachment MPG-3.
[13] Petitioner's Exhibit No. 7 at 40.

Company has already been successful at reducing outages. Mr. Cocking discusses the reduction in outages on page 43 of his direct testimony. His Table 2 shows tree related outages have decreased since 2016. The Company had 3,705 tree related outages (excluding major events) in 2016 and 2,624 tree related outages in 2023. His Table 3 compares the 2016 to 2019 average (3,492 outages) with the 2020 to 2023 average (2,887 outages). Mr. Cocking continues by saying that NIPSCO is moving to a more proactive approach to vegetation management that focuses on its distribution and sub-transmission circuits.

Q. HAS NIPSCO TRACKED SERVICE RELIABILITY METRICS TO GAUGE WHETHER ITS SERVICE IS MEETING RELIABILITY TARGETS?

A Yes. Mr. Cocking describes NIPSCO's reliability metrics in his direct testimony. He states that NIPSCO's performance metrics are directly tied (among other items) to reliability metrics System Average Interruption Frequency Index ("SAIFI"), System Average Interruption Duration Index ("SAIDI") and Customer Average Interruption Duration Index ("CAIDI"). He mentions two of the metrics have decreased since NIPSCO's last rate case.

> As shown in Figure 6, when looking at the reliability metrics from an all-inclusive perspective, NIPSCO has seen decreases in SAIFI and SAIDI. NIPSCO has seen a slight increase in CAIDI in the short term but has kept the CAIDI value on the decrease since 2020. The increase in its CAIDI is a result from the number of Major Event Days ("MED") NIPSCO has experienced over the years, with two of the highest number of MEDs in 2021 and 2022.[14]

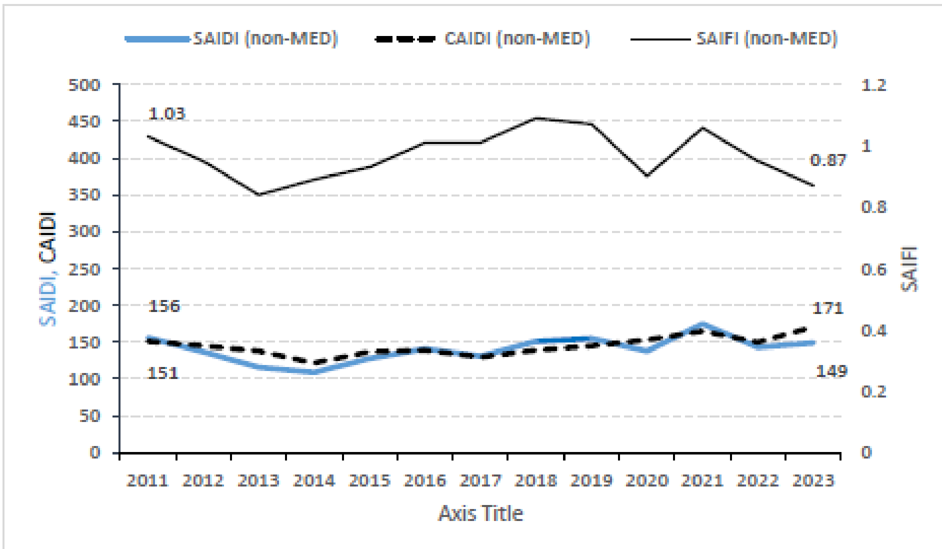
Mr. Cocking's Figure 8, which I have copied below, shows the reliability metrics without major event days (which NIPSCO states have increased due to increased severe weather in the service territory). The figure below shows that SAIFI has

[14] Petitioner's Exhibit No. 7 at 27-28.

decreased since 2021 and SAIDI and CAIDI have remained steady or increased slightly.

FIGURE 2

NIPSCO Reliability Metrics (Excluding MED)



Importantly, Mr. Cocking does not attribute increases (worsening metrics) to insufficient vegetation management spending.

> NIPSCO's SAIDI and CAIDI, without MED, have increased since 2017. A portion of this increase can be attributed to the impact of increased exposure during construction activities. For example, even though NIPSCO owns five mobile substations to assist with construction activities, NIPSCO may still need to tie circuits to adjacent substations or circuits while construction work is active. When an outage occurs on circuits that are tied, the number of customers impacted is increased and the complexity of the restoration efforts is increased. NIPSCO has taken action to remediate potential outage causes on these connected circuits prior to execution of the planned work. NIPSCO expects to see improvements in both SAIDI and CAIDI with the execution of its current TDSIC plan, which includes grid modernization investments through which NIPSCO will provide value to its customers by reducing outage severity and duration, thereby improving the customer experience.[15]

[15] Petitioner's Exhibit No. 7 at 30-31.

Regarding SAIFI, Mr. Cocking states the metric is expected to improve due the Company's plan to continue increasing its vegetation management spending.

> NIPSCO expects to see continued improvement in SAIFI, as it continues investing in its vegetation circuit trimming and executing its current TDSIC Plan, which includes hardening the system with new wood poles, replacing older vintage underground cable, and deploying additional distribution automation.[16]

Mr. Cocking also notes that NIPSCO's SAIFI has been better than the Institute of Electrical and Electronics Engineers ("IEEE") industry median over the past 12 years.

Q. HAS NIPSCO BEEN INCREAING VEGATATION MANAGEMENT COST OVER THE LAST SEVERAL YEARS?

A Yes. Table 2, below, shows NIPSCO's proposed increase in vegetation management expenses relative to its historical spending and is taken from Mr. Cocking's Figure 12. NIPSCO proposes to increase its vegetation management spending by 6.1% in 2024 (compared to the historical base period) and again by 10.3% in the 2025 forward test year.

[16] Petitioner's Exhibit No. 7 at 30.

TABLE 2

Vegetation Management Expenses

Line	Year	Amount (1)	Percent Increase (2)
	Actual		
1	2016	$ 12,359,251	
2	2017	$ 15,722,197	27.2%
3	2018	$ 16,902,147	7.5%
4	2019	$ 18,742,686	10.9%
5	2020	$ 20,575,274	9.8%
6	2021	$ 18,723,549	-9.0%
7	2022	$ 21,892,681	16.9%
8	2023	$ 25,148,354	14.9%
9	Average	$ 18,758,267	
	Forecast		
10	2024	$ 26,680,323	6.1%
11	2025	$ 29,427,942	10.3%

Q HAS THE COMMISSION DIRECTED THE COMPANY TO INCREASE FUNDING FOR VEGETATION MANAGEMENT?

A Not to my knowledge.

Q DOES THE COMPANY'S EVIDENCE SUPPORT AN INCREASE IN VEGETATION MANAGEMENT EXPENSES DUE TO AN INCREASE IN THE NUMBER OF MILES ADDRESSED EACH YEAR?

A No. NIPSCO's proposed increase in vegetation management expenses is due to both its move towards a seven-year cycle and increases in labor, contractor, and equipment costs. Increases in the latter are due to increased demand, inflation, and other constraints. Mr. Cocking discusses these cost pressures in his direct testimony. Nevertheless, the Company has not justified its proposed move to a seven-year trimming cycle. While a more aggressive vegetation management may reduce customer outages by some incremental amount, it is important to specify and balance the benefits and costs associated with increased vegetation management spending.

Mr. Cocking offers very little support for the Company's choice to move towards a seven-year cycle. He states that some vegetation grows back within five years.

> However, NIPSCO's experience is, on average, some tree species may grow back into the lines within as soon as 5 years. To trim or clear each of its distribution and sub-transmission circuits every 5 years, additional crews would need to be utilized and about 1,768 miles needs to be completed per year.[17]

Mr. Cocking goes on to state that there are significant challenges with being able to trim each circuit every five years.[18] Importantly, Mr. Cocking does not show whether a five-year or seven-year cycle is the most cost-effective approach for customers.

Q DOES NIPSCO OFFSET ITS RATE INCREASE WITH INCREASED REVENUES FROM EXPECTING FEWER OUTAGES AS A RESULT OF ITS INCREASED VEGETATION MANAGEMENT SPENDING?

A No. Mr. Cocking makes no mention of offsetting the increased cost of vegetation management with increased revenues created by fewer outages. In other words, the Company proposes to increase the number of miles in its vegetation management program in the forward test year based on the assumption that it will reduce outages and, accordingly, increase sales; but it does not project any quantifiable benefits being realized by this increased spending. The Company's proposal to materially increase

[17] Petitioner's Exhibit No. 7 at 45.
[18] Petitioner's Exhibit No. 7 at 45.

spending without recognizing any benefits of the program is imbalanced and should be moderated to protect customers.

Q PLEASE DESCRIBE YOUR PROPOSED ADJUSTMENT.

A I recommend the Commission exclude from cost of service the $3,203,224 increase[19] in vegetation management due to the proposed move to a seven-year trimming cycle given this cost increase has not been properly justified.

V. CAUSE NOS. 45159 REGULATORY ASSET

Q DID NIPSCO INCLUDE A REGULATORY ASSET AND AMORTIZATION EXPENSE FOR CERTAIN DEFERRALS RELATED TO CAUSE NOS. 45159 AND 45772?

A Yes. NIPSCO includes in rate base (as Workpaper RB 10-S2) the unamortized balance associated with regulatory assets from prior rate cases Cause Nos. 45159 and 45772. The Cause No. 45159 amortization was approved with a seven-year recovery which will end December 31, 2026. The Cause No. 45772 amortization was also approved with a seven-year recovery and will have 55 months remaining after at the end of the forward test year.[20] The unamortized balance of the Cause Nos. 45159 and 45772 regulatory assets is $24.5 million in the forward test year with an annual amortization expense of $15.8 million.[21]

The Company's deferrals under this category primarily include deferrals for Federally Mandated Cost Adjustment Factor ("FMCA"), Transmission, Distribution and

[19] NIPSCO'S Workpaper OM 2-S2, Page [1]
[20] Petitioner's Exhibit No. 3 at 63.
[21] Workpaper RB 10-S2, Page [.1], and Workpaper AMTZ 8-S2, Page [.1].

Storage System Improvement Charge ("TDSIC"), and COVID-19 costs authorized in prior cases.[22]

Q HAS NIPSCO JUSTIFIED INCLUDING THE REGULATORY ASSET AND THE AMORTIZATION EXPENSE FOR CAUSE NOS. 45159 AND 45772 IN ITS COST OF SERVICE IN THIS PROCEEDING?

A Not entirely. As explained by NIPSCO witness Richard D. Weatherford, the historical base period also included deferrals related to Cause No. 44688. Similar to the other deferrals mentioned above, the Cause No. 44688 amortization was approved with a seven-year amortization period. The Cause No. 44688 deferral was fully amortized in September 2023.[23] NIPSCO correctly excludes the Cause No. 44688 costs from Step 1 rates in this proceeding. However, this leaves 19 months (from October 2023 through April 2025) where the cost of the Cause No. 44688 regulatory asset will remain included in rates after it has been fully recovered. These funds from customers should be used to compensate NIPSCO for its recovery of the Cause No. 45159 deferral which is expected to be fully recovered by the end of 2026. Given Step 2 rates are expected to be effective around March 2026, if this were done, it means NIPSCO will fully recover the Cause No. 45159 deferral before its next rate case.

Per NIPSCO's Workpaper AMTZ 8-S2, Page [.3], the monthly amortization expense for the Cause No. 44688 deferral is $282,567. This means over the 19 months between when the deferral was fully recovered and the beginning of Step 1 rates that NIPSCO will have recovered $5,368,767. I recommend this amount be used to offset the Cause No. 45159 regulatory asset.

[22] Workpaper AMTZ 8-S2, Page [.3].
[23] Petitioner's Exhibit No. 3 at 62.

Q WHAT IS THE IMPACT ON THE COMPANY'S FORWARD TEST YEAR IF YOU USE THE COLLECTION OF COSTS ASSOCIATED WITH THE CAUSE NO. 44688 REGULATORY ASSET TO OFFSET THE CAUSE NO. 45159 REGULATORY ASSET?

A My adjustment is included as Attachment MPG-4. The remaining unamortized balance of the Cause No. 45159 regulatory asset on December 31, 2025, is $7,836,778.[24] Subtracting the Cause No. 44688 funds collected between October 2023, through April 2025 ($5,368,767) results in an actual remaining balance of $2,468,005. I recommend this amount be used in the calculation of NIPSCO's Step 2 rates. Continuing with the Commission approved amortization period (or one year remaining with the implementation of Step 2 rates), my adjustment would lower NIPSCO's Step 2 rate base by $5.4 million and amortization expense by $7.5 million[25]. The combined revenue requirement impact is approximately $7.9 million.

VI. UNFILLED EMPOLYEE POSITIONS

Q PLEASE DESCRIBE NIPSCO'S BUDGETED LABOR EXPENSE.

A The Company's test year budgeted labor expense begins with NIPSCO's actual labor expense as of December 31, 2023, and then applies pro forma adjustments to develop its projected forward test year labor expense. NIPSCO's 2025 forward test year includes approximately $130.30 million of total labor O&M expenses in Step 1 and $118.4 million in Step 2 (after the removal of costs due to the Schahfer Units 17 and 18 retirement).[26]

[24] Workpaper RB 10-S2, Page [.2].

[25] The $9,928.969 amortization expense from NIPSCO's Workpaper AMTZ 8-S2, Page [2], less $2,468,005, or the remaining balance of the regulatory asset, equals $7,460,964 per Attachment MPG-4.

[26] NIPSCO's Attachment 3-B-S1 and Attachment 3-B-S2.

Q IS THE COMPANY'S FORWARD TEST YEAR LABOR EXPENSE REASONABLE?

A No. The Company's projected test year labor expense includes labor costs associated with vacant or unfilled positions and new hires, which are not known and measurable and thus, should not be included in the development of the test year labor expense costs. The Company's forward test year reflects budgeted 2025 expenses, which includes costs associated with approximately 127 additional positions over the Company's June 30, 2024, actual employee headcount. The Company will not incur costs associated with the additional positions unless and until those positions are filled. As such, setting rates reflecting additional employee positions who have not yet been hired, and are not known to be hired, will allow the Company to over recover its actual employee labor expense. Filling the new, budgeted, positions will not only be challenging because it requires finding qualified employees to fill the new positions, but also because at the same time the Company is trying to fill new employee positions, employee positions become vacant as employees retire or leave the Company. This employee attrition can offset increases in the Company's labor expense as a result of hiring new employees or filling positions with employee transfers.

Q PLEASE EXPLAIN WHY HISTORICAL DATA INDICATES THAT NIPSCO HAS CONSISTENTLY NOT FILLED ALL ITS BUDGETED EMPLOYEE POSITIONS.

A A comparison of NIPSCO's actual employee levels and its budgeted employee levels is shown below in Table 3. As shown in this table, there is a variance between NIPSCO's number of budgeted employees and actual employees for each year over the 2019-2025 period. In every instance, NIPSCO has not filled all of its budgeted employee positions, and its number of unfilled employee positions has ranged from around 140 employees up to 320 over that time period.

TABLE 3

Actual vs. Budgeted Employee Headcount

Line	**Year**	**Total Company Actual**	**Total Company Budgeted**	**Variance**
		(1)	**(2)**	**(3)**
1	2019	2,950	3,117	167
2	2020	3,002	3,151	149
3	2021	2,855	3,094	239
4	2022	2,725	3,049	324
5	2023	2,713	2,972	259
6	2024	2,788	3,035	247
7	2025		2,826*	

Sources:
OUCC Request 3-008, Attachment A.
OUCC Request 3-009, Attachment A.
*Lower due to the generation labor transition.

Q IS NIPSCO FORECASTING A DECREASE IN OVERTIME EXPENSE IN THE FORWARD TEST YEAR AS A RESULT OF ADDING THE ADDITIONAL POSITIONS?

A NIPSCO was asked in discovery as part of OUCC Request 3-016 to provide its budgeted amounts for payroll from 2022 to 2025. The response (provided in Attachment MPG-3) shows that NIPSCO is not budgeting for a decrease in overtime expenses even though the Company intends to hire additional employees (additional employees who would be able to address work currently being performed by existing employees). Rather, NIPSCO's budgets assume a $2.1 million increase in overtime in 2024. NIPSCO's estimated overtime expense decreases in 2025 by $1.4 million but remains above the 2023 budgeted amounts. I recommend the Commission reject NIPSCO's proposed vacant employee adjustment for the reasons discussed above and because it appears that customers will not benefit, via lower overtime spending compared to current levels, from including employee costs associated with additional positions in the future test year.

Q ARE YOU PROPOSING AN ADJUSTMENT TO NIPSCO'S PROJECTED TEST YEAR LABOR EXPENSE.

A Yes. I recommend the Commission remove from the test year budgeted expense associated with the 95 unfilled positions. As mentioned above, NIPSCO is intending to hire for 127 open positions but 32 of those positions are at the wholly owned solar farms. While I have similar concerns about whether NIPSCO will actually incur its full forecasted labor cost by the end of the forward test year, I have opted to exclude these open positions from my adjustment.

The Company included the costs associated with the unfilled positions as part of Workpaper OM 1, page [.4], which shows a total of $3.9 million of costs associated with 95 vacant positions. I recommend that this amount be removed from the Company's proposed revenue increase.

VII. NCSC AFFILIATE TRANSACTIONS

Q WHAT AMOUNT IS NIPSCO REQUESTING IN NISOURCE CORPORATE SERVICES COMPANY ("NCSC") ALLOCATED COSTS FOR THE HISTORIC BASE PERIOD OF 2023?

A For NIPSCO's electric operations during the historic 2023 base period, the Company has a normalized expense of $105,706,395. In its forward 2025 test year, the Company is projecting an NCSC expense of $118,647,701, a 12.2% increase over 2023 and about a 5.9% annual growth rate. This growth rate is above inflation during this period.

Q HAVE THESE NCSC COSTS BILLED TO NIPSCO INCREASED IN RECENT YEARS?

A Yes. On my Attachment MPG-5, I present the data from NCSC's FERC Form 60 submissions from 2016 through 2023 related to associated company billings. The combined billings to NIPSCO (electric and gas) have increased from $148 million in 2020 to $189 million in 2023, or an increase of $41 million (28%).

Q HAVE NCSC'S TOTAL BILLED ACROSS ALL AFFILIATES INCREASED AT THE SAME RATE AS THE COST CHARGED TO NIPSCO?

A No. As shown on the same attachment, while the increase in NCSC's total billed costs to NIPSCO from 2020 to 2023 increased by 28%, the total NCSC costs that are allocated across all affiliates including NIPSCO increased by 12% over this same time frame, 2020-2023.

Q WHY HAS NIPSCO'S ALLOCATED SHARE OF THE NCSC COSTS INCREASED OVER THIS TIME FRAME?

A I believe NIPSCO's allocated share of NCSC total costs increased dramatically faster than total NCSC costs because NIPSCO's allocation factors increased significantly in 2021.

Specifically, in response to Industrial Data Request 4-1, NIPSCO provided the allocation rates that were used from 2020 on. In each year, the Company typically changed the allocation rates twice, once in February and again in August. In

Attachment MPG-6, I show the rates in August of each year. The attachment shows that nearly all the allocation factors increase in 2021 relative to 2020, while many decreased in the following two years or remained steady. However, despite subsequent decreases, most recent allocation rates are still above the rates from 2020.

Q DID NIPSCO ADDRESS WHY ITS ALLOCATION FACTORS OF TOTAL NCSC COST HAS INCREASED AND REMAIN FAIR AND REASONABLE FOR INDIANA?

A No. An assessment of the change in allocation factor over time is shown on my Attachment MPG-5. As shown on this Attachment, NIPSCO's allocation of total NCSC costs increased by 28% between 2020 and 2023. Meanwhile, costs that are allocated across all affiliates including NIPSCO increased by 12%.

The reason for the significant increase in NIPSCO's allocated share of these total costs appears to be because the Company divested itself of Columbia Gas of Massachusetts. Based on public press releases available on NiSource's website, NiSource announced that it divested itself of the assets of the Columbia Gas affiliate in October of 2020.[27] That, in combination with a review of the allocation assignments of total NCSC costs across the affiliates, strongly suggest that NIPSCO's allocation factors increased simply because NiSource divested a utility subsidiary.

Q IS IT APPROPRIATE TO INCREASE NCSC COSTS TO NIPSCO BECAUSE NISOURCE DIVESTED A UTILITY SUBSIDIARY IN 2020?

A No. It is not appropriate to increase NIPSCO's cost of service as provided by NCSC simply because NiSource divested itself of a subsidiary. If NCSC is providing fewer services across the various companies owned by NiSource, then it should eliminate

[27] See the news release "**NiSource Reports 2020 Results**" from February 17, 2021. Accessed 12/17/2024.

costs that are not needed to provide service to the consolidated entity with fewer utility subsidiaries. In other words, NiSource costs should not simply be reassigned to the remaining affiliates, but rather should be reduced to a level of costs that is no higher than necessary to continue to provide the same services to the utilities it continues to own. Costs NCSC incurred to provide services to an affiliate that was divested should be eliminated from its cost structure.

Q HAS NIPSCO PROVIDED AN EXPLANATION FOR THE INCREASE IN NIPSCO'S ALLOCATION FACTORS, OR EXPLAINED WHY NIPSCO SHOULD PAY MORE FOR THE SAME NCSC SERVICES THAT HAVE BEEN PROVIDED PREVIOUSLY?

A No. Nor, importantly, has NIPSCO shown that its electric ratepayers should be obligated to pay rates which reflect that increase in NCSC costs. That is, NIPSCO has not shown that recovery of the incremental costs are reasonable for its current customers to absorb through their inclusion in the revenue requirement, and thus rates.

Q DO YOU HAVE OTHER CONCERNS WITH NIPSCO'S FORECAST OF NCSC ALLOCATED COSTS IN THE FORWARD TEST YEAR.

A Yes. NIPSCO forecasts a $12.9 million increase in NCSC allocated costs between 2023 and 2025 as shown on Workpaper OM 6, Page [.1]. This amount includes approximately $3.9 million associated with unfilled positions.[28] It is not known whether NIPSCO will incur these costs for the same reasons I discuss above. At minimum, I

[28] Workpaper OM 6, Page [.13].

recommend these costs be excluded from NIPSCO's cost of service in the forward test year.

Q DO YOU PROPOSE TO ADJUST THE NCSC O&M COSTS?

A Yes. I recommend a downward adjustment to NIPSCO's forecast of NCSC allocated costs because NIPSCO has not proven the increase in allocation factors from NCSC that occurred in 2021 are reasonable and therefore that the allocation factors used to derive NIPSCO's forecast are reasonable. Furthermore, NIPSCO has not explained how NCSC reduced costs after it divested the Columbia subsidiary, nor why it is reasonable for NIPSCO's customers to pay the incremental increase through their rates.

I recommend holding NIPSCO's allocated share of NCSC costs subject to recovery through its retail revenue requirement at the most recent normalized allocation in 2023, shown on NIPSCO's Attachment 5-D, plus an inflation escalator. As shown in Attachment MPG-7, using the expected annual inflation rate (consistent with consensus economists' projections) and starting with the $105.7 million normalized historical base period allocated costs to NIPSCO, I escalated those costs through the forward test year. This results in approximately $111.1 million of NCSC costs allocated to NIPSCO electric in the forward test year. This compares to the Company's requested increase in NCSC costs for NIPSCO electric of $118.6 million in the test year. This results in a reduction in forecasted test year cost of service of approximately $7.6 million.

VIII. PREPAID PENSION ASSET

Q DOES NIPSCO INCLUDE A PREPAID PENSION ASSET IN COST OF SERVICE?

A Yes. NIPSCO proposes to include a prepaid pension asset as a component of its weighted average cost of capital. As shown in NIPSCO witness Richard D. Weatherford's testimony on Attachment 3-A-S2, page 5, the Company has included a $381 million prepaid pension asset as a reduction to its capital structure in the determination of the weighted average cost of capital.

Including a prepaid pension asset as a negative component of capital has the effect of increasing the weight of investor capital and customer deposits and increases the overall rate of return.

Q HAS MR. WEATHERFORD SUPPORTED THE REASONABLENESS OF THE COMPANY'S REQUEST TO INCLUDE A PREPAID PENSION ASSET IN RATE BASE?

A No. He has not demonstrated whether the prepaid pension asset was funded by either investor capital or collections of pension-related costs from retail customers.

1. In Attachment A to its response to the Industrial Group's Request 3-001[29] the Company provided a spreadsheet that shows the development of the changes in its prepaid pension asset over time. This attachment details the growth in the PPA over time and is shown on my Attachment MPG-8. Of relevance here, for purposes of determining of whether or not the Company incurred an investor capital cost for the creation of this prepaid pension asset are the following:

2. In several years the Company recorded an increase in the prepaid pension asset when the pension trust produced income in excess of the annual pension expense. This PPA increment is not funded by investor capital but rather is funded by pension trust investment returns.

3. There are years where the Company made very large contributions to its pension trust, which do not appear to reflect instability of the pension trust. Therefore the need for the large cash contributions may not have been

[29] Provided in Attachment MPG-3.

based purely on maintaining the viability of the trust. For example, in 2017, the Company made a very large contribution which simply increased the prepaid pension asset in 2017 versus that in 2016. Similarly, the Company made very large contributions in 2021 over 2020, which simply had the effect of increasing the prepaid pension asset. There is no proof that these large cash contributions to the pension trust were prudent and necessary, nor whether the contributions produced any benefits to retail customers.

4. Further, the Company does not have much information on whether it fully recovered its cash contributions to the pension trust via rate revenue collected from customers. NIPSCO's workpaper showing the history of the PPA balance is missing data on how much of the cash contributions have been collected from customers in rates. The GAAP pension expense is a non-cash expense. The contribution to the trust is a cash flow cost. Recovery of pension expense in the utility's cost of service is both a recovery of expense and enhances the utility's cash flow, because the GAAP expense is not a cash item. As such, NIPSCO may have fully recovered its PPA from collection from customers over the period the PPA was recorded.

Q DOES MR. WEATHERFORD CITE COMMISSION PRECEDENT FOR HIS PROPOSAL TO INCLUDE A PREPAID PENSION ASSET IN COST OF SERVICE.

A Yes. He cites five IURC Orders for NIPSCO electric or gas on page 90 of his direct testimony (the August 2, 2023, Order in Cause No. 45967, the July 27, 2022 Order in Cause No. 45621 for NIPSCO Gas, the December 4, 2019 Order in Cause No. 45159 for NIPSCO Electric, the September 19, 2018 Order in Cause No. 44988 for NIPSCO Gas, and the July 18, 2016 Order in Cause No. 44688 for NIPSCO Electric). However, each of the cases he cites were the result of a settlement.

Q HAS THE COMMISSION PREVIOUSLY DENIED NIPSCO'S REQUEST TO INCLUDE A PREPAID PENSION ASSET IN THE COST OF SERVICE IN A CONTESTED CASE?

A Yes. In its August 25, 2010, Final Order on page 9 in Cause No. 43526 the Commission stated the following:

> A prepaid pension asset could be a voluntary payment by shareholders to supplement the required pension expenses. NIPSCO has presented no justification for including the prepaid pension asset in rate base, and without additional supporting evidence, we decline to include it in NIPSCO's rate base.

Once again in this case, NIPSCO has not justified including a prepaid pension asset in either rate base or as an increase in its weighted average cost of capital, and therefore this adjustment to its cost of service should be denied.

Q WHAT IS YOUR RECOMMENDATION WITH REGARD TO INCLUDING THIS PREPAID PENSION ASSET IN NIPSCO'S COST OF SERVICE?

A I recommend that the Company's proposal to include a $381 million prepaid pension asset in its capital structure be rejected. This adjustment will reduce the Company's claimed revenue requirement by approximately $22.3 million. My adjustment is included as Attachment MPG-8, page 2. My attachment also includes the development of the prepaid pension asset.

IX. PRIVATE LETTER RULING IMPACT ON ADIT

Q HAS NIPSCO OUTLINED POTENTIAL ADJUSTMENTS TO THE ACCUMULATED DEFERRED INCOME TAX ("ADIT") COMPONENTS OF ITS COST TO SERVICE IN THIS PROCEEDING?

A Yes. NIPSCO witness Jonathan Bass states that NIPSCO is currently investigating the implications for the measurement of ADIT balances that are used as a component of the Company's ratemaking capital structure. ADIT balances currently represent prepayment of income taxes from customers and are carried as zero cost capital in developing the Company's overall rate of return.

NIPSCO witness Mr. Bass outlines the Company's investigation into implications for recording ADIT for ratemaking purposes which has arisen, principally, because of actions by AEP and its affiliates, including I&M, in seeking Private Letter Rulings ("PLR") from the IRS on this subject. Specifically, as to NIPSCO, Mr. Bass explains that there are certain tax deductions for the utility company when they are used by the parent company within NiSource consolidated tax filing agreements. NIPSCO has operating tax losses that it is not currently able to use that are recorded as Net Operating Loss Carried ("NOLC") for the utility. Under consolidated tax filing, affiliates of NIPSCO may have taxable income and can use NIPSCO's NOLC to reduce the consolidated group's tax obligations at NiSource. Under the existing consolidated NiSource tax agreement which NIPSCO participates, if NIPSCO's NOLC are used by another affiliate to reduce income tax, NiSource pays NIPSCO for the use of its NOLC via a Tax Allocation Arrangement ("TAA") payment to NIPSCO which is specified in the NiSource consolidated tax agreement The TAA payment to NIPSCO for its NOLC, allows NIPSCO to cashout its NOLC and use the proceeds as funding for utility rate base investments. In turn, NIPSCO includes the NOLC as a portion of its Accumulated Deferred Income Tax (ADIT) balance, thereby recognizing the TAA funding as zero cost capital for ratemaking purposes. Based on the PLRs obtained by AEP subsidiaries, he opines that NIPSCO's test year ADIT balance may need to be adjusted if NIPSCO concludes that it is in violation of IRS normalization rules.

Q WHERE DOES NIPSCO'S INVESTIGATION STAND AT THIS TIME?

A According to Mr. Bass, NIPSCO is still investigating whether or not any TAA payments for use of NIPSCO NOLC by NiSource from the most recent tax filings were included in the Company's test year ADIT balance. If it has, then Mr. Bass concludes that NIPSCO may be in violation of IRS normalization rules. After its internal investigation is complete, and if NIPSCO concludes it did record ADIT in violation of IRS normalization rules, then NIPSCO proposes to record a regulatory asset to offset its cost of service for the ADIT balance that may be in violation of IRS rules and remain incompliance with the IRS rules.[30]

Q IS NIPSCO'S PROPOSAL FOR PRE-APPROVED AUTHORITY TO RECORD A REGULATORY ASSET TO ACCOUNT FOR UNKNOWN CHNAGES TO ITS ADIT BALANCES BASED ON ITS ONGOING REVIEW OF IRS NORMALIZATION RULES REASONABLE?

A No, it is not for several reasons. First, the investigation being undertaken by NIPSCO is being driven by PLRs obtained by other utilities which are not affiliated with NIPSCO. PLRs are not broadly applicable to all taxpayers under all circumstances. Rather, they are applicable only to the requesting taxpayer, and only under the circumstances provided to the IRS. NIPSCO has provided no information that its situation, and those factual assertions provided to the IRS by others, would lead to the same result were it to ask the IRS for guidance. Therefore, it is not appropriate for the Commission, at this time, to conclude that NIPSCO should have pre-approved authority to record a regulatory asset based on the Company's own determination as to whether it has violated IRS normalization rules.

[30] Petitioner's Exhibit No. 14, at 23-27.

Second, NIPSCO's request ignores a series of other broad issues because the ADIT balance does not operate in a vacuum. Indeed, adjusting NIPSCO's ADIT balance has other implications on its cost of service in this case than simply its rate of return. If NIPSCO changes its ADIT balance based on this IRS ruling, the Commission should also authorize other adjustments to NIPSCO's cost of service to reflect this change to its cost of service, its investment risk and the treatment of customer funded prepaid taxes. These adjustments would require, at the minimum, the creation of other regulatory contingencies to ensure that any resulting benefits to ratepayers are not ignored.

Moreover, if NIPSCO concludes it has violated normalization rules, it could seek approval to record an asset or seek other modifications to its rates at that time. Accordingly, rather than pre-approve the creation of a regulatory asset, I recommend the Commission order the following be addressed in any proceeding brought by NIPSCO seeking to adjust its ADIT as a result of its investigation:

- Whether or not NIPSCO should continue to be allowed to participate in the NiSource consolidated tax filing agreement to the extent NIPSCO's NOLC are used by the parent company to reduce the consolidated group tax liability, but NIPSCO ratepayers receive no benefits of this participation in the affiliate agreement transaction. The NOLC tax deductions are not reflected in cost of service, so ratepayers are the source of the income tax prepayment of the NLOCs. But customers would receive no benefit for this tax prepayment under the alternative interpretation of IRS normalization.

- If NIPSCO's NOLC's are used by the parent company and are not used to reduce NIPSCO's cost of service, then the Commission should recognize that NIPSCO's operating cash flows for utility operations will be increased and its cash flow coverages of debt and capital expenditures will be positively impacted. This reduces NIPSCO's investment risk. Because a reduction in investment risk warrants a reduction in the authorized return on equity, the investment risk reduction should be reflected in NIPSCO's authorized return on equity. I recommend the Commission then require NIPSCO to temporarily record the regulatory liability reflecting approximately a 25-basis point reduction to the authorized return on equity that is approved under the current treatment of NIPSCO NOLC contribution to the NiSource consolidated tax filings. Such liability could be subject to refund depending on the outcome of the Commission's determination with respect to the appropriate adjustment of NIPSCO ROE and whether any other adjustments to NIPSCO's cost of service are appropriate.

- An investigation into NIPSCO's continued participation in the NiSource consolidated tax filing is warranted at all because customers may be better off if it does not participate if the NOLC, and related TAA payments are not recorded in the ADIT balance used to set rates. If the ADIT balance is adjusted, customers may be better off if NIPSCO retains the NOLC's to use to offset NIPSCO's income taxes if filed on a standalone basis. This would benefit NIPSCO and its customers to the extent future income tax rates are higher than the current income tax rates. Using the NIPSCO NOLC's to offset utility taxable income later may produce more value to the utility and ratepayers rather than continued participation in a consolidated NiSource tax filing agreement.

X. RATE OF RETURN

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS ON RATE OF RETURN.

A Overall, I recommend the IURC approve a return on equity that reflects NIPSCO's investment risk, results in customer rates that are as efficient and as competitive as possible while also fairly compensating NIPSCO, and allows NIPSCO to maintain its access to capital, financial integrity, and credit standing. I recommend the IURC award a return on common equity within my recommended range of 9.10% to 9.70%, with a midpoint of 9.40%. Specifically, I recommend a return on equity of 9.15% be used to set rates in this case.

This recommended return on equity is 25-basis points below the midpoint of my recommended range of a fair return on equity, 9.40%. Setting the return on equity below the midpoint of my recommended range reflects NIPSCO's overall lower risk profile, which relies heavily on parent company equity infusions and limited debt, which would have to be secured at the parent company's bond rating. Using the 9.15% ROE will not harm NIPSCO's access to capital and overall financial integrity. It will also produce rates which are more fair, just and reasonable for ratepayers by not charging them for the cost of maintaining NIPSCO's equity-thick ratemaking capital structure, which results from decisions at NIPSCO's parent company level to reduce its own risk profile. Doing so will mitigate, in part, NIPSCO's revenue increase and the related adjustments to tariff rate charges in this case.

My proposed return on equity together with an adjustment to NIPSCO's capital structure to remove the prepaid pension asset and post-retirement liabilities result in an overall rate of return of 6.65%, as shown on my Attachment MPG-1.

My recommendations will fairly compensate the Company for its current market cost of common equity and support its financial integrity, credit rating, and access to external capital on reasonable terms. My recommended return on equity will also mitigate the Company's claimed revenue deficiency in this proceeding while providing a return that fairly balances the interests of customers and shareholders. This balance of interest is especially important in light of NIPSCO's proposed 23.22% system average increase. The requested increase is driven primarily by massive rate base investment, much of which has been pre-approved for recovery from ratepayers through the Transmission, Distribution and Storage System Improvement Charge ("TDSIC") and Federally Mandated Cost Adjustment Factor ("FMCA") mechanisms.

Finally, I respond to NIPSCO witness Mr. Vincent V. Rea's return on equity recommendation. Mr. Rea recommended an equity return in the range of 10.60% to 11.10% with a point estimate of 10.85%.[31] NIPSCO is proposing to set rate at a return on equity of 10.60%, which is at the low end of Mr. Rea's recommended range. Nevertheless, NIPSCO's proposed ratemaking return on equity of 10.60% substantially exceeds a fair return on equity given its low investment risk. Mr. Rea's entire proposed return on equity range is excessive and would result in unjust and unreasonable rates being imposed on NIPSCO's customers.

[31]Direct testimony of Vincent Rea at 9-10.

Q IN SUPPORTING YOUR OVERALL RATE OF RETURN AND RETURN ON EQUITY, ARE YOU MAKING SPECIFIC ASSESSMENTS OF NIPSCO'S INVESTMENT RISK?

A Yes. As noted above, in recommending an overall rate of return, I recommend consideration be given to maintaining NIPSCO's financial integrity and credit standing while also acknowledging that a rate of return more expensive than necessary to meet these financial benchmarks would produce rates that are not just and reasonable.

From this standpoint I make the following observations:

1. NIPSCO's proposed projected ratemaking capital structure contains a high balance of common equity relative to its peers. Common equity is the most expensive form of capital and unnecessarily inflates the Company's overall rate of return. The Company's equity-thick capital structure reduces NIPSCO's stand-alone financial risk and justifies a return on equity lower than that indicated by NIPSCO's bond rating alone, which is highly influenced by its affiliation risk with its highly leveraged parent, NiSource. NiSource's own capital structure is highly leveraged and represents far more financial risk than indicated by NIPSCO's stand-alone capital structure.

   The Commission should recognize that NIPSCO's equity-rich capital structure and use of strong regulatory recovery mechanisms are not the main factors in its bond rating and cost of debt. Rather, its credit rating and debt cost are highly influenced by the Company's affiliation with NiSource. Because customers do not get the benefit of lower financial risk and above average bond rating which would be the ordinarily expected result from an equity-rich capital structure, the Commission should adjust the authorized return on equity to remain within my recommended range though below the midpoint. A reduction in the return on equity will help offset the cost to customers of NIPSCO's equity-rich capital structure. Making this adjustment to the return on equity is fair and balanced because it provides customers some benefit of a lower financial risk utility that is implied through NIPSCO's equity-rich capital structure.

2. I also note Indiana's favorable regulatory mechanisms which significantly minimize cost recovery risk to NIPSCO and other Indiana utilities. These favorable regulatory mechanisms are noted by credit rating agencies in their assessments of NIPSCO's and NiSource's credit standing and are also evident from industry data that notes the very favorable credit tracker and rider mechanisms available to Indiana utilities relative to those available to other utilities around the country. All of this is captured in a regulatory assessment of Indiana, which notes favorable cost recovery treatment for Indiana utilities, and mitigates cost recovery risk.

I recommend the Commission consider these important factors in assessing a rate of return that is sufficient to fairly compensate NIPSCO and support its financial integrity and credit standing, while balancing ratepayers right to just and reasonable and affordable tariff rates.

XI. RATE OF RETURN MARKET EVIDENCE

Q PLEASE DESCRIBE THIS SECTION OF YOUR TESTIMONY.

A In this section, I will provide observable market evidence and credit metrics to assess the reasonableness of rate of return positions and a detailed analysis to demonstrate that my recommended rate of return will support NIPSCO's financial integrity and access to capital. I also comment on market-based models used to estimate the current market-required rate of return that investors demand to assume the risk of an investment similar to NIPSCO's.

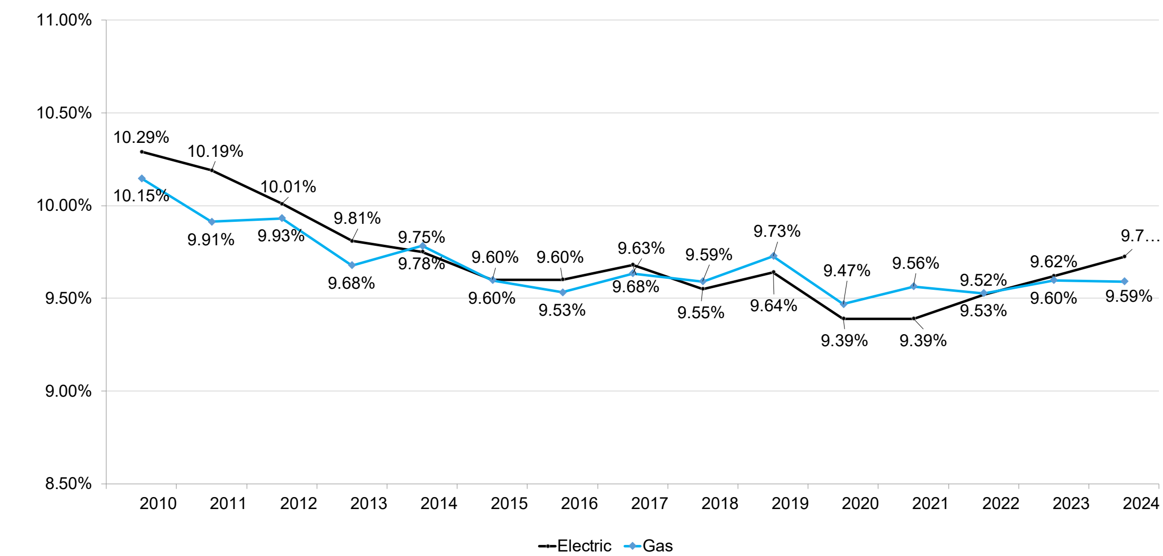
XI.A. Utility Industry Authorized Returns on Equity, Access to Capital, and Credit Strength

Q PLEASE DESCRIBE THE OBSERVABLE EVIDENCE ON TRENDS IN AUTHORIZED RETURNS ON EQUITY FOR REGULATED UTILITIES.

A Authorized returns on equity are an important part of how utilities produce revenues and cash flows adequate to support their credit standing and to maintain their financial integrity, which supports their access to capital under reasonable terms and prices. Observable data, including data on industry authorized returns on equity, trends and outlooks on credit standing, and the ability of utilities to attract capital to fund large investments, provides clear evidence that industry authorized returns on equity have been judged by market participants to be fair and reasonable. With this as background, it is significant to observe that industry authorized returns on equity for regulated utilities have ranged from 9.39% to 9.78% for the period from 2014 through 2024 and, that between 2020 and 2024, authorized returns on equity have averaged around 9.50%. These returns are summarized in Figure 3 below.

FIGURE 3

Authorized Returns on Equity*
(Exclude Limited Issue Riders)



ROE Distributions[1/2]

Electric Utilities	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
<= Average	51.7%	55.0%	51.0%	50.0%	56.3%	56.5%	53.1%	61.0%	47.4%	45.5%	33.3%	31.4%	53.1%	53.2%	41.7%
> Average	48.3%	45.0%	49.0%	50.0%	43.8%	43.5%	46.9%	39.0%	52.6%	54.5%	66.7%	68.6%	46.9%	46.8%	58.3%
Gas Utilities															
<= Average	56.4%	31.3%	45.7%	47.6%	50.0%	50.0%	53.8%	73.9%	47.5%	51.5%	51.4%	46.5%	48.5%	48.8%	50.0%
> Average	43.6%	68.8%	54.3%	52.4%	50.0%	50.0%	46.2%	26.1%	52.5%	48.5%	48.6%	53.5%	51.5%	51.2%	50.0%

Sources and Notes:
[1] *S&P Global Market Intelligenc* e, RRA Regulatory Focus, Major Rate Case Decisions -- January - September 2024, October 30, 2024, p. 3.
[2] Download from S&P Global Market Intelligence, October 30, 2024.
* Returns exclude Limited Issue Rider Decisions.
* Excluding Alaska decisions due to the state unique circumstances.

Q HAVE UTILITIES BEEN ABLE TO ACCESS EXTERNAL CAPITAL TO SUPPORT CAPITAL EXPENDITURE PROGRAMS?

A Yes. In Regulatory Research Associates' ("RRA") November 8, 2023, Utility Capital Expenditures report, *RRA Financial Focus*, a division of S&P Global Market Intelligence, made several relevant comments about utility investments generally:

> - Projected 2024 capital expenditures for the 45 energy utilities included in the RRA representative sample of publicly traded, US-based utilities are over $182 billion — a 9.5% leap from the group's $166 billion of actual spending in 2023 and 26% above the $144 billion of actual investment in 2022.
> - Aggregate utility investments in 2025, 2026 and 2027 are expected to reach new records of $192 billion, $196.5 billion and $197 billion, respectively. These forecasted increases are being driven in large part by federal legislation enacted in 2021 and 2022, supporting infrastructure investment and state-level energy transition plans and incentives, as well as robust growth in demand from datacenters, as the explosion in implementation of AI and cloud computing continues.
>
> - Across the small investor-owned water utility industry, total capex is forecasted to increase nearly 14% in 2024 to $5.5 billion, from $4.8 billion in 2023. This follows growth surges in 2023 and 2022 of 13.6% and 18%, respectively.
>
> The nation's electric, gas and water utilities are investing in infrastructure to upgrade aging transmission and distribution ("T&D") systems; build new natural gas, solar and wind generation; and implement new technologies, including smart meter deployment, smart grid systems, cybersecurity measures, electric vehicles and battery storage. These considerable levels of spending are expected to serve as the basis for solid profit expansion in the utility industry for the foreseeable future.
>
> Multiple drivers are expected to impel elevated spending over the next several years, including: pent-up demand to replace and modernize aging infrastructure; renewable portfolio standards (RPS) of multiple states — that include large expansions in low-carbon energy generation capacity — continuing to ramp up; and federal infrastructure investment plans that are intended to steer conversion of the nation's power generation network to zero-carbon sources by 2035 coming to fruition.[32]

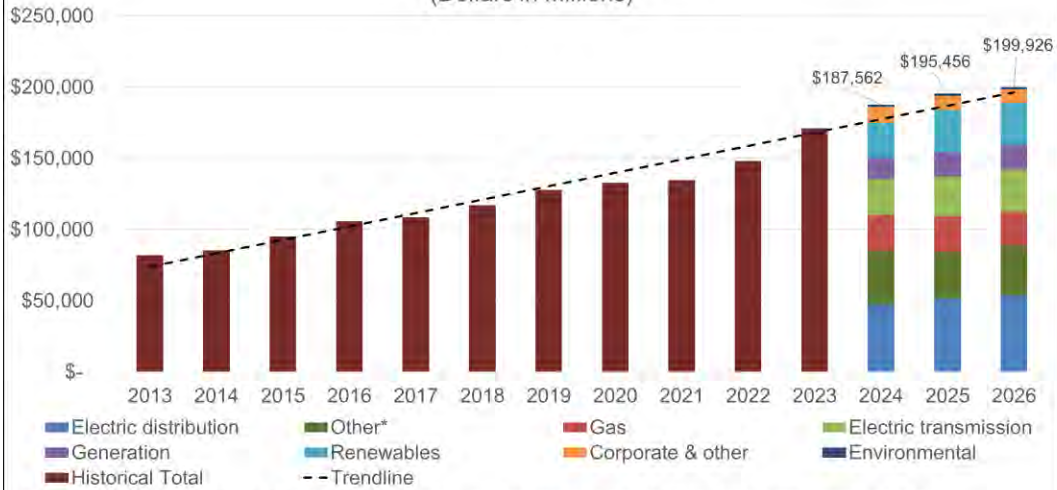
As shown in Figure 4, capital expenditures for the regulated utilities have increased considerably over the period 2023 into 2024, and the forecasted capital expenditures remain elevated through the end of 2026.

---

[32]*S&P Global Market Intelligence, RRA Financial Focus*: "Utility Capital Expenditures Update: Energy, water utility capex plans on track to all-time highs H2 2024: 2013 – 28f, October 22, 2024 at 4-5.

FIGURE 4

Utility Capital Expenditures
(Dollars in Millions)



*Other category consists of utilities that do not report capital expenditures by category: Avista, Dominion Energy, NorthWestern, and PG&E.
Source: *S&P Global Market Intelligence, RRA Financial Focus*, Utility Capital Expenditures Update, October 22, 2024, Tables 1 and 3.

As outlined in Figure 4, and in the comments made by *RRA S&P Global Market Intelligence*, capital investments for the utility industry continue to stay at elevated levels, and these capital expenditures are expected to fuel utilities' profit growth into the foreseeable future. This is clear evidence that the capital investments are enhancing shareholder value and are attracting both equity and debt capital to the utility industry in a manner that allows for funding these elevated capital investments. While capital markets embrace these profit-driven capital investments, regulatory commissions also must be careful to maintain reasonable prices and tariff terms and conditions to protect customers' need for reliable utility service at reasonable rates. If this is not done, utility rates will expand beyond the ability of customers to pay, resulting in revenue constraints for utilities, which will impact their financial integrity.

Q HAVE REGULATED UTILITY EQUITY SECURITIES' VALUATIONS SUPPORTED ACCESS TO EQUITY CAPITAL?

A Yes. Utility valuations metrics continue to demonstrate that utilities can sell new stock at robust market prices, which illustrates that utilities can access equity capital under reasonable terms and conditions and at relatively low cost.

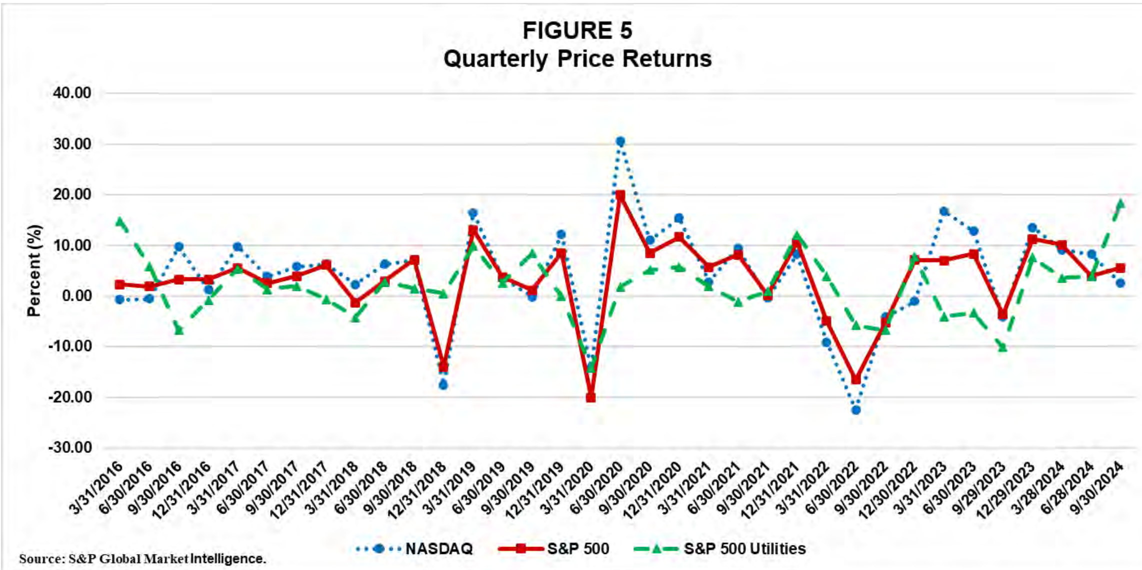
As shown on my Attachment MPG-9, utility valuation metrics show robust valuation of utility securities more recently compared to the historical period stretching back to 2002. Specifically, *The Value Line Investment Survey* ("*Value Line*") tracks and projects various valuation metrics related to regulated utility securities, as well as certain non-regulated companies followed by *Value Line*. These valuation metrics are considered by market participants in assessing the investment risk characteristics of individual company stocks and industries and are used by market participants to derive their required rates of return for making investments. All of these valuation metrics for utility stocks indicate robust valuations of utility stocks, which in turn supports my finding that utilities' cost of capital is low by historical comparison and utilities are producing competitive returns.

For example, the *Value Line* electric utility industry price-to-earnings ratio of 17.37x for 2024 aligns with the 23-year average price-to-earnings ratio. (Attachment MPG-9, page.1). A consistently strong price-to-earnings ratio indicates stock prices valuations are stable, which supports utilities' access to external equity markets.

The market price-to-cash flow for electric utilities is currently 7.56x and the market-to-book ratio is 1.67x. These valuation metrics align with the 23-year average valuation metrics, and indicate utilities continue to have access to equity capital markets.

Q PLEASE DESCRIBE GENERALLY UTILITY STOCK PRICE PERFORMANCE OVER THE LAST SEVERAL YEARS.

A Figure 5 below shows the utility stock price performance compared to the overall market.



With the decline of interest rates over the past quarter, utility stocks outperformed the Standard & Poor's ("S&P") 500 index and have maintained strong valuations relative to overall market performance.

Q HAVE REGULATED UTILITIES MAINTAINED INVESTMENT GRADE CREDIT STRENGTH AND FINANCIAL INTEGRITY?

A Yes. Credit ratings are reasonable assessments of the utility industry's financial integrity, because they indicate the utility's credit strength, which, in turn provides strong evidence of the utility's ability to attract capital necessary to make infrastructure investments under reasonable terms and prices. Trends in credit ratings are an indication of whether regulatory decisions have supported utilities' ability to generate adequate revenue to recover their costs, produce adequate cash flows, and maintain strong credit strength. The primary drivers in these regulatory decisions are the commissions' awarded returns on equity and development of depreciation rates.

As shown in Table 4 below, electric utilities' credit standing has remained very robust through the Tax Cuts and Jobs Act (2017) changes and impacts on cash flow starting around 2018, through the COVID-19 pandemic, and into the present. As shown below in Table 4, from approximately 2016 through the latest data for 2024, over 80% of the regulated electric utility industry has a bond rating of BBB+ or stronger. The distribution in 2009 is also shown for reference to earlier periods.

TABLE 4

S&P Ratings by Category
Electric Utility Subsidiaries

Description	2009	2016	2017	2018	2019	2020	2021	2022	2023	2024
A or higher	12%	10%	10%	8%	14%	14%	10%	10%	11%	13%
A-	18%	43%	52%	54%	54%	53%	37%	37%	37%	33%
BBB+	23%	32%	21%	22%	18%	19%	35%	36%	37%	42%
BBB	36%	4%	7%	13%	12%	3%	16%	16%	15%	12%
BBB-	9%	11%	11%	2%	1%	1%	0%	0%	0%	0%
Below BBB-	2%	0%	0%	0%	0%	10%	1%	1%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: S&P CAPITAL IQ and Market Intelligence, downloaded 7/26/24.
Note: Subsidiary ratings used.

Q HOW SHOULD THE COMMISSION USE THIS MARKET INFORMATION IN ASSESSING A FAIR RETURN FOR NIPSCO?

A Observable market evidence is quite clear that capital market costs are near historically low levels. As authorized returns have fluctuated around the mid-9 percent range over the past five years, utilities have continued to have access to large amounts of external capital while still funding large capital programs. Furthermore, utilities' investment-grade credit ratings are stable and have improved due, in part, to supportive regulatory treatment. The Commission should carefully weigh all this important observable market evidence in assessing a fair return on equity for NIPSCO. For the reasons outlined above, setting authorized returns on equity within the range of a market-based returns has supported utilities' financial integrity, credit standing and access to capital. My recommended return on equity for NIPSCO of 9.15% is based on market models that estimate the current market cost of equity, and will support NIPSCO's access to capital, a strong credit standing, and provide fair compensation to its shareholders.

XI.B. Federal Reserve's Impact on Cost of Capital

Q ARE THE MONETARY POLICY DECISIONS AND ACTIONS OF THE FEDERAL RESERVE, AND OF THE FEDERAL RESERVE SYSTEM'S FEDERAL OPEN MARKET COMMITTEE ("FOMC"), KNOWN TO MARKET PARTICIPANTS, AND, IS IT REASONABLE TO BELIEVE THOSE DECISIONS AND ACTIONS ARE REFLECTED IN THE MARKET'S VALUATION OF BOTH DEBT AND EQUITY SECURITIES?

A Yes. The Fed has been transparent in its efforts to support the economy to achieve maximum employment, and to manage long-term inflation to around a 2% level. In a November 7, 2024, press release, the Fed noted that economic activity has been expanding at a solid pace, while labor market conditions have eased and the unemployment rate has moved up but has remained low. Meanwhile, inflation is approaching the Fed's target rate.

With this as a backdrop, the Fed is gaining confidence[33] in the economic outlook and has reduced the federal funds rate ("FFR") by 50-basis points in September, which

[33] Transcript of Chair Powell's Press Conference, July 31, 2024, at 4.

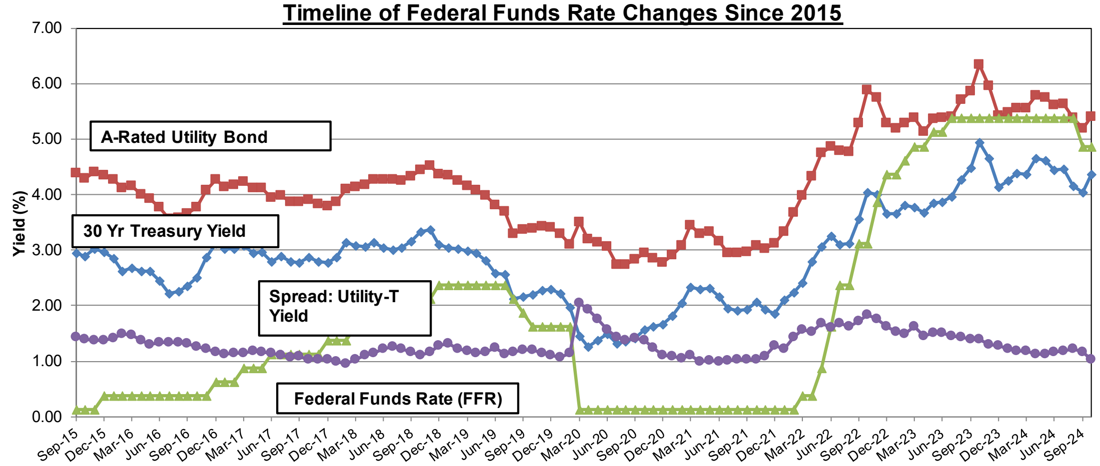
was the first rate cut since March 2020. This is the beginning of a series of anticipated rate cuts. The Fed also released its economic projections, indicating an additional 50 basis point rate cut by the end of this year, another 100-basis point rate reduction in 2025, and a 50-basis point cut in 2026. Most recently, in its November meeting, the Fed decided to further reduce the target range of the Federal Funds Rate to 4.50% to 4.75%. The Fed also stated that it will continue to closely monitor economic activity before making any adjustments aimed at achieving the target 2% inflation rate. The Fed also stated that it will continue reducing its holdings of Treasury securities, agency debt securities and agency mortgage-backed securities. In its November 7, 2024, press release, the Fed reiterated its strong commitment to returning inflation to 2%.[34]

The trend in the Fed's monetary actions on the FFR is shown below in Figure 6.

[34] Federal Reserve Press Release, Federal Reserve Issues FOMC Statement, November 7, 2024.

FIGURE 6

Timeline of Federal Funds Rate Changes Since 2015



Fed FFR Actions:

1	December 2015	0.25	→	0.50	15	March 2022	0.25	→	0.50
2	December 2016	0.50	→	0.75	16	May 2022	0.75	→	1.00
3	March 2017	0.75	→	1.00	17	June 2022	1.50	→	1.75
4	June 2017	1.00	→	1.25	18	July 2022	2.25	→	2.50
5	December 2017	1.25	→	1.50	19	September 2022	3.00	→	3.25
6	March 2018	1.50	→	1.75	20	November 2022	3.75	→	4.00
7	June 2018	1.75	→	2.00	21	December 2022	4.25	→	4.50
8	September 2018	2.00	→	2.25	22	February 2023	4.50	→	4.75
9	December 2018	2.25	→	2.50	23	March 2023	4.75	→	5.00
10	August 2019	2.00	→	2.25	24	May 2023	5.00	→	5.25
11	September 2019	1.75	→	2.00	25	July 2023	5.25	→	5.50
12	October 2019	1.50	→	1.75	26	September 2024	4.75	→	5.00
13	March 2020	1.00	→	1.25	27	November 2024	4.50	→	4.75
14	March 2020	0.00	→	0.25					

Sources:
Federal Reserve Bank of New York, https://apps.newyorkfed.org/markets/autorates/fed-funds-search-page
Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/datadownload/
Mergent Bond Record.

As shown in Figure 6, the Federal Funds Rate, currently in the 4.50% to 4.75% range, continues to remain higher than the rate prior to the economic effects of the worldwide pandemic starting around March/April of 2020.

Q DO INDEPENDENT ECONOMISTS' OUTLOOKS FOR FUTURE INTEREST RATES REFLECT THE FEDERAL RESERVE'S CURRENT MONETARY POLICY?

A Yes. In its most recent report, *Blue Chip Financial Forecasts* generally agrees with the Fed projected rate cuts, anticipating another 25-basis points reduction of the target rate by the end of this year and a 111-basis points reduction by the end of 2025. The *Blue Chip Financial Forecasts* pointed out that since the FFR rate cut in September, short-term interest rates have declined but longer term interest rates did not decline as expected due to the higher unemployment. Nevertheless, the economists' consensus projects a decline in the long-term interest rates as well.

These consensus economists' outlooks and projections of short-term FFR levels, long-term Treasury bond 30-year maturities, and of the U.S. economic outlook include an expectation that inflation and interest rates will decline in 2025, as illustrated in Table 5 below.

TABLE 5

Blue Chip Financial Forecasts
Projected Federal Funds Rate, 30-Year Treasury Bond Yields, and GDP Price Index

Publication Date	3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	4Q 2024	1Q 2025	2Q 2025	3Q 2025	4Q 2025	1Q 2026
Federal Funds Rate											
Nov-23	5.3	5.4	5.4	5.2	4.9	4.5	4.1				
Dec-23	**5.3**	5.4	5.4	5.2	4.9	4.6	4.2				
Jan-24		5.3	5.3	5.1	4.8	4.4	4.1	3.8			
Feb-24		5.3	5.3	5.1	4.7	4.4	4.1	3.8			
Mar-24		**5.3**	5.4	5.2	4.9	4.5	4.2	3.8			
Apr-24			5.3	5.2	5.0	4.6	4.2	3.9	3.7		
May-24			5.3	5.4	5.2	4.9	4.6	4.3	4.0		
Jun-24			**5.3**	5.4	5.2	5.0	4.7	4.4	4.1		
Jul-24				5.3	5.3	5.0	4.7	4.4	4.1	3.9	
Aug-24				5.3	5.3	5.0	4.7	4.4	4.1	3.9	
Sep-24				**5.3**	5.2	4.8	4.4	4.0	3.8	3.6	
Oct-24					5.3	4.6	4.1	3.8	3.5	3.3	3.3
Nov-24					5.3	4.6	4.1	3.8	3.5	3.3	3.2
T-Bond, 30 yr.											
Nov-23	4.2	4.8	4.7	4.5	4.5	4.3	4.2				
Dec-23	**4.2**	4.8	4.7	4.5	4.5	4.4	4.3				
Jan-24		4.6	4.3	4.3	4.2	4.1	4.0	4.0			
Feb-24		4.6	4.3	4.2	4.2	4.1	4.0	4.0			
Mar-24		**4.6**	4.4	4.3	4.2	4.2	4.1	4.1			
Apr-24			4.3	4.3	4.2	4.2	4.1	4.1	4.0		
May-24			4.3	4.6	4.5	4.4	4.3	4.2	4.2		
Jun-24			**4.3**	4.6	4.5	4.5	4.4	4.3	4.3		
Jul-24				4.6	4.5	4.4	4.4	4.3	4.3	4.2	
Aug-24				4.6	4.5	4.4	4.4	4.3	4.3	4.3	
Sep-24				**4.6**	4.2	4.2	4.1	4.1	4.1	4.1	
Oct-24					4.2	4.1	4.0	4.0	4.0	4.1	4.0
Nov-24					4.2	4.3	4.2	4.2	4.2	4.2	4.2
GDP Price Index											
Nov-23	3.5	2.7	2.4	2.3	2.2	2.2	2.3				
Dec-23	**3.6**	2.7	2.4	2.3	2.2	2.2	2.2				
Jan-24		2.7	2.3	2.3	2.3	2.2	2.2	2.1			
Feb-24		1.5	2.2	2.2	2.3	2.2	2.2	2.1			
Mar-24		**1.6**	2.2	2.3	2.2	2.2	2.1	2.1			
Apr-24			2.2	2.4	2.3	2.2	2.2	2.1	2.2		
May-24			3.1	2.7	2.4	2.3	2.3	2.2	2.2		
Jun-24			**3.0**	2.8	2.5	2.3	2.3	2.3	2.2		
Jul-24				2.8	2.3	2.3	2.4	2.2	2.2	2.1	
Aug-24				2.3	2.3	2.3	2.3	2.2	2.2	2.1	
Sep-24				**2.5**	2.2	2.2	2.3	2.2	2.2	2.1	
Oct-24					2.2	2.0	2.2	2.2	2.1	2.1	2.1
Nov-24					1.8	2.1	2.2	2.1	2.1	2.1	2.2

Source and Note:
Blue Chip Financial Forecasts , January 2022 through November 2024.
Actual Yields in Bold.

Moreover, the current outlook for long-term interest rates in the intermediate to longer term is also impacted by the Federal Reserve's current actions and the expectation that eventually the Federal Reserve's monetary actions will return to more normal levels. Long-term interest rates projections are illustrated in Table 6 below.

TABLE 6

30-Year Treasury Bond Yield Actual Vs. Projection

Descriptior	Actual	2-Year Projected*	5- to 10-Year Projected
2019			
Q1	3.01%	3.50%	
Q2	2.78%	3.17%	3.6% - 3.8%
Q3	2.30%	2.70%	
Q4	2.30%	2.50%	3.2% - 3.7%
2020			
Q1	1.88%	2.57%	
Q2	1.38%	1.90%	3.0% - 3.8%
Q3	1.36%	1.87%	
Q4	1.62%	1.97%	2.8% - 3.6%
2021			
Q1	2.07%	2.23%	
Q2	2.26%	2.77%	3.5% - 3.9%
Q3	1.93%	2.63%	
Q4	1.95%	2.70%	3.4% - 3.8%
2022			
Q1	2.25%	2.87%	
Q2	3.04%	3.47%	3.8% - 3.9%
Q3	3.26%	3.63%	
Q4	3.90%	3.87%	3.9% - 4.0%
2023			
Q1	3.74%	3.77%	
Q2	3.80%	3.70%	3.8% - 3.9%
Q3	4.24%	3.83%	
Q4	4.58%	4.17%	4.1% - 4.2%
2024			
Q1	4.33%	4.03%	
Q2	4.57%	4.17%	4.3% - 4.4%

Source and Note:
Blue Chip Financial Forecasts , January 2019 through September 2024.
*Average of all 3 reports in Quarter.

XI.C. Utility Industry Credit Outlook

Q PLEASE DESCRIBE THE CREDIT RATING OUTLOOK FOR REGULATED UTILITIES.

A In Standard & Poor's (S&P) January 9, 2024, *Industry Credit Outlook 2024* industry credit outlook, it comments that North American regulated utilities' credit quality remains under pressure. In that report, it makes the following points:

1. Credit quality remains pressured due to natural disaster risks to infrastructure and record levels of capital spending;
2. S&P's outlook reflects its expectation of continued large capital spending, with consistent access to capital markets supported by continued supportive utility regulatory treatment;
3. The expectation that utilities will manage credit metrics by funding large capital spending with balanced amounts of debt and equity funding; and
4. Managing regulatory risk is especially highlighted during the large capital spending periods because utilities must prioritize rate affordability and the impacts on customer bills through this period.

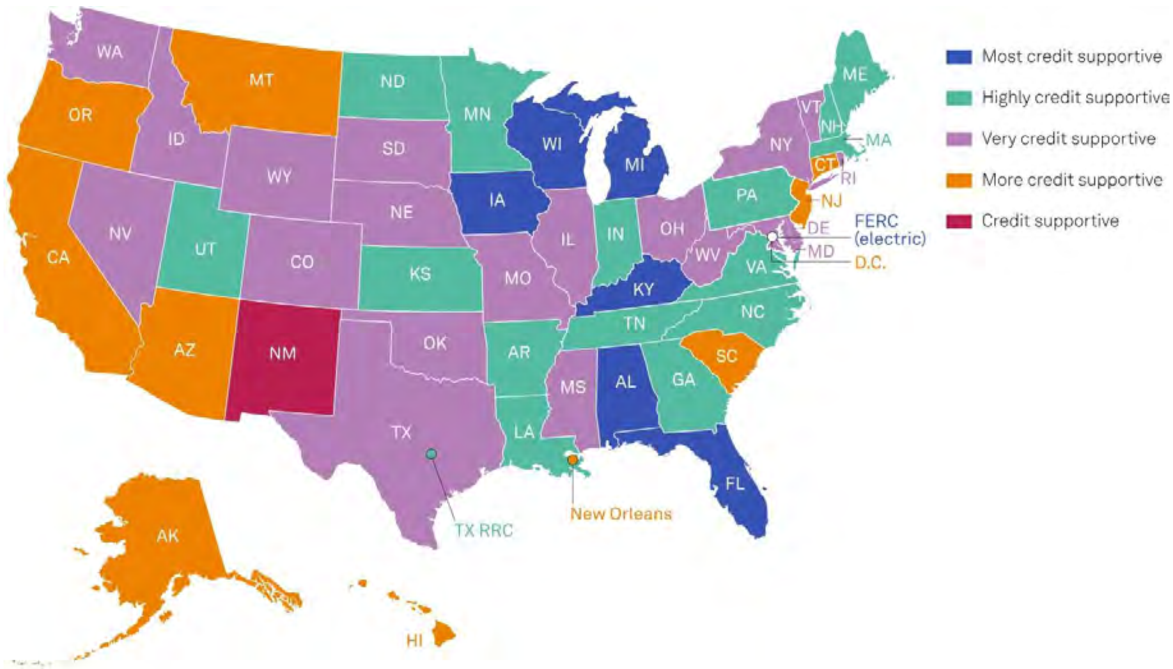
S&P notes that around 56% of the industry has stable credit rating outlooks, and the industry median credit rating remains in the BBB+ category.

S&P emphasizes the importance of effective utility management in managing regulatory risk and concludes that, to do so, "the industry must maintain the affordability of the customer bill."[35] From that standpoint, the credit rating agency provides a clear description of its assessment of regulatory treatment of utilities across the various jurisdictions. S&P's regulatory risk rating of U.S. jurisdictions is copied below.

[35] S&P Global, Ratings Industry Credit Outlook 2024: North American Regulated Utilities, January 9, 2024 at 8.

FIGURE 7

Regulatory Assessment by State[36]



Source: S&P Global Ratings.

As outlined in Figure 7 above, the Indiana jurisdiction is noted as "Highly Credit Supportive," which is an indication of the confidence the investment community has that the Commission's approved regulatory mechanisms provide utility management an ability to fully recover its cost of service. The regulatory mechanisms available to NIPSCO enhance the utility's ability to recover its cost of service while rates are in effect, particularly during a period of large capital investments and growing rate base.

[36] *Id*. at 9.

Q. PLEASE OUTLINE CREDIT AGENCIES' STATED CONCERN ABOUT RATE AFFORDABILITY AS A CREDIT RISK TO UTILITIES.

A. Credit rating agencies have been emphasizing rate affordability, maintaining adequate financial coverage of debt obligations, and supporting utilities' overall investment grade bond ratings.

In a recent industry report, Moody's explained that the regulated electric and gas utilities' outlook remains "Negative" largely due to increased pricing pressures on customers. Moody's stated that it changed its outlook from "Stable" to "Negative" due to the following:

> We have revised our outlook on the US regulated utilities sector to negative from stable. We changed the outlook because of increasingly challenging business and financial conditions stemming from higher natural gas prices, inflation, and rising interest rates. These developments raise residential <u>customer affordability issues</u>, increasing the level of uncertainty with regard to the timely recovery of costs for fuel and purchased power, as well as for rate cases more broadly.[37]

Also, in a report published in January 2024, S&P specifically mentioned commodity price volatility, with significant increases in electric utility capital investments, driving utility rate increases which may strain affordability concerns.[38]

Finally, Fitch Ratings ("Fitch") opined that the regulated electric and gas utilities' outlook is deteriorating due to elevated capex, which puts pressure on credit metrics. Fitch also notes the bill affordability concerns for ratepayers generally, and regulators' ability to balance the <u>rate requests with increasing customer bills</u>.

Specifically, Fitch states:

> Fitch's Sector Outlook: Deteriorating Fitch Ratings' deteriorating outlook for the North American Utilities, Power & Gas sector reflects continuing macroeconomic headwinds and elevated capex that are

[37]*Moody's Investors Service Outlook*: "Regulated Electric and Gas Utilities – US 2023 outlook negative due to higher natural gas prices, inflation and rising interest rates," November 10, 2022, at 1. (emphasis added).

[38]*S&P Global Ratings*: "Industry Credit Outlook 2024: North America Regulated Utilities," January 9, 2024, at 8.

> putting pressure on credit metrics in the high-cost funding environment.
> Bill Affordability concerns for ratepayers continue to persist despite the pull back in natural gas prices and inflationary pressures.[39]

As outlined by Moody's, S&P and Fitch above, credit analysts are focusing on rate affordability as an important factor needed to support strong credit standing. This is simply because customers must be able to afford to pay their utility bills for utilities to maintain their financial integrity and strong investment grade credit standing. For this reason, the Commission should carefully assess the reasonableness of cost of service in this proceeding, including an appropriate overall rate of return and a return on equity that represents fair compensation but also maintains competitive, just and reasonable rates.

XI.D. NIPSCO'S Investment Risk

Q PLEASE DESCRIBE THE MARKET'S ASSESSMENT OF THE INVESTMENT RISK OF NIPSCO.

A The market's assessment of NIPSCO's investment risk is described by credit rating analysts' reports. NIPSCO's current corporate bond ratings from S&P and Moody's are BBB+ and Baa1, respectively.[40] NIPSCO has its own credit ratings, but its ratings by S&P and Moody's are significantly influenced by its affiliation with NiSource Inc. due to the limited financial separation between NIPSCO and its parent company.

The Company's credit outlook from Moody's is "Stable" but importantly, NIPSCO's credit rating from Moody's is set at one notch above the credit rating of its parent company NiSource due to the substantial debt at the parent company and the lack of financial insulation between NIPSCO and NiSource.

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[39] Fitch Ratings, *North American Utilities, Power & Gas Outlook 2024* December 6, 2023, at 1. (Emphasis Added).
[40] Rea's Direct Testimony at 31.

Specifically, Moody's states:

> **Summary**
>
> Northern Indiana Public Service Company's (NIPSCO, Baa1 stable) credit profile reflects a favorable regulatory environment that provides timely recovery of investments. Our credit view of NIPSCO also considers its geographic concentration in northern Indiana, with a service territory that is heavily exposed to industrial customers. NIPSCO's rating is constrained by its parent NiSource Inc. (Baa2 stable), because the utility is dependent on NiSource for liquidity and external financing. NiSource's consolidated capital structure is highly leveraged, with an estimated 30% of consolidated debt not recoverable in utility rates and a relatively unrestricted ability to move cash across the corporate family.[41]

Similarly, S&P states the following:

> **Outlook: Stable**
>
> The stable outlook on NIPSCO mirrors our stable outlook on its parent, NiSource Inc. The stable outlook reflects our expectation that NiSource will continue to effectively manage its regulatory risk across its six regulatory jurisdictions and execute its clean energy transition plans, including the retirement of its coal-fired generation plants in Indiana. The stable outlook also reflects its potential sale of a minority stake in NIPSCO, which will strengthen the company's balance sheet and increase our anticipation it will maintain consolidated FFO to debt of 14%-15% through 2025.
>
> **Financial Risk**
>
> We assess NIPSCO's financial measures using our medial volatility benchmark ratios, which reflects its lower-risk regulated utility operations and effective management of regulatory risk. Central to our forecast is NIPSCO's modest load growth, continued use of rate riders, and annual capital spending averaging about $1.6 billion. As such, under our base-case scenario, we assume FFO to debt of about 22%-25% over the outlook period, which is consistent with the lower end of our range for its financial risk profile category.
>
> We apply a negative one-notch comparable ratings analysis adjustment to our anchor on NIPSCO to reflect our expectation

[41] *Moody's Investors Service Credit Opinion*: "Northern Indiana Public Service Company; Update to credit analysis," June 21, 2024, at 1-, provided by NIPSCO as 170 IAC 1-5-13(a)(10) at MSFR 0742, emphasis added.

> that its financial measures will remain at the lower end of our range for its financial risk profile category through our forecast.[42]

More recently, S&P assessed NIPSCO's gas rate case settlement as credit supportive. Specifically, the credit rating agency stated the following:

> ***Why it matters:*** <u>S&P Global Ratings assesses NIPSCO's multistep rate case settlement as supportive of its credit quality because it will support the company's financial measures, despite its rising capital spending and reduce regulatory lag.</u> The rate case settlement authorizes a base-rate increase totaling about $121 million, which will be implemented in two steps (expected in September 2024 and March 2025). The settlement is premised on a 9.75% return on equity (ROE). In its original request, NIPSCO requested an approximately $162 million multistep base rate increase based on a 10.70% ROE.[43]

Q HOW DOES NIPSCO'S BOND RATING COMPARE TO THAT OF THE S&P UTILITY INDEX?

A NIPSCO's bond rating of BBB+ places it adjacent to the low-end of the median for the S&P ratings for the electric utilities as shown above in my testimony in Table 4 I would note that with a BBB+ rating, approximately 46% of the industry has bond ratings stronger than NIPSCO, and approximately 13% of the industry has bond ratings weaker than that of NIPSCO. I note this is relevant in assessing the reasonableness of NIPSCO's capital structure as discussed below.

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[42]Standard & Poor's RatingsDirect®: "Northern Indiana Public Service Co.," May 5, 2023, at 2 and 4, emphasis added.

[43]Standard & Poor's RatingsDirect®: "Northern Indiana Public Service Co.'s Rate-Case Settlement Supports Its Credit Quality; NiSource Strong Q2 Earnings.," August 14, 2024, at 1, emphasis added.

Q YOU INDICATED THAT THE CREDIT RATING AGENCIES SET NIPSCO'S CREDIT RATING LARGELY ON THE BASIS OF THE CREDIT STANDING OF ITS PARENT COMPANY, NISOURCE. PLEASE EXPLAIN HOW THIS INTERRELATIONSHIP BETWEEN NIPSCO AND NISOURCE IMPACTS NIPSCO'S CREDIT RATING AND COST OF CAPITAL.

A NIPSCO's credit rating and cost of capital is intertwined with NiSource to a very significant degree. Indeed, as shown below in Table 7, about 99% of NIPSCO's outstanding debt is primarily obtained by advances from associated companies or from intercompany loans from NiSource Finance Corp., a wholly owned subsidiary of NiSource.

TABLE 7

NIPSCO Embedded Debt
December 31, 2025
(Millions)

Line	**Description**	**Embedded Debt (1)**	**Weight (2)**
1	Mid-Term Notes	$ 58.0	1%
2	NI Finance Corp.	$ 5,411.0	99%
3	Total	$ 5,469.0	100%

Source: Direct - 08 - CS-2-S2 Long-Term Debt.xlsx.

Most importantly, for over a quarter century NIPSCO has received nearly all of its debt capital from a NiSource affiliate rather than issue debt on its own. Indeed, per the Company's filing, NIPSCO has not issued long-term debt on its own since 1997. [44]

[44] IURC Public Information on CD Rom - Native Files Supporting Pro-Forma - Direct - 08 - CS-S2 Wps - Direct - 08 - CS-2-S2 Long-Term Debt.xlsx.

Rather, all long-term debt, and virtually all other debt, issuance after that date is based on intercompany notes from NiSource Finance Corp. Hence, not only is NIPSCO's bond rating closely tied to NiSource, its access to debt and cost of debt are tied, directly, to NiSource's own ability to access capital markets.

Q DOES S&P INDICATE A DIFFERENCE IN CREDIT RISK BETWEEN NISOURCE AND NIPSCO?

A Yes. S&P does highlight the negative impact on NIPSCO caused by its affiliation with NiSource. Specifically, as quoted above, as part of its credit rating review of NIPSCO, S&P noted affiliation as a source of increased risk for NIPSCO in arriving at its published bond rating. Specifically, NIPSCO's stand-alone S&P credit profile is "a-", but due to its affiliation risk, its issuer (corporate) credit rating is one notch lower, at BBB+. In comparison, NiSource also has an issuer (corporate) bond rating of BBB+, which is comparable to its stand-alone credit profile of "bbb+".[45]

Q HOW DO NISOURCE AND NIPSCO'S CAPITAL STRUCTURES COMPARE?

A NiSource's capital structure is more heavily leveraged than that of NIPSCO's. This impacts NIPSCO's credit rating and cost of capital. As shown below in Table 8, NiSource has a common equity ratio of only 41% of total investor capital, which compares to about a 59% common equity ratio for NIPSCO.

---

[45]Standard & Poor's RatingsDirect®Full Analysis: "NiSource Inc.," March 28, 2024.

TABLE 8

Capital Structure Weight

Description	NiSource[1]	NIPSCO[2]
Long-Term Debt	55%	41%
Common Equity	45%	59%
Total Regulatory Capital Structure	100%	100%

Sources:

[1]*Value Line* Investment Survey, November 24, 2024.
[2]Table 9, below.

Further, the debt leverage considered by credit rating agencies also includes an assessment of off-balance sheet financial obligations. Off-balance sheet financial obligations include obligations such as pension liabilities, purchased power agreements and operating leases. A comparison of NiSource's and NIPSCO's credit metric "adjusted" debt ratios from S&P compared to the industry adjusted debt ratio medians illustrates that NiSource is a highly leveraged company for its bond rating, whereas NIPSCO is significantly under leveraged relative to its peers in the utility industry.

TABLE 9

S&P Adjusted Debt Ratio
Value Line Utility Industry - Operating Subsidiaries
(Electric, Gas, and Water)

Rating	**Median**	**% Distribution of 3-Year Average (2021-2023)** **<45**	**45 to 50**	**50 to 55**	**>55**	**Utilities Per Category**
AA-	42.4%	100%	0%	0%	0%	1
A+	51.0%	14%	14%	57%	14%	3
A	48.2%	28%	33%	22%	17%	9
A-	49.2%	23%	30%	41%	6%	28
BBB+	50.7%	5%	23%	62%	9%	37
BBB	53.3%	0%	33%	33%	33%	6
NIPSCO*	**41.7%**					
NiSource**	**55.8%**					

Sources:
S&P Capital IQ, downloaded July 18, 2024.
* Attachment MPG-26, Page 3.
** S&P Capital IQ, downloaded December 5, 2024.

NIPSCO's adjusted debt ratio reflecting on and off-balance sheet leverage is about 41.7% based on the test year capital structure. As shown in Table 9 above, this credit metric debt ratio is well below the industry median BBB+ debt ratio of 50.7%. In fact, only 2 of 37 BBB+ rated utilities have a debt ratio below 45%, while the vast majority, some 71%, have a ratio of 50% or above. NiSource's own adjusted debt ratio is about 55.8% which places it at the opposite end of the spectrum from NIPSCO when measuring by the most leveraged companies with a bond rating of BBB+. Table 9 above indicates that NIPSCO's capital structure is excessively weighted with common equity compared to its peers, and is, unreasonably expensive relative to its bond rating. NIPSCO's 41.7% adjusted debt ratio should support a much stronger bond rating for

NIPSCO than its actual bond rating which, again, is eroded due to its affiliation with NiSource.

Q WOULD YOU PLEASE SUMMARIZE HOW THE RELATIONSHIP BETWEEN NISOURCE AND NIPSCO AFFECTS NIPSCO'S INDIANA RATEPAYERS?

A NiSource controls NISPCO's external capital, both in amount and impacts the cost. This means that NIPSCO's ratepayers are caught paying the higher cost of debt associated with NiSource's higher credit risk compared to if NIPSCO issue debt on it won at its standalone credit rating. This increases the cost of NIPSCO's debt. Also, NiSource controls NIPSCO access to capital which means it controls NIPSCO's capital structure weights of equity and debt. Because NIPSCO capital structure is too heavily weighted with common equity, NiSource impacts, that is increases, NIPSCO overall cost of capital. This drives the overall cost to ratepayers up.

Q CREDIT RATING AGENCIES NOTE NIPSCO'S SUPPORTIVE REGULATORY TREATMENT. ARE THERE SPECIFIC EXAMPLES THAT HELP ILLUSTRATE THIS REGULATORY RISK?

A Yes. NIPSCO and other Indiana utilities have very supportive regulatory mechanisms that significantly mitigate their cost-of-service recovery risk. NIPSCO describes its cost recovery mechanisms in its Federal Energy Regulatory Commission's ("FERC") Form 1 as follows:

> Alternative revenue programs represent regulator-approved mechanisms that allow for the adjustment of billings and revenue for certain approved programs. We maintain a variety of these programs, including demand side management initiatives that recover costs associated with the implementation of energy efficiency programs, as well as normalization programs that adjust revenues for the effects of weather or other external factors. Additionally, we maintain certain programs with future test periods that operate similarly to FERC formula

rate programs and allow for recovery of costs incurred to replace aging infrastructure.[46]

My Attachment MPG-10 lists the adjustment clauses that are tracked by Regulatory Research Associates for electric and gas utility companies. As shown on this schedule, the regulatory mechanisms or adjustment clauses allowed for Indiana utilities are very favorable relative to those around the country. Specifically, the line "Industry Frequency" indicates the frequencies of the regulatory adjustment mechanisms allowed for jurisdictions around the country.

As an example, almost all, 81%, of jurisdictions allow for cost recovery for commodities such as fuel and purchased power for electric utilities and natural gas for gas utilities. However, certain types of recovery mechanisms available to Indiana utilities, including NIPSCO, are rarer. Indeed, as noted on this table, nearly all of the Indiana utilities, including NIPSCO'selectric and gas operations, have rider mechanisms for certain capital cost recovery items. As shown on this schedule, NIPSCO is allowed to have a Transmission Expense Recovery Mechanism (electric costs), and a Transmission, Distribution and Storage System Improvement Charge ("TDSIC"). NIPSCO also has an Environmental Compliance Cost Recovery Mechanism. It is relatively rare across the country for these types of surcharge adjustment mechanisms to be used by utilities to recover their cost of service. These regulatory mechanisms essentially eliminate utility risk for recovery of the approved costs before the utility actually makes the investments. In this case, NIPSCO has identified system investment of about $2.0 Billion since its most recent base rate case, just two years ago, as the primary driver of the proposed increase in this case. The

[46]2023 FERC Form 1 at pdf page 32 of 144.

bulk of those investments were preapproved and subject to tracker recovery mechanisms, resulting in little or no risk to NIPSCO.[47]

As shown on Attachment MPG-10, page 2, the overall regulatory policies in Indiana have resulted in a regulatory ranking for Indiana of “Average/1”. This is one of the stronger ranking assessments, indicating favorable treatment to utilities for cost recovery mechanisms.

These documents illustrate that the favorable cost recovery mechanisms available to NIPSCO, and other Indiana utilities, significantly mitigate cost recovery risk. These cost recovery mechanisms support the credit rating agencies’ points of view discussed earlier, which express Indiana’s regulatory treatment of NIPSCO as highly credit supportive.[48] This means that NIPSCO’s regulatory treatment in Indiana results in a significant reduction in cost recovery risk, which lowers its investment risk. This reduced investment risk should be considered in awarding NIPSCO a fair overall rate of return, including return on equity.

XI.E. NIPSCO’s Proposed Capital Structure

Q WHAT IS THE COMPANY’S PROPOSED CAPITAL STRUCTURE?

A NIPSCO witness Mr. Weatherford sponsors the Company’s proposed capital structure, which is shown below in Table 10.

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[47] Whitehead Direct Testimony at 14-15.

[48] S&P Global, *Ratings Industry Credit Outlook 2024: North American Regulated Utilities,* January 8, 2024, at 8.

TABLE 10

NIPSCO Proposed Capital Structure
(December 31, 2025)

Line	Description	Regulatory Weight (1)	Investors Weight (2)
1	Long-Term Debt	37.56%	41.47%
2	Common Equity	53.01%	58.53%
3	Customer Deposits	0.41%	
4	Deferred Income Tax	11.62%	
5	Post Retirement Liability	-0.05%	
6	Post-1970 ITC	0.00%	
7	Prepaid Pension	-2.56%	
8	Total	100.00%	100.00%

Source: Attachment 3-A-S2, Page 5.

For the reasons outlined above, I believe NIPSCO's proposed ratemaking capital structure imposes excessive, and unreasonable, costs on its retail customers. NIPSCO's equity ratio is far too expensive relative to its bond rating, and the capital structure largely attributes credit benefits to support its parent company's bond rating, rather than being structured to support NIPSCO's regulated utility operations in Indiana.

While I do not believe NIPSCO's capital structure is reasonable for ratemaking purposes, it is my understanding that Indiana has previously declined to make pro forma adjustments to utilities' capital structures in order to ensure that the cost imposed on customers reflects efficient and economic management of the utility's capital structure. Nevertheless, I think it is appropriate for the Commission to consider the excessive cost NIPSCO imposes on ratepayers through its equity rich capital structure in determining a reasonable return on equity that reflects the Company's actual financial risk separate from its bond rating and ensuring that the overall rate of return and the resulting costs imposed on NIPSCO's customers are just and reasonable.

Q IS THERE ANY EVIDENCE THAT NIPSCO'S PROPOSED RATEMAKING CAPITAL STRUCTURE IS MORE EXPENSIVE THAN THAT GENERALLY RELIED ON BY REGULATED UTILITIES FOR SETTING RATES?

A Yes. NIPSCO's proposed capital structure which includes a 58.5% common equity ratio is not reasonable and imposes excessive costs on NIPSCO's retail customers. This capital structure is not reasonable for setting rates for several reasons including the following:

1. NIPSCO's proposed equity ratio for rate-setting purposes is substantially higher than the equity ratio normally used to set rates for regulated utility companies in the U.S. This means NIPSCO's rate of return would be much higher and more expensive than that used to set rates for other companies in the U.S. electric utility industry if a comparable return on equity is used.

2. The capital structure is out of line with the proxy group used to estimate a fair rate of return for NIPSCO's total investment risk.

While I am not proposing a specific capital structure adjustment, I do think NIPSCO's proposed equity-rich capital structure should be considered in determining a fair risk-adjusted rate of return on common equity in this proceeding.

Q HOW MUCH DOES NIPSCO'S EQUITY-THICK CAPITAL STRUCTURE INCREASE ITS COST OF SERVICE IN THIS PROCEEDING?

A As shown on my Attachment MPG-11, page 1, holding all of NIPSCO's proposed capital structure components constant with a return on equity at the midpoint of my range of 9.40%, and simply adjusting its ratemaking capital structure composition of investor capital from 59%/41% equity/debt to 50%/50% equity/debt would reduce its requested revenue requirement in this case by approximately $52.7 million.

Importantly, if on the other hand no change is made to any other aspect of NIPSCO's overall rate of return, except reducing my midpoint return on equity by 25-basis points to 9.15%, its revenue requirement would be reduced by $16.4 million as shown on Attachment MPG-11, page 2.

Hence, the cost to customers of NIPSCO's equity-thick capital structure is equivalent to setting the rate of return at the industry average ratemaking capital structure, with a 145 (10.60% - 9.15%) basis point return on equity adder.

Q HOW DOES NIPSCO'S PROPOSED RATEMAKING CAPITAL STRUCTURE COMPARE TO THOSE USED TO SET RATES IN THE UTILITY INDUSTRY?

A NIPSCO's capital structure has a far greater common equity ratio in comparison to authorized rate-setting capital structures allowed for electric and natural gas utilities over the last several years.

The reported common equity ratios of the capital structures used to set rates of return for regulated electric and natural gas utility companies by regulatory commissions are summarized in Table 11 below. As shown in this table, the electric utility industry average and median common equity ratios have generally fallen to around 51% over the last 10 years. The industry medians generally support common equity ratios of 50.00% up to 52.00%.

TABLE 11

Trends in State Authorized Common Equity Ratios
(Industry)

		Electric[1]		Natural Gas[1]	
Line	**Year**	**Average**	**Median**	**Average**	**Median**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
1	2013	50.12%	51.03%	51.16%	50.43%
2	2014	50.28%	50.00%	51.90%	51.99%
3	2015	50.24%	50.48%	49.79%	50.33%
4	2016	49.70%	49.99%	51.85%	51.35%
5	2017	50.02%	49.85%	51.13%	51.76%
6	2018	50.60%	50.23%	51.56%	51.40%
7	2019	51.55%	51.37%	52.72%	52.22%
8	2020	50.94%	51.17%	52.34%	52.00%
9	2021	51.01%	52.00%	51.63%	52.00%
10	2022	51.57%	51.92%	51.84%	52.00%
11	2023	51.59%	52.27%	52.45%	52.00%
12	2024	50.94%	52.10%	52.94%	51.75%
13	Min	49.70%	49.85%	49.79%	50.33%
14	Max	51.59%	52.27%	52.72%	52.22%
15	Average	50.69%	50.94%	51.67%	51.59%
16	Median	50.60%	51.03%	51.84%	51.99%
17	**NIPSCO**			**58.5%**[3]	

Source and Notes:
[1] S&P Global Market Intelligence; data through September 30, 2024.
- Excludes Arkansas, Florida, Indiana and Michigan because they include non-investor capital.

[2] Attachment 3-A-S2, Page 5.

As shown above in Table 11, the industry average and median common equity ratios for gas utilities over the last 10 years have been consistently about 50%-52%.

NIPSCO's proposed ratemaking capital structure, of approximately 58.5% equity, is significantly higher than the average and maximum equity ratio in both the electric and natural gas utility industries ratemaking capital structures.

Q WHY DOES USING AN EQUITY RATIO ABOVE THE INDUSTRY AVERAGE HAVE THE EFFECT OF INCREASING NIPSCO'S COST OF SERVICE?

A Using an equity-thick capital structure increases NIPSCO's rate of return and revenue requirement because common equity is the most expensive form of capital and is subject to income tax expense. For example, customers will pay a return of 12.73% for the revenue requirement to produce a 9.50% return on equity (9.50% x 1.34 gross-up). In comparison, customers will pay around 5.50% on debt capital because it is not subject to income tax expense. As such, common equity capital is about twice more expensive than debt capital.

Because of the significantly greater cost, a utility should finance its utility plant investments with a reasonable mix of debt and equity. Equity is needed to manage the level of financial risk to support strong investment grade credit. Too much common equity, however, increases a utility's rates above that necessary to support strong investment credit and reasonable access to capital markets. Conversely, a balanced capital structure will produce reasonable cost to customers, while still supporting a strong investment grade credit standing and in turn allowing a utility to fund necessary plant investment to maintain service quality and reliability. As such, a capital structure composed of a reasonable mix of debt and equity capital will support a utility's financial integrity and credit standing at the most reasonable and just prices to retail customers.

Q IN WHAT WAYS DOES NIPSCO'S CAPITAL STRUCTURE MITIGATE ITS BUSINESS AND REGULATORY RISK?

A NIPSCO's ratemaking capital structure does not balance its capital cost with reduced operating risk produced by the regulatory mechanisms offered in Indiana. Consequently, customers pay rates for an excessive equity-rich capital structure, while also assuming significant operating risk associated with regulatory mechanisms that allow NIPSCO to change rates or surcharges outside a rate case to recover increased cost of service. In other words, NIPSCO's ratemaking capital structure has costs far in excess of those necessary to maintain its bond rating, which mitigates its business risk. Since this excessive capital structure is also used in cost recovery mechanisms that allow NIPSCO to mitigate its cost recovery risk, NIPSCO is also able to mitigate its regulatory risk through its ability to fully recover its cost of service.

XI.F. Embedded Cost of Debt

Q WHAT IS NIPSCO'S EMBEDDED COST OF LONG-TERM DEBT?

A NIPSCO is proposing an embedded cost of long-term debt of 5.20% as developed on IURC Public Information on CD Rom - Native Files Supporting Pro-Forma - Direct - 08 - CS-S2 Wps - Direct - 08 - CS-2-S2 Long-Term Debt.xlsx. I have used NIPSCO's proposed embedded cost of long-term debt in my calculation of an overall weighted cost of capital.

XII. RETURN ON EQUITY

Q PLEASE DESCRIBE WHAT IS MEANT BY A "UTILITY'S COST OF COMMON EQUITY."

A A utility's cost of common equity is the expected return that investors require on an investment in the utility. Investors expect to earn their required return from receiving dividends and through stock price appreciation.

Q PLEASE DESCRIBE THE FRAMEWORK FOR DETERMINING A REGULATED UTILITY'S COST OF COMMON EQUITY.

A In general, determining a fair cost of common equity for a regulated utility has been framed by two hallmark decisions of the U.S. Supreme Court: <u>Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va.</u>, 262 U.S. 679 (1923) and <u>Fed. Power Comm'n v. Hope Natural Gas Co.</u>, 320 U.S. 591 (1944). In these decisions, the Supreme Court found that just compensation depends on many circumstances and must be determined by fair and enlightened judgments based on relevant facts. The Court found that a utility is entitled to such rates as were permitted to earn a return on its property devoted to the convenience of the public that is generally consistent with the same returns available in other investments of corresponding risk. The Court continued that the utility has no constitutional rights to profits such as those realized or anticipated in highly profitable enterprises or speculative ventures, and defined the ratepayer/investor balance as follows:

> The return should be reasonably sufficient to assure confidence in the <u>financial soundness</u> of the utility and should be adequate, under <u>efficient and economical management</u>, to maintain and <u>support its credit</u> and <u>enable it to raise the money</u> necessary for the proper discharge of its public duties.[49]

[49] *Bluefield,* 262 U.S. 679, 693 (1923), emphasis added.

As such, a fair rate of return is based on the expectation that the utility's costs reflect efficient and economical management, and the return will support its credit standing and access to capital, without being in excess of this level. From these standards, rates to customers will be just and reasonable, and under economic management, compensation to the utility will be fair and support its financial integrity and credit standing.

XII.A. Risk Proxy Group

Q PLEASE DESCRIBE HOW YOU IDENTIFIED A PROXY UTILITY GROUP THAT COULD BE USED TO ESTIMATE NIPSCO'S CURRENT MARKET COST OF EQUITY.

A I relied on the same electric and gas proxy groups developed by NIPSCO witness Mr. Rea. I believe these proxy groups are reasonably comparable total investment risk to NIPSCO.

Q PLEASE DESCRIBE WHY YOU BELIEVE YOUR ELECTRIC PROXY GROUP IS REASONABLY COMPARABLE IN INVESTMENT RISK TO NIPSCO.

A My electric proxy group is shown in Attachment MPG-12. The electric proxy group has an average credit rating from S&P of A-, which is a notch higher than NIPSCO's S&P rating of BBB+. The electric proxy group has an average Moody's credit rating of Baa1, which is identical to NIPSCO's Moody's rating.[50]

The electric proxy group has an average common equity ratio of 41.3% from S&P (including short-term debt) and a 45.1% equity ratio from *Value Line* (excluding

[50] Rea Direct Testimony at 31.

short-term debt). NIPSCO's equity ratio of 58.5%[51] is significantly higher than that of the proxy group average of 45.1%.

Q PLEASE DESCRIBE WHY YOU BELIEVE YOUR GAS PROXY GROUP IS REASONABLY COMPARABLE IN INVESTMENT RISK TO NIPSCO.

A My gas proxy group is also shown in Attachment MPG-12. The gas proxy group has an average credit rating from S&P of A-, which is a notch higher than NIPSCO's S&P rating of BBB+. The gas proxy has an average Moody's credit rating of A3, which is also a notch higher than NIPSCO's Moody's rating of Baa1.

My gas proxy group has an average common equity ratio of 41.6% from S&P (including short-term debt) and a 49.1% equity ratio from *Value Line* (excluding short-term debt). NIPSCO's equity ratio of 58.5% is significantly higher than that of the gas proxy group average of 49.1%.

Therefore, my proxy groups produce conservative return on equity estimates.

XII.B. DCF Model

Q PLEASE DESCRIBE THE DCF MODEL.

A The DCF model posits that a stock price is valued by summing the present value of expected future cash flows discounted at the investor's required rate of return or cost of capital. This model is expressed mathematically as follows:

$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} \;....\; \frac{D_\infty}{(1+K)^\infty} \qquad \text{(Equation 1)}$$

P_0 = Current stock price
D = Dividends in periods 1 - ∞
K = Investor's required return

51 Weatherford Direct Testimony, Attachment 3-A-S2, Page 5.

This model can be rearranged to estimate the discount rate or investor-required return, known as "K." If it is reasonable to assume that earnings and dividends will grow at a constant rate, then Equation 1 can be rearranged as follows:

$$K = D_1/P_0 + G \qquad \text{(Equation 2)}$$

K = Investor's required return
D_1 = Dividend in first year
P_0 = Current stock price
G = Expected constant dividend growth rate

Equation 2 is referred to as the annual "constant growth" DCF model.

Q PLEASE DESCRIBE THE INPUTS TO YOUR CONSTANT GROWTH DCF MODEL.

A As shown in Equation 2 above, the DCF model requires a current stock price, expected dividend, and expected growth rate in dividends.

Q WHAT STOCK PRICE DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?

A I relied on the average of the weekly high and low stock prices of the utilities in the proxy group over a 13-week period ending on November 1, 2024. An average stock price is less susceptible to market price variations than a price at a single point in time. Therefore, an average stock price is less susceptible to aberrant market price movements, which may not reflect the stock's long-term value.

A 13-week average stock price reflects a period that is still short enough to contain data that reasonably reflects current market expectations, but the period is not so short as to be susceptible to market price variations that may not reflect the stock's long-term value. In my judgment, a 13-week average stock price is a reasonable balance between the need to reflect current market expectations and the need to capture sufficient data to smooth out aberrant market movements.

Q WHAT DIVIDEND DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?

A I used the most recently paid quarterly dividend as reported in *Value Line*.[52] This dividend was annualized (multiplied by 4) and adjusted for next year's growth to produce the D_1 factor for use in Equation 2 above. In other words, I calculate D_1 by multiplying the annualized dividend (D_0) by (1+G).

Q WHAT DIVIDEND GROWTH RATES DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?

A There are several methods that can be used to estimate the expected growth in dividends. However, regardless of the method, to determine the market-required return on common equity, one must attempt to estimate investors' consensus about what the dividend, or earnings growth rate, will be and not what an individual investor or analyst may use to make individual investment decisions.

As predictors of future returns, securities analysts' growth estimates have been shown to be more accurate than growth rates derived from historical data.[53] That is, assuming the market generally makes rational investment decisions, analysts' growth projections are more likely to influence investors' decisions, which are captured in observable stock prices, than growth rates derived only from historical data.

For my constant growth DCF analysis, I have relied on a consensus, or mean, of professional securities analysts' earnings growth estimates as a proxy for investor consensus dividend growth rate expectations. I used the average of analysts' growth rate estimates from three sources: Zacks, MI, and Yahoo! Finance. All such projections were available on November 1, 2024, and all were reported online.

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[52] *The Value Line Investment Survey*, August 23 and October 4, 2024.

[53] *See, e.g.*, David Gordon, Myron Gordon & Lawrence Gould, "Choice Among Methods of Estimating Share Yield," *The Journal of Portfolio Management*, Spring 1989.

Each consensus growth rate projection is based on a survey of securities analysts. There is no clear evidence whether a particular analyst is most influential on general market investors. Therefore, a single analyst's projection does not predict consensus investor outlook as reliably as does a consensus of market analysts' projections. The consensus estimate is a simple arithmetic average, or mean, of surveyed analysts' earnings growth forecasts. A simple average of the growth forecasts gives equal weight to all surveyed analysts' projections. Therefore, a simple average, or arithmetic mean, of analyst forecasts is a good proxy for market consensus expectations.

Q WHAT ARE THE GROWTH RATES YOU USED IN YOUR CONSTANT GROWTH DCF MODEL?

A The growth rates I used in my DCF analysis are shown in Attachment MPG-13. The average growth rate for my electric proxy group is 6.50%. The average growth rate for my gas proxy group is 5.75%.

Q WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF MODEL?

A As shown in Attachment MPG-14, the average and median constant growth DCF returns for my electric proxy group for the 13-week analysis are 10.11% and 10.42%, respectively. The average and median constant growth DCF returns for my gas proxy group for the 13-week analysis are 9.69% and 10.01%, respectively.

Q DO YOU HAVE ANY COMMENTS ON THE RESULTS OF YOUR CONSTANT GROWTH DCF ANALYSIS?

A Yes. The constant growth DCF analysis for my electric and gas proxy groups is based on an average long-term sustainable growth rates of 6.50% and 5.75%, respectively. The three- to five-year growth rate is higher than my estimate of a maximum long-term sustainable growth rate of 4.10%.

Q HOW DID YOU ESTIMATE A MAXIMUM LONG-TERM SUSTAINABLE GROWTH RATE?

A The long-term sustainable growth rate for a utility stock cannot exceed the growth rate of the economy in which it sells its goods and services. The long-term maximum sustainable growth rate for a utility investment is, accordingly, best proxied by the projected long-term Gross Domestic Product ("GDP") growth rate as that reflects the projected long-term growth rate of the economy as a whole. While growth rates over shorter periods can exceed the GDP growth rate, those short-term growth periods are likely followed by other periods where the growth rate is below the GDP. On average, over long periods of time, the growth rate is most accurately approximated by the long-term growth rate outlooks of the U.S. GDP.

Blue Chip Economic Indicators projects that over the next 5 to 10 years, the U.S. nominal GDP will grow at an annual rate of approximately 4.1%. These GDP growth projections reflect a real growth outlook of around 2.0% and an inflation outlook of around 2.2% going forward. As such, the average nominal growth rate over the next 5 to 10 years is around 4.1%, which I believe is a reasonable proxy of long-term sustainable growth.[54]

[54] *Blue Chip Economic Indicators*, October 10, 2024, at 14.

Q IS THERE INDEPENDENT AUTHORITATIVE SUPPORT FOR USING LONG-TERM GDP GROWTH AS A MAXIMUM SUSTAINABLE GROWTH RATE?

A Yes. In my multi-stage growth DCF analysis, I discuss academic and investment practitioner support for using the projected long-term GDP growth outlook as a maximum sustainable growth rate projection. Using the long-term GDP growth rate, however, as a conservative projection for the maximum sustainable growth rate is logical and is generally consistent with academic and economic practitioner accepted practices.

XII.C. Sustainable Growth DCF

Q PLEASE DESCRIBE HOW YOU ESTIMATED A SUSTAINABLE LONG-TERM GROWTH RATE FOR YOUR SUSTAINABLE GROWTH DCF MODEL.

A A sustainable growth rate is based on the percentage of the utility's earnings that is retained and reinvested in utility plant and equipment. These reinvested earnings increase the earnings base (rate base). Earnings grow when plant funded by reinvested earnings is put into service, and the utility is allowed to earn its authorized return on such additional rate base investment.

The internal growth methodology is tied to the percentage of earnings retained by the utility and not paid out as dividends. The earnings retention ratio is 1 minus the dividend payout ratio. As the payout ratio declines, the earnings retention ratio increases. An increased earnings retention ratio will fuel stronger growth as the business funds more investments with retained earnings.

The payout ratios of the proxy group are shown in my Attachment MPG-15. These dividend payout ratios and earnings retention ratios then can be used to develop a sustainable long-term earnings retention growth rate. A sustainable long-term earnings retention ratio will help gauge whether analysts' current three- to five-year growth rate projections can be sustained over an indefinite period of time.

The data used to estimate the long-term sustainable growth rate is based on NIPSCO's current market-to-book ratio and on *Value Line*'s three- to five-year projections of earnings, dividends, earned returns on book equity, and stock issuances.

As shown in Attachment MPG-16, the average sustainable growth rate using this internal growth rate model is 5.06% for my electric proxy group and 4.64% for my gas proxy group. However, I would point out that prior to accounting for the external sale of additional shares, the internal growth rate for the proxy groups ranges from 3.93to 4.63%. this range demonstrates that a 4.10% going forward maximum growth rate is reasonable.

Q WHAT IS THE DCF ESTIMATE USING THESE SUSTAINABLE LONG-TERM GROWTH RATES?

A A DCF estimate based on these sustainable growth rates is developed in Attachment MPG-17. As shown there, the sustainable growth DCF analysis produces electric proxy group average and median DCF results for the 13-week period of 8.61% and 8.49%, respectively. The average and median DCF results for my gas proxy group are 8.55% and 8.56%, respectively.

XII.D. Multi-Stage Growth DCF Model

Q HAVE YOU CONDUCTED ANY OTHER DCF STUDIES?

A Yes. My first constant growth DCF is based on consensus analysts' growth rate projections, so it is a reasonable reflection of rational investment expectations over the next three to five years. The limitation on this constant growth DCF model is that it cannot reflect the rational expectation that a period of high or low short-term growth can be followed by a change in growth to a rate that better reflects long-term sustainable growth. Therefore, I performed a multi-stage growth DCF analysis to reflect this outlook of changing growth expectations.

Q WHY DO YOU BELIEVE GROWTH RATES CAN CHANGE OVER TIME?

A Analyst-projected growth rates over the next three to five years will change as utility earnings growth outlooks change. Utility companies go through cycles in making investments in their systems. When utility companies are making large investments, their rate base grows rapidly, which in turn accelerates earnings growth. Once a major construction cycle is completed or levels off, growth in the utility rate base slows and its earnings growth slows from an abnormally high three- to five-year rate to a lower sustainable growth rate.

As major construction cycles extend over longer periods of time, even with an accelerated construction program, the growth rate of the utility will slow simply because the pace of rate base growth will slow and because the utility has limited human and capital resources available to expand its construction program. Therefore, the three- to five-year growth rate projection should only be used as a long-term sustainable growth rate in concert with a reasonable, informed judgment as to whether it reflects the current market environment, the industry, and whether the three- to five-year growth outlook is actually sustainable.

Q PLEASE DESCRIBE YOUR MULTI-STAGE GROWTH DCF MODEL.

A The multi-stage growth DCF model reflects the possibility of non-constant growth for a company over time. The multi-stage growth DCF model reflects three growth periods:

(1) a short-term growth period consisting of the first five years; (2) a transition period, consisting of the next five years (6 through 10); and (3) a long-term growth period starting in year 11 through perpetuity.

For the short-term growth period, I relied on the consensus analysts' growth projections I used above in my constant growth DCF model. For the transition period, the growth rates were reduced or increased by an equal factor reflecting the difference between the analysts' growth rates and the long-term sustainable growth rate. For the long-term growth period, I assumed each company's growth would converge to the maximum sustainable long-term growth rate, which is the projected long-term GDP growth rate.

Q WHY IS THE GDP GROWTH PROJECTION A REASONABLE PROXY FOR THE MAXIMUM SUSTAINABLE LONG-TERM GROWTH RATE?

A Utilities cannot indefinitely sustain a growth rate that exceeds the growth rate of the economy in which they sell services. Utilities' earnings/dividend growth is fueled by increased utility investment or rate base. Such investment, in turn, is driven by service area economic growth and demand for utility service. In other words, utilities invest in plant to meet sales demand growth. Sales growth, in turn, is tied to economic growth in their service areas.

The U.S. Department of Energy, Energy Information Administration ("EIA") has observed utility sales growth tracks U.S. GDP growth, albeit at a lower level, as shown in Attachment MPG-18. Utility sales growth, which is a proxy for revenue growth, has lagged behind GDP growth for more than a decade. As a result, nominal GDP growth, which tracks economic revenue changes via sales and price changes, is a very conservative proxy for utility financial growth - revenue growth, rate base growth, and earnings growth. Therefore, the U.S. GDP nominal growth rate is a reasonable proxy for the highest sustainable long-term growth rate of a utility.

Q IS THERE RESEARCH THAT SUPPORTS YOUR POSITION THAT, OVER THE LONG TERM, A COMPANY'S EARNINGS AND DIVIDENDS CANNOT GROW AT A RATE GREATER THAN THE GROWTH OF THE U.S. GDP?

A Yes. This concept is supported in published analyst literature and academic work. Specifically, in "Fundamentals of Financial Management," a textbook published by Eugene Brigham and Joel F. Houston, the authors state:

> The constant growth model is most appropriate for mature companies with a stable history of growth and stable future expectations. Expected growth rates vary somewhat among companies, but <u>dividends for mature firms are often expected to grow in the future at about the same rate as nominal gross domestic product (real GDP plus inflation)</u>.[55]

The use of the economic growth rate is also supported by investment practitioners as outlined as follows:

> **Estimating Growth Rates**
>
> One of the advantages of a three-stage discounted cash flow model is that it fits with life cycle theories in regard to company growth. In these theories, companies are assumed to have a life cycle with varying growth characteristics. Typically, the potential for extraordinary growth in the near-term eases over time and eventually growth slows to a more stable level.
>
> * * *
>
> Another approach to estimating long-term growth rates is to focus on estimating the overall economic growth rate. Again, this is the approach used in the *Ibbotson Cost of Capital Yearbook*. To obtain the economic growth rate, a forecast is made of the growth rate's component parts. Expected growth can be broken into two main parts: expected inflation and expected real growth. By analyzing these components separately, it is easier to see the factors that drive growth.[56]

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[55] *"Fundamentals of Financial Management*," Eugene F. Brigham & Joel F. Houston, Eleventh Edition 2007, Thomson South-Western, a Division of Thomson Corporation at 298, emphasis added.

[56] *Morningstar, Inc., Ibbotson SBBI 2013 Valuation Yearbook* at 51 and 52.

Q ARE THERE ACTUAL INVESTMENT RESULTS THAT SUPPORT THE THEORY THAT THE GROWTH ON STOCK INVESTMENTS WILL NOT EXCEED THE NOMINAL GROWTH OF THE U.S. GDP?

A Yes. This is evident by a comparison of the compound annual growth of the U.S. GDP to the geometric growth of the U.S. stock market. Kroll measures the historical geometric growth of the U.S. stock market over the period 1926-2023 to be approximately 6.2%.[57] During this same time period, the U.S. nominal compound annual growth of the U.S. GDP was approximately 6.0%.[58]

As such, over the past 95 years, the geometric average growth of the U.S. nominal GDP has been slightly higher than, but comparable to, the geometric average growth of the U.S. stock market capital appreciation. This historical relationship indicates that the U.S. GDP growth outlook is a reasonable estimate of the long-term sustainable growth of U.S. stock investments.

Q WHAT IS THE GEOMETRIC AVERAGE AND WHY IS IT APPROPRIATE TO USE THIS MEASURE TO COMPARE GDP GROWTH TO CAPITAL APPRECIATION IN THE STOCK MARKET?

A The terms geometric average growth rate and compound annual growth rate are used interchangeably. The geometric average growth rate is the calculated growth rate, or return, which measures the magnitude of growth from start to finish. The geometric average is best, and most often, used as a measurement of performance or growth over a long period of time.[59] Because I am comparing achieved growth in the stock

[57] Kroll, 2023 SBBI Yearbook at 137, Market Direct.

[58] U.S. Bureau of Economic Analysis, Table 1.1.5 Gross Domestic Product, Revised May 30, 2024.

[59] *New Regulatory Finance*, Roger Morin, PhD, at 133-134.

market to achieved growth in U.S. GDP over a long period of time, the geometric average growth rate is most appropriate.

Q HOW DID YOU DETERMINE A LONG-TERM GROWTH RATE THAT REFLECTS THE CURRENT CONSENSUS MARKET PARTICIPANT OUTLOOK?

A I relied on the economic consensus of long-term GDP growth projections. *Blue Chip Economic Indicators* publishes the consensus for GDP growth projections twice a year. These consensus GDP growth outlooks are the best available measure of the market's assessment of long-term GDP growth because the analysts' projections reflect all current outlooks for GDP. They are therefore likely the most influential on investors' expectations of future growth outlooks. The consensus projections published GDP growth rate outlook is 4.1% over the next 5 to 10 years.[60]

I propose to use the consensus for projected five-year average GDP growth rates of 4.1%, as published by *Blue Chip Economic Forecasts*, as an estimate of long-term sustainable growth. *Blue Chip Financial Forecasts* projections provide real GDP growth projections of 2.0% and inflation of approximately 2.2% over the next 5 to 10-year (2026-2035) period, resulting in an average projected nominal annual GDP growth projection of 4.1%.[61] These GDP growth forecasts most accurately reflect the expectations of market participants because they are based on published economic consensus projections.

[60] *Blue Chip Economic Indicators*, October 10, 2023, at 14.
[61] *Id*.

Q DO YOU CONSIDER OTHER SOURCES OF PROJECTED LONG-TERM GDP GROWTH?

A Yes, and these alternative sources corroborate the consensus analysts' projections I relied on. Various, commonly relied upon analysts' projections are shown in Table 12 below.

TABLE 12

GDP Forecasts

Source	Projected Period	Real GDP	Inflation	Nominal GDP
Blue Chip Economic Indicators [1]	5-10 Yrs	2.0%	2.2%	4.1%
EIA - Annual Energy Outlook [2]	27 Yrs	1.9%	2.3%	4.3%
Congressional Budget Office [3]	30 Yrs	1.7%	2.0%	3.8%
Moody's Analytics [4]	31 Yrs	1.9%	2.1%	4.1%
Social Security Administration [5]	76 Yrs	1.6%	2.4%	4.0%
Economist Intelligence Unit [6]	31 Yrs	1.7%	2.2%	4.0%

Sources:
[1] Blue Chip Economic Indicators, October 10, 2024 at 14.
[2] U.S. Energy Information Administration (EIA), Annual Energy Outlook 2023, September, 2022.
[3] Congressional Budget Office, Long-Term Budget Outlook, March 28, 2024.
[4] Moody's Analytics Forecast, last updated March 20, 2024.
[5] Social Security Administration, "2024 OASDI Trustees Report," Table VI.G6. May 6, 2024.
[6] S&P MI, Economist Intelligence Unit, downloaded on November 5, 2024.

As shown in Table 12, the real GDP and inflation fall in the range of 1.6% to 2.0% and 2.0% to 2.4%, respectively. This results in a nominal GDP in the range of 3.8% to 4.3%.

Therefore, the nominal GDP growth projections made by these independent sources support my use of 4.1% as a reasonable estimate of market participants' expectations for long-term GDP growth.

Q WHAT STOCK PRICE, DIVIDEND, AND GROWTH RATES DID YOU USE IN YOUR MULTI-STAGE GROWTH DCF ANALYSIS?

A I relied on the same 13-week average stock prices and the most recent quarterly dividend payment data discussed above. For stage one growth, I used the consensus analysts' growth rate projections discussed above in my constant growth DCF model. The first stage covers the first five years, consistent with the time horizon of the securities analysts' growth rate projections. The second stage, or transition stage, begins in year 6 and extends through year 10. The second stage growth transitions the growth rate from the first stage to the third stage using a straight linear trend. For the third stage, or long-term sustainable growth stage, starting in year 11, I used a 4.1% long-term sustainable growth rate based on the consensus economists' long-term projected nominal GDP growth rate.

Q WHAT ARE THE RESULTS OF YOUR MULTI-STAGE GROWTH DCF MODEL?

A As shown in Attachment MPG-19, the average and median DCF returns on equity for my electric proxy group using the 13-week average stock price are 8.20% and 8.33%, respectively. The average and median DCF returns on equity for my gas proxy group are 8.37% and 8.34%, respectively.

XII.E. DCF Summary Results

Q PLEASE SUMMARIZE THE RESULTS FROM YOUR DCF ANALYSES.

A The results from my DCF analyses are summarized in Table 13 below:

TABLE 13

Summary of DCF Results

	Electric		Gas	
Description	**Average**	**Median**	**Average**	**Median**
Constant Growth DCF Model (Analysts' Growth)	10.11%	10.42%	9.69%	10.01%
Constant Growth DCF Model (Sustainable Growth)	8.61%	8.49%	8.55%	8.56%
Multi-Stage Growth DCF Model	8.20%	8.33%	8.37%	8.34%
Average	**8.97%**	**9.08%**	**8.87%**	**8.97%**

Based on the current market conditions, my DCF studies indicate a fair return on equity for NIPSCO of 9.10%. This DCF point estimate is the approximate average of the proxy group average and median DCF results. This average includes the very high estimates based on current analysts' unsustainably high 3–5-year growth rate outlooks, and also gives consideration to my sustainable growth and multi-stage growth DCF models that reflect more reasonable and accurate estimates of long-term sustainable growth outlooks.

XII.F. Risk Premium Model

Q PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.

A This model is based on the principle that investors require a higher return to assume greater risk. Common equity investments have greater risk than bonds because bonds have more security of payment in bankruptcy proceedings than common equity and the coupon payments on bonds represent contractual obligations. In contrast, companies are not required to pay dividends or guarantee returns on common equity investments. Therefore, common equity securities are considered to be riskier than bond securities.

This risk premium model is based on two estimates of an equity risk premium. First, I quantify the difference between regulatory commission-authorized returns on common equity and contemporary U.S. Treasury bonds. The difference between the authorized return on common equity and the Treasury bond yield is the risk premium. I estimated the risk premium on an annual basis for each year from 1986 through 2024. The authorized returns on equity were based on regulatory commission-authorized returns for utility companies. Authorized returns are typically based on expert witnesses' estimates of the investor-required return at the time of the proceeding.

The second equity risk premium estimate is based on the difference between regulatory commission-authorized returns on common equity and contemporary "A" rated utility bond yields by Moody's. I selected the period 1986 through 2024 because public utility stocks have consistently traded at a premium to book value during that period. This is illustrated in Attachment MPG-20, which shows the market-to-book ratio since 1986 for the utility industry was consistently above a multiple of 1.0x. Over this period, an analyst can infer that authorized returns on equity were sufficient to support market prices that at least exceeded book value. This is an indication that commission authorized returns on common equity supported a utility's ability to issue additional common stock without diluting existing shares. It further demonstrates utilities were able to access equity markets without a detrimental impact on existing shareholders.

Based on this analysis, as shown in Attachment MPG-21, the average indicated equity risk premium over U.S. Treasury bond yields has been 5.70% (electric) and 5.62% (gas). Since the risk premium can vary depending upon market conditions and changing investor risk perceptions, I believe using an estimated range of risk premiums provides the best method to measure the current return on common equity for a risk premium methodology.

I incorporated five-year and ten-year rolling average risk premiums over the study period to gauge the variability over time of risk premiums. These rolling average risk premiums mitigate the impact of anomalous market conditions and skewed risk premiums over an entire business cycle. As shown on my Attachment MPG-21, the five-year rolling average electric risk premium over Treasury bonds ranged from 4.25% to 7.09%, with an average of 5.73%. The ten-year rolling average electric risk premium ranged from 4.38% to 6.91%, with an average of 5.75%. The five-year rolling average gas risk premium over Treasury bonds ranged from 4.17% to 7.15%, with an average of 5.67%. The ten-year rolling average gas risk premium ranged from 4.30% to 6.91%, with an average of 5.67%.

As shown on my Attachment MPG-22, the average indicated equity risk premium over contemporary "A" rated Moody's utility bond yields was 4.34% (electric) and 4.26% (gas). The five-year rolling average electric risk premiums ranged from 2.88% to 5.90%, with an average of 4.39%. The ten-year rolling average electric risk premiums ranged from 3.20% to 5.73%, with an average of 4.39%. The five-year rolling average gas risk premiums ranged from 2.80% to 5.96%, with an average of 4.32%. The ten-year rolling average gas risk premiums ranged from 3.11% to 5.74%, with an average of 4.31%.

Q DO YOU BELIEVE THAT THE TIME PERIOD USED TO DERIVE THESE EQUITY RISK PREMIUM ESTIMATES IS APPROPRIATE TO FORM ACCURATE CONCLUSIONS ABOUT CONTEMPORARY MARKET CONDITIONS?

A Yes. Contemporary market conditions can change during the period that the rates determined in this proceeding will be in effect. A relatively long period of time where stock valuations reflect premiums to book value indicates that the authorized returns on equity and the corresponding equity risk premiums were supportive of investors' return expectations and provided utilities access to the equity markets under reasonable terms and conditions. Further, this time period is long enough to smooth any abnormal market movement that might distort equity risk premiums. While market conditions and risk premiums do vary over time, this historical time period is a reasonable period to estimate contemporary risk premiums.

Alternatively, some studies, such as Kroll, have recommended that the use of "actual achieved investment return data" in a risk premium study should be based on long historical time periods. The studies find that achieved returns over short time periods may not reflect investors' expected returns due to unexpected and abnormal stock price performance. Short-term, abnormal actual returns would be smoothed over time and the achieved actual investment returns over long time periods would approximate investors' expected returns. Therefore, it is reasonable to assume that averages of annual achieved returns over long time periods will generally converge on the investors' expected returns.

My risk premium study is based on data that inherently relied on investor expectations, not actual investment returns, and, thus, need not encompass a very long historical time period.

Q WHAT DOES CURRENT OBSERVABLE MARKET DATA SUGGEST ABOUT INVESTOR PERCEPTIONS OF UTILITY INVESTMENTS?

A The equity risk premium should reflect the relative market perception of risk today in the utility industry. I have gauged investor perceptions in utility risk today in Attachment MPG-23, where I show the yield spread between utility bonds and Treasury bonds over the last 45 years. As shown in this attachment, the average utility bond yield spreads over Treasury bonds for "A" and "Baa" rated utility bonds for this historical period are 1.48% and 1.90%, respectively. The utility bond yield spreads over Treasury bonds for "A" and "Baa" rated utilities in 2022 were 1.61% and 1.91%, respectively. In 2023, the spreads have declined to 1.45% for "A" rated utilities and 1.75% for "BBB" utilities. More recently, the spreads have decreased even further to 1.18% for "A" rated utilities and 1.40% for "BBB" utilities.

Historically, I relied on the 13-week average bond yields. However, Moody's stopped publishing those on its website, so I started using the Mergent Bond Record, which reports the utility yields on a monthly basis. The current 3-month average "A" rated utility bond yield of 5.33% when compared to the current Treasury bond yield of 4.19%, as shown in Attachment MPG-24, implies a yield spread of 1.14%. This current utility bond yield spread is lower than the 45-year average spread for "A" rated utility bonds of 1.48 percent. The current spread for the "Baa" rated utility bond yield of 1.35% is also lower than the 44-year average spread of 1.90%

Q IS THERE OBSERVABLE MARKET EVIDENCE TO HELP GAUGE MARKET RISK PREMIUMS?

A Yes. Market data illustrates how the market is pricing investment risk and gauging the current demands for returns based on securities of varying levels of investment risk.

This market evidence includes bond yield spreads for different bond return ratings as implied by the yield spreads for Treasury, corporate and utility bonds. These spreads provide an indication of the market's return requirement for securities of different levels of investment risk and required risk premiums.

Table 14 below summarizes the utility and corporate bond spreads relative to Treasury bond yields.

TABLE 14

Electric Yield Spreads - Risk Premium

Year	Utility Bonds[1] A - T	Utility Bonds[1] Baa - T	Utility Stock Spreads[2] 30-Year Treasury	Utility Stock Spreads[2] A	Forward Inflation
	(1)	(2)	(3)	(4)	(5)
Average Historical Spread	1.31%	1.81%	-0.41%	0.90%	2.17%
2022	1.61%	1.91%	-0.31%	1.32%	2.64%
2023	1.45%	1.75%	0.24%	1.69%	2.48%
2024	1.18%	1.40%	0.35%	1.51%	2.42%
3-Month Current Spreads:[3]					
Utility Bond	1.14%	1.35%			
Utility Stock			0.68%	1.82%	

Sources:
Average Historical Spread period; 2006 - 2024.
[1] Attachment MPG-23.
[2] Attachment MPG-9, page 5.
[3] Attachment MPG-24, page 1.

As outlined in the table above, the 2024 A rated utility bond to Treasuries spread is lower than the spread over the last several years and the historical average. The same is true for Baa utility bond to Treasury bond spreads. This indicates the market is demanding a lower return risk premium for investing in higher risk securities, utility bonds vs. T-bonds. The historical stock and bond yields and the Treasury yield long-term averages are distorted due to the market valuation distress realized during the COVID 19 pandemic. However, during the three-month period used to measure

NIPSCO's return on equity in this case, market data support a finding that market risk premiums are still slightly below historical average risk premium. Utility bond yield spreads to Treasury are still below average. Utility stock yield spreads to utility bonds have returned to spreads experienced before the COVID 19 pandemic.

Finally the current market inflation outlooks are now closer to 2.50%, this is lower than what the inflation has been over the past several years and also has declined to align with the long-term historical average. This indicates the market is becoming more comfortable with the Fed's ability to control inflation, which impacts market required returns for both bond and equity securities.

Based on this assessment of observable risk premiums in the market, I conclude that equity risk premiums in the current marketplace are slightly below the historical norm.

Q WHAT IS YOUR RECOMMENDED RETURN FOR NIPSCO BASED ON YOUR RISK PREMIUM STUDY?

A As outlined above, the current market is reflecting high premiums for investing in securities of greater levels of investment risk. Based on this observation, I propose to be conservative in applying a risk premium analysis. For these reasons, I recommend a risk premium near the historical average to reflect the observable market evidence of the equity risk premiums reflected in utility stock, bond and Treasury bond valuations.

For Treasury bond yields, I considered the five-year rolling average historical risk premium of 5.73% (electric) and 5.67% (gas). The average utility risk premium is 5.70% based on current market observable risk premium spreads. I will use a Treasury bond risk premium of 5.40% which is about 95% of the historical average risk premium (5.70% x 0.95), or slightly below the normal risk premium suggested to be reasonable based on market evidence. This risk premium and a projected 30-year Treasury bond yield of 4.20% produces an indicated equity risk premium of 9.60% (5.40% plus 4.20%).

A risk premium based on utility bond yields reflects current observable bond yields as measured by the five-year rolling average risk premium estimate of 4.39% (electric) and 4.32% (gas), with an average of 4.35%, as shown on Attachment MPG-16. The 3-month average A rated utility bond yield of 5.33%, as shown on my Attachment MPG-24, page 1. As outlined above, the current equity risk premium relative to utility bond yields is below historical averages. Given the observable evidence that current equity risk premiums are very low in relation to bond risk premiums, a risk premium for the current market of 4.10% is about 95% of the historical utility risk premium of 4.10% (4.35% x 0.95). This risk premium combined with the A rated utility bond yield of 5.30% produces a risk premium return of 9.40% (4.10% plus 5.30%).

Therefore, a risk premium estimate based on observable risk premiums in the marketplace, and the expected outlook for moderation in long term interest rates over the next couple years, support a risk premium-based return on equity for NIPSCO in the range of 9.40% to 9.60% with a midpoint of 9.50%.

<u>XII.G. Capital Asset Pricing Model ("CAPM")</u>

Q PLEASE DESCRIBE THE CAPM.

A The CAPM method of analysis is based upon the theory that the market-required rate of return for a security is equal to the risk-free rate, plus a risk premium associated with the specific security. This relationship between risk and return can be expressed mathematically as follows:

$R_i = R_f + B_i \times (R_m - R_f)$ where:

R_i = Required return for stock i
R_f = Risk-free rate
R_m = Expected return for the market portfolio
B_i = Beta - Measure of the risk for stock

The stock-specific risk term in the above equation is beta. Beta represents the investment risk that cannot be diversified away when the security is held in a diversified portfolio. When stocks are held in a diversified portfolio, stock-specific risks can be eliminated by balancing the portfolio with securities that react in the opposite direction to firm-specific risk factors (e.g., business cycle, competition, product mix, and production limitations).

Risks that cannot be eliminated when held in a diversified portfolio are non-diversifiable risks. Non-diversifiable risks are related to the market and referred to as systematic risks. In contrast, risks that can be eliminated by diversification are non-systematic risks. In a broad sense, systematic risks are market risks and non-systematic risks are business risks. The CAPM theory suggests the market will not compensate investors for assuming risks that can be diversified away. Therefore, the only risk investors will be compensated for are systematic, or non-diversifiable, risks. The beta is a measure of these systematic, or non-diversifiable risks.

Q PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.

A The CAPM requires an estimate of the market risk-free rate, NIPSCO's beta, and the market risk premium.

Q WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE RATE?

A As previously noted, *Blue Chip Financial Forecasts*' projected 30-year Treasury bond yield is 4.20%.[62] The current 30-year Treasury bond yield is 4.19% as shown in Attachment MPG-24.

Q WHY DID YOU USE LONG-TERM TREASURY BOND YIELDS AS AN ESTIMATE OF THE RISK-FREE RATE?

A Treasury securities are backed by the full faith and credit of the United States government. Therefore, long-term Treasury bonds are considered to have negligible credit risk. Also, long-term Treasury bonds have an investment horizon similar to that of common stock. As a result, investor long-run inflation expectations are reflected in both common stocks required returns and long-term bond yields. Therefore, the nominal risk-free rate (or expected inflation rate and real risk-free rate) included in a long-term bond yield is a reasonable estimate of the nominal risk-free rate included in common stock returns.

Treasury bond yields, however, do include risk premiums related to unanticipated future inflation and interest rates. In this regard, a Treasury bond yield is not a risk-free rate. Risk premiums related to unanticipated inflation and interest rates reflect systematic market risks. Consequently, for companies with betas less than 1.0, using the Treasury bond yield as a proxy for the risk-free rate in the CAPM analysis can produce an overstated estimate of the CAPM return.

[62] *Blue Chip Financial Forecasts*, November 1, 2024, at 2.

Q WHAT BETA DID YOU USE IN YOUR ANALYSIS?

A In measuring my CAPM, I largely relied on current and historical published utility betas from the Value Line Investment Survey. However, for the reasons outlined below, I believe the current published betas are skewed based on statistical review of historical betas that include time periods which have resulted in current published betas being at abnormally high. When this limited data is excluded from the measurement of betas, the beta estimates are more reflective of long-term historical normalized *Value Line* published betas, and more consistent with other methods of measuring current betas that smooth out this statistical outlier data.

In addition to the published beta estimates, I also reviewed the long-term trend of *Value Line* betas reported for the proxy group companies, and the *Value Line* regulated industries. As shown on Attachment MPG-25, the current *Value Line* published beta for my electric proxy group is 0.91, which is comparable to the gas proxy group beta of 0.89 (page 1), with an average of 0.90. This compares to a historical average beta for the electric and gas proxy group of approximately 0.78 and 0.77, respectively (page 2). The average historical published beta for my two proxy groups is approximately 0.77. For the electric and gas utility industry, prior to the elevated beta estimates triggered by the COVID-19 pandemic, the historical *Value Line* published beta typically ranged between 0.65 and 0.79 as shown on Attachment MPG-25, pages 4-7.

Thus, the current beta estimates of 0.91 (electric) and 0.89 (gas) are well above the normalized historical beta of 0.78 (electric) and 0.77 (gas).

Q HAVE YOU PERFORMED ANY ANALYSIS TO SUPPORT YOUR POSITION THAT CURRENTLY PUBLISHED *VALUE LINE* BETAS ARE ABNORMALLY HIGH AND DO NOT ACCURATELY REFLECT INVESTMENT RISK OF NIPSCO?

A Yes. Above, I discuss beta variability based on published *Value Line* information. However, using the S&P 500 utility index, relative to the New York Stock Exchange, shows that beta estimates like those in *Value Line* are skewed due to two extraordinary months within the 60-month time period used to measure beta. The two months that skew the betas are March and April of 2020, the time period that coincides with the start of the worldwide COVID-19 pandemic. Removing these two months to derive a more normal level of beta has the effect of reducing utility beta estimates from the very high levels of around 0.90, down to more normalized betas in the range of 0.65 to 0.79. This beta regression study is summarized in Table 15 below.

TABLE 15

S&P 500 Utilities vs. NYSE

Regression Betas

Period	Raw Beta	Adjusted Beta	R^2
5-Yr Ending Feb 2020	0.45	0.65	0.18
May 2020 - Current	0.66	0.79	0.34
Most Recent 5Yr Period	0.89	0.95	0.55

Note:
Calculated using Value Line's regression-based beta methodology.
The current and most recent periods are through 11/1/2024.

Q WHY IS IT UNREASONABLE TO ESTIMATE A CAPM RETURN ON A REGULATED UTILITY BASED ON BETA ESTIMATES THAT ARE CLEARLY OUTLIERS FOR HISTORICAL AVERAGE BETAS?

A Utility company beta have increased from their normal levels of around 0.65 to 0.79 up to a current elevated level around 0.90 over the last two years. This increase in betas suggests that utility companies' investment risks are increasing relative to the overall general marketplace. However, the outlook of increasing utility investment risk is simply not supported by a review of other risk measures for utilities including: (a) current robust valuation metrics of utilities as described above; (b) risk spreads of utility stock yields relative to bond yields; (c) sustained investment grade bond ratings for utility companies, and (d) access to significant amount of capital. Again, as shown on Attachment MPG-9, the historically strong valuation metrics of regulated utilities are particularly robust, indicating the market is paying a premium for utility stocks. The fact that utility stocks are trading at a premium is inconsistent with the notion that the market perceives the utility industry's investment risk to be increasing. It also shows that the market is not demanding a higher rate of return to invest in these securities. My conclusion is that the elevated betas for utility stocks were skewed by the temporary effects of the market events during the onset of the pandemic, but the beta impacts have returned to more normal levels as the market recovered.

Therefore, in performing my CAPM, I used a more normalized beta of 0.77 and market risk premium parameters to derive a CAPM return estimate in this proceeding.

Q HOW DID YOU DERIVE YOUR MARKET RISK PREMIUM ESTIMATE?

A I derived two market risk premium estimates: a forward-looking estimate and one based on a long-term historical average. The forward-looking estimate was derived by estimating the expected return on the market (as represented by the S&P 500) and subtracting the risk-free rate from this estimate. I estimated the expected return on the S&P inflation rate to the long-term historical arithmetic average real return on the market. The real return on the market represents the achieved return above the rate of inflation.

Historically, I relied on Kroll's 2023 *SBBI Yearbook* to estimate the market real return. However, Kroll's *SBBI Yearbook* has been discontinued. Therefore, using the same methodology to estimate the historical real return on the market over the period 1926-2023, I relied on data from Morningstar Direct. The historical arithmetic average real market return over the period 1926-2023 is 9.02%.[63] A current consensus for projected inflation, as measured by the GDP Deflator, is 2.20%.[64] Using these estimates, the expected market return is 11.42%.[65] The market risk premium then is the difference between the 11.42% expected market return and my 4.20% risk-free rate estimate, or 7.22%, which I referred to as a normalized market risk premium.

I also developed a current market risk premium based on the difference between the expected return on the market of 11.42% as described above and the current 30-year Treasury yield of 4.19% as shown on my Attachment MPG-24, which produced a current market risk premium of approximately 7.23%.

A historical estimate of the market risk premium was also calculated by using data provided by Morningstar Direct. Over the period 1926 through 2023, Morningstar Direct estimated that the arithmetic average of the achieved total return on the S&P 500 was 12.16% and the total return on long term Treasury bonds was 5.62%.[66] The indicated market risk premium is 6.54% (12.16% minus 5.62%).

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[63] *Morningstar Direct.*
[64] *Blue Chip Financial Forecasts,* November1, 2024 at 2.
[65] $[(1 + 0.0902) * (1 + 0.0220) – 1] * 100$.
[66] *Morningstar Direct*.

The long-term Treasury bond yield of 5.62% occurred during a period of inflation of approximately 3.02%, thus, implying a real return on long term Treasury bonds of 2.60%.

Q HOW DOES YOUR ESTIMATED MARKET RISK PREMIUM RANGE COMPARE TO THAT ESTIMATED BY KROLL AND MORNINGSTAR?

A Kroll makes several estimates of a forward-looking market risk premium based on actual achieved data from the historical period of 1926 through 2023 as well as normalized data. Using this data, Kroll estimates a market risk premium derived from the total return on the securities that comprise the S&P 500, less the income returns on Treasury bonds. The total return includes capital appreciation, dividend or coupon reinvestment returns, and annual yields received from coupons and/or dividend payments. The income return, in contrast, only reflects the income return received from dividend payments or coupon yields.

Kroll's range is based on several methodologies. As noted above, Kroll no longer publishes the *SBBI Yearbook.* Utilizing data through 2023 from Morningstar Direct, using the same methodology relied on by Kroll, the market risk premium is 7.32%, which is based on the difference between the total market return on common stocks (S&P 500) less the income returns on 20-year Treasury bond investments over the 1926-2023 period.[67]

Second, Kroll used the Ibbotson & Chen supply-side model which produced a market risk premium estimate of 6.22%.[68] Kroll explains that the historical market risk premium based on the S&P 500 was influenced by an abnormal expansion of price-to-earnings ("P/E") ratios relative to earnings and dividend growth during the period,

[67] Kroll, 2023 *SBBI Yearbook at 191*; *Morningstar Direct*.
[68] Kroll, *2023 SBBI Yearbook* at 198-201 at 198-201.

primarily over the last 30 years. Kroll believes this abnormal P/E expansion is not sustainable. In order to control for the volatility of extraordinary events and their impacts on P/E ratios, Kroll takes into consideration the three-year average P/E ratio as well as the current P/E ratio.[69]

Finally, Kroll develops its own recommended equity, or market risk premium, by employing an analysis that takes into consideration a wide range of economic information, multiple risk premium estimation methodologies, and the current state of the economy by observing measures such as the level of stock indices and corporate spreads as indicators of perceived risk. Based on this methodology and utilizing the higher of a "normalized" risk-free rate of 3.5%, Kroll concludes the current expected, or forward-looking, market risk premium is 5.0%, implying an expected return on the market of 8.5%. However, when the current market risk-free rate exceeds the normalized risk-free rate, Kroll recommends applying the current 20-year Treasury yield of approximately 4.5%. Currently, the 20-year Treasury yield is above the normalized risk-free rate. Hence, based on Kroll's methodology, the risk premium is 9.5%.[70]

Importantly, Kroll's market risk premiums are measured over a 20-year Treasury bond. Because I am relying on a projected 30-year Treasury bond yield, the results of my CAPM analysis should be considered conservative estimates for the cost of equity.

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[69]Id. *and* Kroll, *Cost of Capital Navigator*, https://www.kroll.com/en/cost-of-capital.

[70]Kroll, "Kroll Lowers its Recommended U.S. Equity Risk Premium to 5.0%, Effective June 5, 2024," June 6, 2024.

Q WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?

A The current observable beta estimates for my proxy groups are approximately 0.91 (electric) and 0.89 (gas), with an average of 0.90. However, recognizing beta estimates are currently skewed, the average normalized beta estimate for my proxy groups is reasonably estimated using the average historical beta estimate of approximately 0.77.

As shown on my Attachment MPG-26, using a current market risk-free rate of 4.19% and a projected market return of 11.42% produces a market risk premium of 7.23%. When combined with the current beta of 0.90, this indicates a CAPM return estimate of 10.70%.

Using a market return of 11.42%, with a projected risk-free rate of 4.20%, produces a market risk premium of approximately 7.22%. This market risk premium and risk-free rate with a normalized utility beta of 0.77, indicates a CAPM return of 9.79%, rounded up to 9.80%.

As discussed above, the current elevated betas do not reflect the low industry risk for NIPSCO or the utility industry as a whole. Therefore, I find a more reasonable result using a CAPM study in this case should be based on normalized utility beta, which produces a return on equity of approximately 9.80%.

<u>XII.H. Return on Equity Summary</u>

Q BASED ON THE RESULTS OF YOUR RETURN ON COMMON EQUITY ANALYSES DESCRIBED ABOVE, WHAT RETURN ON COMMON EQUITY DO YOU RECOMMEND FOR NIPSCO?

A Based on my analyses, I recommend NIPSCO's current market cost of equity be in the range of 9.10% to 9.70%, with a point estimate of 9.40% as summarized in the table below.

TABLE 16

Return on Common Equity Summary

Description	Results
DCF	9.10%
Risk Premium	9.50%
CAPM	9.80%

My market-based return on common equity of 9.40% falls within my estimated range of 9.10% to 9.70%. The low-end of my range is based on my DCF analyses, and the high-end is based on the approximate midpoint of my CAPM and risk premium studies. As discussed above, NIPSCO's equity-thick capital structure warrants a return on equity of 9.15% that is 25-basis points lower than my market-based return on equity of 9.40% to more accurately reflect the Company's actual financial risk separate from its parent, and to shield ratepayers from excessive costs caused by decisions at the parent corporation level.

My return on equity estimates reflects observable market evidence, the impact of Federal Reserve policies on current and expected long-term capital market costs, an assessment of the current risk premium built into current market securities, and a general assessment of the current investment risk characteristics of the regulated utility industry and the market's demand for utility securities.

XII.I Financial Integrity

Q WILL YOUR RECOMMENDED OVERALL RATE OF RETURN SUPPORT AN INVESTMENT GRADE BOND RATING FOR NIPSCO?

A Yes. I have reached this conclusion by comparing the key credit rating financial ratios for NIPSCO at my proposed return on equity and NIPSCO's recommended capital structure to S&P's benchmark financial ratios using S&P's new credit metric ranges.

Q PLEASE DESCRIBE THE MOST RECENT S&P FINANCIAL RATIO CREDIT METRIC METHODOLOGY.

A S&P publishes a matrix of financial ratios corresponding to its assessment of the business risk of utility companies and related bond ratings. On May 27, 2009, S&P expanded its matrix criteria by including additional business and financial risk categories.[71]

Based on S&P's most recent credit matrix, the business risk profile categories are "Excellent," "Strong," "Satisfactory," "Fair," "Weak," and "Vulnerable." Most utilities have a business risk profile of "Excellent" or "Strong."

The financial risk profile categories are "Minimal," "Modest," "Intermediate," "Significant," "Aggressive," and "Highly Leveraged." Most of the utilities have a financial risk profile of "Significant" or "Aggressive." Based on the most recent S&P report, NIPSCO has an "Excellent" business risk profile and an "Intermediate" financial risk profile.

[71]S&P updated its 2008 credit metric guidelines in 2009, and incorporated utility metric benchmarks with the general corporate rating metrics. *Standard & Poor's RatingsDirect*: "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.

Q PLEASE DESCRIBE S&P'S USE OF THE FINANCIAL BENCHMARK RATIOS IN ITS CREDIT RATING REVIEW.

A S&P evaluates a utility's credit rating based on an assessment of its financial and business risks. A electric of financial and business risks equates to the overall assessment of NIPSCO's total credit risk exposure. On November 19, 2013, S&P updated its methodology. In its update, S&P published a matrix of financial ratios that defines the level of financial risk as a function of the level of business risk.

S&P publishes ranges for primary financial ratios that it uses as guidance in its credit review for utility companies. The two core financial ratio benchmarks it relies on in its credit rating process include: (1) Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"); and (2) Funds From Operations ("FFO") to Total Debt.[72]

Q HOW DID YOU APPLY S&P'S FINANCIAL RATIOS TO TEST THE REASONABLENESS OF YOUR RATE OF RETURN RECOMMENDATIONS?

A I calculated each of S&P's financial ratios based on NIPSCO's cost of service for its regulated electric utility operations in its Indiana service territory. While S&P would normally look at total consolidated NIPSCO financial ratios in its credit review process, my investigation in this proceeding is not the same as S&P's. I am attempting to judge the reasonableness of my proposed cost of capital for rate-setting in NIPSCO's Indiana regulated electric utility operations. Hence, I am attempting to determine whether my proposed rate of return will in turn support cash flow metrics, balance sheet strength, and earnings that will support an investment grade bond rating and NIPSCO's financial integrity.

[72] *Standard & Poor's RatingsDirect*: "Criteria: Corporate Methodology," November 19, 2013.

Q DID YOU INCLUDE ANY OFF-BALANCE SHEET ("OBS") DEBT EQUIVALENTS?

A No. In response to Industrials Request 2-010,[73] NIPSCO stated that it does not have any off-balance sheet debt equivalents. Therefore, I did not include any in the development of my credit metrics. However, I included NIPSCO's short-term debt obligations as provided by the Company in its response to Industrials Request 2-008,[74] as shown on my Attachment MPG-27, page 3. I also calculated a electric rate base allocation factor of approximately 73%.

Q PLEASE DESCRIBE THE RESULTS OF THIS CREDIT METRIC ANALYSIS AS IT RELATES TO NIPSCO.

A The S&P financial metric calculations for NIPSCO at a 9.15% return are developed on Attachment MPG-27, page 1. The 9.15% is derived from my market estimated return on equity of 9.40% less 25-basis points to account for NIPSCO's equity thick capital structure. The credit metrics produced below, with NIPSCO's financial risk profile from S&P of "Intermediate" and business risk profile of "Excellent," will be used to assess the strength of the credit metrics based on NIPSCO's gas retail operations in the state of Indiana.

The adjusted debt ratio for credit metric purposes at NIPSCO proposed capital structure is 41.7%, which is significantly lower than the adjusted industry median debt ratio for BBB+ rated utilities of 50.7%, as shown on page 4 of Attachment MPG-27. A lower debt ratio indicates, all else equal, less financial risk. NIPSCO's financial risk is significantly lower than that of the industry as a whole.

Based on an equity return of 9.15% and the Company's proposed common equity ratio of 58.5%, NIPSCO will be provided an opportunity to produce a Debt to

[73]Provided in Attachment MPG-2.
[74]Provided in Attachment MPG-2.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio of 3.0x. This is within S&P's "Intermediate" guideline range of 2.5x to 3.5x.[75]

NIPSCO's retail utility operations FFO to total debt coverage at a 9.15% equity return and 58.5% equity ratio is 25%, which is within S&P's "Intermediate" metric guideline range of 23% to 35%. This ratio is again within the FFO/total debt range that will support NIPSCO's credit rating.

I conclude that NIPSCO's core credit metrics ratios based on the Company's proposed capital structure and my return on equity will support its investment grade credit rating of BBB+.

Q DOES THIS FINANCIAL INTEGRITY ASSESSMENT SUPPORT YOUR RECOMMENDED OVERALL RATE OF RETURN FOR NIPSCO?

A Yes. As noted above, I believe my return on equity and the Company's proposed capital structure represent fair compensation in light of today's very low capital market costs, and as outlined above, my overall rate of return will provide NIPSCO an opportunity to earn credit metrics that will support its bond rating.

XIII. RESPONSE TO NIPSCO WITNESS MR. VINCENT REA

XIII.A. Summary of Mr. Rea's Results

Q PLEASE DESCRIBE THIS SECTION OF YOUR TESTIMONY.

A I will respond to the common equity analysis sponsored by NIPSCO witness Vincent V. Rea. NIPSCO proposes a return on equity of 10.60% for its electric operations,

[75] *Standard & Poor's RatingsDirect®*: "Criteria: Corporate Methodology," November 19, 2013.

which is at the low point of Mr. Rea's estimated range of 10.60% to 11.10%. The results reported by Mr. Rea are summarized in Table 17 below.[76]

TABLE 17

Mr. Rea's ROE Analysis

Model	Average (1)	Corrected (2)
DCF		
Analyst Growth	9.80% - 10.25%	8.50% - 8.90%
Hist. EPS Growth	9.20% - 9.80%	Reject
Unadjusted DCF Return	10.00% - 10.25%	8.50% - 8.90%
CAPM		
Unadjusted*	10.97% - 11.04%	9.95%
Size Adjusted	11.50% - 11.61%	Reject
ECAPM	11.15% - 11.21%	Reject
Risk Premium	11.08% - 11.16%	10.30%
Non-Utility Range	10.30% - 11.57%	Reject
Flotation Cost Adjustment	0.8%	Reject
Market-to-Book Adjustment	0..03% - 0.10%	Reject
Range	**10.60% - 11.10%**	**9.10% - 9.70%**
Recommended ROE	**10.60%**	**9.40%**

Source: Rea Direct Testimony at 61-63, 79, 92-93.

[76]Rea Direct Testimony at 5-6.

As outlined above, Mr. Rea performed several versions of Discounted Cash Flow ("DCF") analysis using analysts' projected growth and historical growth. He performed a traditional Capital Asset Pricing Model ("CAPM") and a CAPM analysis with a size adjustment. Mr. Rea also supplements his CAPM with an Empirical CAPM ("ECAPM"), which mitigates the expectation that high/low risk investments require greater/lower returns relative to the market return. Mr. Rea produces a risk premium analysis based on <u>projected</u> utility bond yields and an estimate of equity risk premiums. Mr. Rea applied his market-based models to three proxy groups: an electric group, a gas LDC group, and a non-regulated group. As discussed in greater detail below, I find Mr. Rea's non-regulated group not appropriate for estimating the cost of equity for NIPSCO. Therefore, my response to his analysis will primarily focus on the results produced by his electric and gas LDC proxy groups.

Mr. Rea also includes an adjustment to his market-based return estimates for NIPSCO by including a flotation cost adder of 8-basis points, applied to all proxy groups and a market-to-book ratio adder of 3-10 basis points, applied to all proxy groups. The combination of these two adjustments increases his estimated return by approximately 11-18 basis points.

Q DOES MR. REA'S METHODOLOGY SUPPORT A 10.60% RETURN ON EQUITY FOR NIPSCO IN THIS MARKET?

A No. Mr. Rea's methodologies are either improperly constructed, based on flawed data, or reflect unjustified and inflated adders to the return on equity estimate. A more balanced and reasonable estimate of the current market cost of equity, as outlined in Column 2 of Table 17 above, shows that my 9.15% recommended return on equity for

NIPSCO falls within his revised range of 9.10% to 9.70% and is consistent with the current capital market environment.

XIII.B. Mr. Rea's Return on Equity Adders

Q PLEASE DESCRIBE MR. REA'S FLOTATION COST ADJUSTMENT TO HIS RECOMMENDED RETURN FOR NIPSCO.

A Mr. Rea included an upward adjustment of 8-basis points to his return results to compensate for flotation costs. Mr. Rea developed his flotation cost adjustment by observing the cost NiSource (NIPSCO's parent company) incurred in issuing equity securities in the last 20 years. The costs incurred on the three historical issuances were in the range of 1.00% to 3.25% of the issuance amount. NiSource also issued additional shares during the period 2017-2022 under the at-the-market ("ATM") equity program, which resulted in $1.4 billion of cumulative net proceeds. In February 2024, NiSource entered into a new 2-year $900 million ATM program, which will allow the Company to sell shares up to $900 million. Up-to date the distribution fees represent 1.00%. Mr. Rea also considers the future equity offerings publicly disclosed by NiSource. Based on the historical and future equity offerings, Mr. Rea determines a composite flotation cost rate of 1.5% is reasonable.

Next, Mr. Rea observes that of NIPSCO's common equity capital, approximately 54% is contributed, or paid-in capital from its parent company, while the other 46% of total common equity is attributed to undistributed retained earnings. To calculate the flotation cost adder, Mr. Rea then multiplies the 54% associated with paid-in capital by his composite flotation cost rate of 1.5%, resulting in a flotation cost adjustment of 0.81%.[77]

[77]Rea Direct Testimony, Appendix D, pages 3-5.

Q IS MR. REA'S FLOTATION COST ADDER REASONABLE?

A No. Mr. Rea's flotation cost adder is not reasonable or justified. Mr. Rea's flotation cost adder is not based on the recovery of prudent and verifiable actual flotation costs incurred by NIPSCO. As discussed in Appendix D of Mr. Rea's direct testimony, he derives a flotation cost adder based on the 54% of NIPSCO's common equity attributed to paid-in capital. While that capital may be "paid-in" by NiSource, it is not necessarily capital that incurred flotation costs. For example, NiSource receives dividend payments from its various subsidiaries and can do whatever it wants with that capital, like redistributing it to another subsidiary. Paid-in capital at NIPSCO can also be derived from debt capital issued at NiSource.

Further, as Mr. Rea does not show that his adjustment is based on NIPSCO's actual and verifiable flotation expenses, there are no means of verifying whether Mr. Rea's proposal is reasonable or appropriate. Stated differently, Mr. Rea's flotation cost return on equity adder is not based on known and measurable NIPSCO costs. Therefore, the Commission should reject a flotation cost return on equity adder for NIPSCO.

Q PLEASE DESCRIBE MR. REA'S MARKET-TO-BOOK RATIO RETURN ON EQUITY ADDER.

A For his DCF analyses, the market-to-book ratio adder is based on the notion that the return on equity on a market value capital structure should be adjusted when applied to a book value capital structure. A market-to-book ratio adjustment is designed to maintain a targeted "market value" of the stock. Measuring a fair return, there is no justification in adjusting the return on book equity in order to maintain a target market-to-book ratio. The methodology simply does not represent an investment return that an investor would expect if they were making an investment in a security today. Therefore, the adjustment to the book return does not represent an appropriate risk-adjusted return in measuring NIPSCO's cost of equity.

Under Mr. Rea's DCF return, with a market-to-book ratio adder, he is finding that an investor could either purchase a utility stock with an investment risk similar to NIPSCO at a return of 9.40%, but in order to maintain the value of that stock, the utility should be allowed to earn a 9.50% return on incremental plant investment (DCF return plus market-to-book ratio adder). The result of this analysis would be to provide the utility an ability to earn in excess of market return on incremental plant investments. Such a methodology would create economic incentives for utilities to over-invest in utility plant equipment, which would have a detrimental impact on the utility's ability to offer just and reasonable prices to customers. Mr. Rea's proposal for an inflated return on plant investments is not appropriate and is not consistent with the fair compensation standards outlined in *Hope* and *Bluefield*.[78]

XIII.C. Mr. Rea's DCF Analyses

Q PLEASE DESCRIBE MR. REA'S DCF ANALYSES.

A Mr. Rea applied several forms of the DCF model. He applied the traditional DCF model using three different analysts' growth rates from Yahoo!Finance, Zacks, and Value Line as of July 18, 2024, and a historical earnings growth rate from *Value Line*.

For his electric proxy group, the average "bare-bones" DCF results fall in the range of 10.20% to 10.50%. Based on this range, Mr. Rea determines an unadjusted DCF estimate of 10.25% to be appropriate.[79]

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[78] *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("*Hope*") and *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923) ("*Bluefield*").

[79] Rea Direct Testimony at 61-62.

Similarly, for his gas LDC proxy group, the average DCF results fall in the range of 9.80% to 10.20%. Based on this range, Mr. Rea determines an unadjusted DCF estimate of 10.00% to be appropriate.[80]

Mr. Rea then makes two adjustments to his unadjusted DCF result of 10.25% (electric) and 10.00% (gas). His first adjustment is the flotation cost adder of approximately 8 basis points, which I described above. The second adjustment Mr. Rea makes is a market-to-book adjustment of 10 (electric) and 3 (gas) basis points. These two adders increase his DCF estimate of 10.25% to 10.43% for the electric group and from 10.00% to 10.11% for the gas LDC group.[81]

Q WHAT ISSUES DO YOU HAVE WITH MR. REA'S DCF ANALYSIS?

A I have several issues with Mr. Rea's DCF analysis. Similar to my DCF analysis, Mr. Rea's DCF study is based on analysts' growth rate estimates around 6.0%, which exceed the maximum sustainable growth rate of the U.S. economy of 4.1%. Therefore, applying a multi-stage DCF model as I have done will produce more reasonable results. In addition, Mr. Rea's results are skewed by his use of a flotation cost adder and his application of a market-to-book ratio adjustment, which I have discussed above. Mr. Rea's analysis is also skewed by his use of the FERC low-end and high-end outlier threshold.

Q DO YOU HAVE ANY OTHER COMMENTS CONCERNING MR. REA'S DCF ANALYSES?

A Yes. I recommend the Commission give no weight to the DCF studies based on historical growth rates. Historical growth rates simply are not a good proxy for

[80] Rea Direct Testimony at 62-63.
[81] Rea Direct Testimony at 61-63.

expectations of future growth. If the growth rate does not align with investor's outlooks in valuing a utility stock, then they do not provide an accurate measurement of the investor-required return. Investors buy stock for prospective earnings, not historical earnings. In fact, Mr. Rea himself, agrees that analysts' growth rates are more appropriate in the development of his DCF study, and he has placed primary weight on his consensus analysts' growth rate projections DCF results.

Also, Mr. Rea's DCF returns are based on an average consensus analysts' growth rate from Yahoo!Finance and Zacks and single analyst growth rate from *Value Line*. Consensus analysts' growth rate projections produce much more accurate growth outlook for the utilities than the growth rate projections provided by a single analyst. Therefore, I find the median DCF results produced by consensus analysts' projections more reliable.

Q CAN MR. REA'S DATA BE USED TO PRODUCE A REASONABLE DCF RETURN ESTIMATE FOR NIPSCO?

A As discussed above, the proxy group DCF results are based on a growth rate around 6%, which cannot be sustained indefinitely as required by the DCF model. This growth rate is about 200-basis points higher than the growth rate of the U.S. economy of 4.1%. Therefore, developing a multi-stage DCF model using Mr. Rea's inputs will produce more reliable DCF return for NIPSCO. As shown on my Attachment MPG-28, using Mr. Rea's analysts' growth rates and dividend yields will produce a DCF return in the range of 8.50% to 8.90%.

XIII.D. Mr. Rea's CAPM Studies

Q PLEASE DESCRIBE MR. REA'S TRADITIONAL CAPM ANALYSIS.

A Mr. Rea developed a traditional CAPM analysis relying on the average of a projected and historical market risk premium. His S&P projected DCF-derived market return of 12.61% is based on a 1.46% dividend yield and a projected growth rate of 11.15%. His *Value Line* prospective market return of 11.39% is based on a dividend yield of 2.15% and a growth rate of 9.24%. Mr. Rea uses the average of these two prospective market return estimates of 12.00% and a projected 30-year Treasury bond yield of 4.26% to derive his prospective market risk premium of 7.74%.[82]

Mr. Rea derives his historical market risk premium of 7.17% from Kroll Cost of Capital Navigator.

Then, he develops the market risk premium of 7.45% used in his CAPM analysis by averaging his prospective market risk premium of 7.74% and his historical market risk premium of 7.17%.[83]

Mr. Rea relies on the projected 30-year Treasury yield of 4.26%, his market risk premium of 7.45% as described above and a beta coefficient of 0.91 (electric) and 0.90 (gas) to produce unadjusted CAPM return estimates of 11.04% and 10.97%, respectively.[84]

Then, Mr. Rea applies 8-basis points flotation cost adjustment to produce a traditional CAPM results of 11.12% (electric) and 11.05% (gas). Finally, he adds a size adjustment of 46-basis points to his electric CAPM result and 64-basis points to his gas CAPM result to arrive at his cost of equity of 11.58% (electric) and 11.69% (gas).[85]

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[82] Schedule 7, Page 1.
[83] *Id.*
[84] Schedule 7, Pages 1 and 3.
[85] Rea Direct Testimony at 79 and Schedule 7.

Q ARE MR. REA'S TRADITIONAL CAPM ANALYSES REASONABLE?

A No. There are several flaws with Mr. Rea's analyses. Specifically, the size premium added to his CAPM estimate is not based on firms of comparable risk to NIPSCO. As discussed above, Mr. Rea's application of the flotation cost adjustment is not reasonable and should be rejected. While I disagree with the derivation of his DCF-based market risk premium of 7.45%, to limit the issues with Mr. Rea's analysis, I will focus on his size adjustment to his CAPM estimates.

Q PLEASE DESCRIBE MR. REA'S SIZE ADJUSTMENT?

A Mr. Rea's size adjustment return on equity adder is based on estimates made by *Kroll Cost of Capital Navigator*. Kroll estimates various size adjustments based on differentials in beta estimates tied to the size of a company. Mr. Rea states that the capitalization for companies included in his electric proxy group fall in Kroll's 2nd Decile, which warrants a size adjustment of a 46-basis points. Similarly, he notes that the capitalization of the companies included in his gas proxy group fall in the 4th Decile, which corresponds to a size adjustment of 64-basis points.

Q WHY DO YOU FIND MR. REA'S SIZE ADJUSTMENT INAPPROPRIATE?

A There are several problems with this size adjustment. First, Mr. Rea applied a size adjustment without even considering the average capitalization of his proxy groups relative to the capitalization of NiSource, NIPSCO's parent, to determine, whether a size adjustment is even appropriate. A return on equity adder is not justified in the way performed by Mr. Rea. Specifically, NiSource has a market capitalization of approximately $18 billion, which puts it in the same 2nd decile as the capitalization of the electric group ($18.7 billion) but higher than the capitalization of the gas LDC group

($7.3 billion).[86] Therefore, the size adjustment is not warranted. With a capitalization of $7.3 billion, the gas companies fall in the 4th decile, which is about one third of the capitalization of NiSource. Therefore, if any size adjustment is applied it should be negative and it will reduce the return on equity produced by Mr. Rea's CAPM analysis.

Stated very simplistically, the holding company, which owns NIPSCO, has a market capitalization that is comparable to that of the proxy groups' average market capitalization. NIPSCO gets its equity from equity infusions from its parent company and earnings it retains from operations. NIPSCO does not sell stock to the market. For this reason, the market capitalization of its parent company is what is relevant in assessing NIPSCO's market capitalization risk.

Third, and probably most significantly, NIPSCO receives all of its external capital through NiSource Finance Corp., which is a wholly owned subsidiary of NiSource and engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. The majority of all debt issues are based on intercompany notes from NiSource Finance Corp.

Notably, customers pay for the risk mitigation for NIPSCO by paying rates that recover NIPSCO's service company fees and charges from NiSource Finance Corp. Mr. Rea's proposal for a return on equity premium ignores this service company relationship, and the costs incurred by retail customers of NIPSCO for the costs and benefits of this holding company structure. The holding company structure is designed to mitigate operating affiliates' stand-alone investment risk. For these reasons, Mr. Rea's proposed small company risk adder to the return on equity should be rejected.

Finally, the size adjustment, as applied by Mr. Rea, is not risk comparable for NIPSCO.

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[86] Rea Direct Testimony at 76.

Q WHY IS MR. REA'S SIZE ADJUSTMENT NOT RISK COMPARABLE TO NIPSCO?

A His size adjustment is based on companies that have significantly more systematic risks that are not reflective of the utility industry or NIPSCO. The size adjustments relied on by Mr. Rea reflects companies that have unadjusted beta estimates well in excess of 1.00.[87] I have provided the beta estimates, as calculated by Kroll for each decile below in Table 18.

TABLE 18

Kroll Size Adjustments and Corresponding Betas

CRSP	Market Cap ($ Bill)[1]		Size	Beta		
Decile	**Smallest**	**Largest**	**Premium[1]**	**Kroll[1]**	**VL Proxy[2]**	**Raw Proxy [3]**
1	$36,943	$2,662,326	-0.06%	0.92	0.90	0.82
2	$14,911	$ 36,391	0.46%	1.04	0.90	0.82
3	$ 7,494	$ 14,820	0.61%	1.10	0.90	0.82
4	$ 4,622	$ 7,461	0.64%	1.13	0.90	0.82
5	$ 3,011	$ 4,622	0.95%	1.16	0.90	0.82
6	$ 1,864	$ 3,011	1.21%	1.18	0.90	0.82
7	$ 1,050	$ 1,862	1.39%	1.25	0.90	0.82
8	$ 556	$ 1,046	1.14%	1.30	0.90	0.82
9	$ 213	$ 555	1.99%	1.33	0.90	0.82
10	$ 2	$ 213	4.70%	1.38	0.90	0.82

Sources:
[1]Kroll Cost of Capital Navigator, 2024 CRSP Decile Study December 31, 2023.
[2]Rea Direct Testimony at 75.
[3]Raw Beta = (VL Beta - 0.35) / 0.67.

These unadjusted beta estimates are substantially higher than the average adjusted Value Line beta of 0.91 (electric) and 0.90 (gas) used by Mr. Rea as reflective of the Company's investment risk. To put this into a more of an apple-to-apples comparison, I have also provided the average unadjusted beta for Mr. Rea's proxy

[87]*Kroll Cost of Capital Navigator, 2024 CRSP Deciles Study, December 31, 2023*.

groups of approximately 0.82. As shown above, every decile measured by Kroll has a much higher beta than Mr. Rea's utility groups. The typical company in each decile is much riskier than the typical utility company. Because of this significant disparity in risk, as measured by beta, Mr. Rea's size adjustment produces a CAPM return estimate that does not produce a risk appropriate return for NIPSCO and therefore, should be rejected.

Q CAN YOU EXPLAIN HOW BETA CORRESPONDS WITH THE LEVEL OF INVESTMENT RISK FOR A COMPANY AND THEREFORE PRODUCES AN APPROPRIATE RISK-ADJUSTED RETURN FOR A SUBJECT COMPANY?

A Yes. Beta represents a measure of systematic or non-diversifiable, market-related risk. All subject companies' betas are measured relative to that of the overall market and adjusted upward by *Value Line*. The market beta is considered to be 1.0. For companies that have betas greater than 1, they are regarded as having more risk than the overall market. For companies that have betas less than 1, they are regarded as having less risk than the overall market.

For these reasons, utility companies which consistently and predictably have adjusted betas far less than 1 (usually in the range of 0.6 to 0.9 depending on market conditions) are generally reflective of lower risk investment options. I would also point out that the current beta estimates have significantly increased during the COVID-19 pandemic relative to historical estimates as shown on my Attachment MPG-25. However, these elevated beta estimates do not represent an increase in utility risk or cost of equity. As discussed above, utility companies are well positioned to weather economic downturns and are considered defensive stocks. Their cash flow strength is consistent and supported by strong valuations.

Q DO YOU HAVE ANY COMMENTS IN REGARD TO MR. REA'S PROJECTED RISK FREE RATE OF 4.26%?

A Yes. Mr. Rea's use of a <u>long-term</u> projected bond yield of 4.26%[88] is expected to be in effect up to five years out (period 2025-2029). This risk-free rate is limited to market participants' outlooks for NIPSCO's cost of capital during the period rates determined in this proceeding will be in effect. This bond yield is largely based on projections of Treasury bond yields five years out. Those projections are highly uncertain, and in any event may not reflect the cost of capital currently or even the period in which rates determined in this proceeding will largely be in effect. As such, the CAPM and risk premium methodology should be based on observable bond yields in the market today or near-term projections during the period rates determined in this proceeding will be in effect. However, currently the near-term projected and the 5-year projected 30-Treasury bond yields are nearly identical. Therefore, I will not take issues with Mr. Rea's risk-free rate.[89]

Q CAN MR. REA'S CAPM ANALYSIS BE REVISED TO REFLECT THE REMOVAL OF THE SIZE ADJUSTMENT, LEVERAGE BETA ADJUSTMENT AND RECENT RISK-FREE RATES?

A Yes. As discussed regarding my CAPM studies, the current utility betas of approximately 0.90 are relatively high compared to historical beta estimates of around 0.77. Therefore, disregarding Mr. Rea's size and flotation adjustments, applying a beta estimate of 0.77, Mr. Rea's market risk premium of 7.45%, and the most recent

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[88]Rea Direct Testimony, Schedule 7.
[89]*Blue Chip Financial Forecasts*, November 1, 2023, at 2.

projection for the near-term risk-free rate based on the 30-Year Treasury yield of 4.20%, produce a CAPM return of 9.95%.[90]

XIII.E. Mr. Rea's ECAPM Studies

Q DID MR. REA ALSO PERFORM AN EMPIRICAL CAPM ("ECAPM") ANALYSIS?

A Yes. Mr. Rea performed an ECAPM analysis that relied on the same market risk premium of 7.45%, the same projected risk-free rate of 4.26%, and the same leverage adjusted *Value Line* betas that he used in his traditional CAPM analyses.

He then uses an ECAPM model that applies a 25% weighting factor to the market beta of 1, and a 75% weighting factor to the utility beta. Similar to his traditional CAPM, Mr. Rea also applied his unreasonable flotation cost adjustment to the results of his ECAPM analyses. This produces flotation cost adjusted ECAPM estimates of 11.29% (electric) and 11.23% (gas).[91]

Q ARE MR. REA'S ECAPM ANALYSES REASONABLE?

A No. Mr. Rea's ECAPM analyses share the same flaws as his traditional CAPM analyses. Mr. Rea's proposal to adjust the ECAPM result upward applying a flotation cost adjustment and his application of the leverage adjusted beta are inappropriate and should be rejected for the same reasons discussed in response to his traditional CAPM.

Q DO YOU HAVE ANY OTHER ISSUES WITH MR. REA'S ECAPM ANALYSES?

A Yes. Mr. Rea's ECAPM analysis is flawed because his model was developed using adjusted utility betas. The impact of Mr. Rea's ECAPM adjustments increases his

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[90] 4.20% + 0.77 x 7.45% = 9.94%, rounded to 9.95%.
[91] Rea Direct Testimony at 79 and Schedule 7.

Value Line adjusted beta estimates of around 0.91 to 0.93.[92] The weighting adjustments applied in the ECAPM are mathematically the same as adjusting beta since the inputs are all multiplicative as shown in the formula above.

Further, Mr. Rea's reliance on an adjusted *Value Line* beta in his ECAPM study is inconsistent with the academic research that I am aware of supporting the development of the ECAPM.[93] The end result of using adjusted betas in the ECAPM is essentially an expected return line that has been flattened by two adjustments. In other words, the vertical intercept has been raised twice and the security market line has been flattened twice: once through the adjustments *Value Line* made to the raw beta, and again by weighting the risk-adjusted market risk premium as Mr. Rea has done. In addition to the many adjustments employed by Mr. Rea, he further increases the intercept and flattens the security market line by using projected long-term Treasury yields that are at odds with current market expectations and inconsistent with the Federal Reserve's projections and monetary policy.

The ECAPM technically will raise the intercept point of the security market line and flatten the slope. Again, this has the effect of increasing CAPM return estimates for companies with betas less than 1 and decreasing the CAPM return estimates for companies with betas greater than 1. I have modeled the expected return line resulting from the application of the various forms of the CAPM/ECAPM below in Figure 8.

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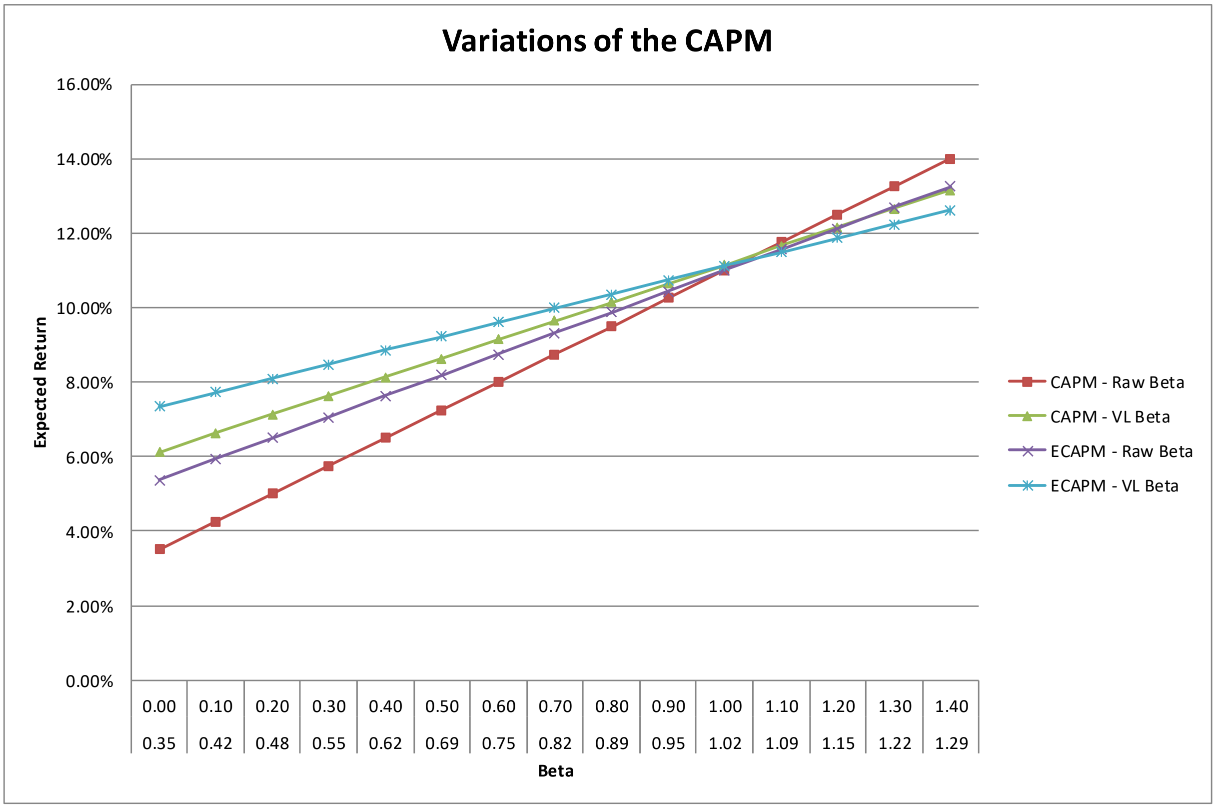
[92] 75% x 0.91 + 25% x 1 = 0.93.

[93] See Black, Fischer, "Beta and Return," *The Journal of Portfolio Management,* Fall 1993, 8-18; and Black, Fischer, Michael C. Jensen and Myron Scholes, "The Capital Asset Pricing Model: Some Empirical Tests," 1972.

FIGURE 8



Along the horizontal axis in Figure 8 above, I have provided the raw unadjusted beta (top row) and the corresponding adjusted *Value Line* beta (bottom row). *As* shown in Figure 8 above, the CAPM using a *Value Line* beta compared to the CAPM using an unadjusted beta show that the *Value Line* beta raises the intercept point and flattens the slope of the security market line. As shown in the figure above, the two variations with the most similar slope are the CAPM with the *Value Line* beta, and the ECAPM with a raw beta. This evidence shows that the ECAPM adjustment has a very similar impact on the expected return line as a *Value Line* beta. Another observation that can be made from the figure above is the magnifying effect that the ECAPM using a *Value Line* beta has on raising the vertical intercept and flattening the slope relative to all other variations. There is simply no legitimate basis to use an adjusted beta within an

ECAPM because it unjustifiably alters the security market line and materially inflates a CAPM return for a company with a beta less than 1.

Q IN YOUR EXPERIENCE, IS MR. REA'S PROPOSED USE OF AN ADJUSTED BETA IN AN ECAPM STUDY WIDELY ACCEPTED IN THE REGULATORY ARENA?

A No. In my experience, regulatory commissions generally disregard the use of the ECAPM, particularly when an adjusted beta is used in the model.

The Illinois Commerce Commission has stated:

> The Commission cannot recall a proceeding in which it relied upon the ECAPM in establishing the cost of common equity for a utility. In the instant proceeding, the record supports a finding that use of adjusted betas in the ECAPM is inappropriate. As Staff witness Ms. Freetly explained, by using adjusted betas she already effectively transformed her Traditional CAPM into an ECAPM. Therefore, including an additional beta adjustment in the ECAPM model would result in inflated estimates of the samples' cost of common equity.[94]

Similarly, in a more recent Nicor Gas rate case the ICC stated:

> The Company also used ECAPM analyses and bond yield plus models to determine an ROE, which the Commission has also historically rejected.[95]

The California Public Utilities Commission also stated "We are not persuaded that ECAPM produces a result that should be considered. Electric utilities in general have low betas. Adjusting betas upward guarantees a higher ROE."[96]

Therefore, the Commission should reject the use of adjusted betas in the development of the ECAPM.

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[94] Illinois Commerce Commission, Docket 11-0767, Order September 19, 2012, at 109.

[95] Illinois Commerce Commission, Docket No. 21-0098, Northern Illinois Gas Company dba Nicor Gas Company, Final Order at 94, November 18, 2021.

[96] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M344/K961/344961040.PDF

XIII.F. Mr. Rea's Risk Premium

Q PLEASE DESCRIBE MR. REA'S RISK PREMIUM ANALYSIS.

A Mr. Rea's Risk Premium Method analysis is developed on his Schedule 8. Throughout that schedule he develops several equity risk premium estimates based on the total market index approach and the public utility index approach.

Mr. Rea developed his own forecasted bond yield of 5.92%. He calculated this prospective bond yield by starting with the forecasted "Aaa" rated corporate bond yield of 5.16% for the 2025-2029 period. To this he adds a 0.62% yield spread to account for the historical spread between "A" rated utility bond yields and Aaa-rated corporate bond yields. Finally, he calculates an interpolated yield spread of 0.14% (electric) and 0.09% (gas) between A-rated utility bond yields and Baa-rated bond yields to account for A-/Baa1 ratings of his electric and A-/A3 for gas groups. Collectively, Mr. Rea calculates a prospective bond yield of 5.92% for his electric and 5.87% for his gas proxy groups.[97]

To calculate his total market index equity risk premium, Mr. Rea measured the historical realized equity risk premium between the total return on the market of 12.04% and the total return for long-term corporate bonds of 6.15%. This produces an equity risk premium of 5.89%. Next, Mr. Rea calculated a prospective equity risk premium by subtracting the forecasted Aaa-rated corporate bond yield of 5.16% as described above from his prospective total market return of 12.00% that was used in his CAPM analysis to produce a total market index equity risk premium of 6.84%. The average of his two total market risk premiums is 6.37% (average of 5.89% and 6.84%). Mr. Rea then

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[97] Rea Direct Testimony, Schedule 8, pages 1 and 7.

adjusted this total index risk premium by his beta estimates of 0.91 (electric) and 0.90 (gas) to produce a utility equity risk premium of 5.79% (electric) and 5.73% (gas).[98]

Next, Mr. Rea calculates a public utility index equity risk premium. He does this by measuring the historical utility index equity risk premium of the S&P 500 Utilities index (10.62%) over the Moody's A-rated utility bond yield average (6.23%). This produces a historical equity risk premium of 4.40%.

Then, Mr. Rea subtracts his most recent 6-month average Moody's "A" rated utility yield of 5.59% from his DCF Market return on the S&P Utility Index of 10.57% to produce an implied equity risk premium of 4.98%. The average of his public utility index equity risk premiums is 4.69% (average of 4.40% and 4.98%).[99]

Finally, Mr. Rea adds his prospective bond yields of 5.92% (electric) and 5.87% (gas) to his average equity risk premium estimate of 5.24% (electric) and 5.21% (gas) to produce his risk premium return estimate of 11.16% (electric) and 11.08% (gas). Once again, Mr. Rea then adds a 0.08% premium to compensate for flotation costs.[100]

Q WHAT CONCERNS DO YOU HAVE WITH MR. REA'S RISK PREMIUM METHOD?

A My major concern with Mr. Rea's Risk Premium method is his overstated prospective utility bond yield, which does not reflect the current market outlooks. Also, as discussed above, the current beta estimates do not reflect the low risk of the utility industry. Therefore, Mr. Rea's risk premium estimates are inflated and do not produce a reliable return on equity for NIPSCO.

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[98] Rea Direct Testimony Schedule 8, Page 4 and 8.
[99] Rea Direct Testimony Schedule 8, Page 5.
[100] Rea Direct Testimony at 92 and Schedule 8, Page 1 and 7.

Q WHY DO YOU BELIEVE THAT MR. REA'S PROJECTED UTILITY YIELD OF 5.87%-5.92% DO NOT REFLECT CURRENT MARKET OUTLOOKS?

A Mr. Rea uses a projected AAA-rated corporate bond yield of 5.16% for the period 2025 through 2029. He then adds two separate yield spreads to produce his prospective bond yield for his proxy groups. However, the current utility has declined and this trend is expected to continue when rates in these proceedings are going to be in effect. As shown on my Attachment MPG-24 the most recent A-and Baa-rated utility bond yields over the last 3 months are approximately 5.30% and 5.50%, respectively. Mr. Rea's projected increase of his prospective utility bond yield of approximately 5.90% does not reflect the current market outlooks.

Q WHAT IS THE APPROPRIATE EQUITY RISK PREMIUM FOR THE PROXY GROUPS IF THE LEVERAGE BETA ADJUSTMENT IS DISREGARDED?

A As shown on page 4 and 8 of Schedule 8, the indicated total market equity risk premium is 6.37%. Applying the proxy group beta of 0.91 (electric) and 0.90 (gas) will produce a total market equity risk premium of 5.80% (0.91 x 6.37%) for his proxy groups. However, applying a normalized beta that properly reflects the low-risk nature of the regulated utilities as I explained earlier, will result in total market equity risk premium of 4.90% (0.77 x 6.37%) for the electric and gas proxy groups. Therefore, the indicated equity risk premium for the two proxy groups will be 4.80% ((4.90% + 4.69%)/2), which is approximately 40-basis points lower than Mr. Rea's equity risk premium of 5.24%/5.21%.

Q CAN MR. REA'S RISK PREMIUM ANALYSES BASED ON PROJECTED YIELDS BE MODIFIED TO PRODUCE MORE REASONABLE RESULTS?

A Yes. Relying on an equity risk premium of 4.80% as described above and the current Baa utility yield of 5.50%, will result in a risk premium return on equity of 10.30% (4.80% + 5.50%). I believe this return more reasonably captures a fair equity risk premium estimate using the data in Mr. Rea's study.

XIII.G. Mr. Rea's Non-Utility Proxy Group

Q DID MR. REA USE A NON-UTILITY PROXY GROUP IN SUPPORT OF THE COMPANY'S RECOMMENDED 10.60% RETURN?

A Yes. Mr. Rea performed his DCF, CAPM, ECAPM and RP on a non-utility proxy group, which he found to be a reasonable risk proxy for NIPSCO.

Q IS MR. REA'S NON-UTILITY GROUP PRODUCING REASONABLE RETURN ESTIMATES FOR NIPSCO?

A No. The companies included in Mr. Rea's non-utility proxy group are subject to risks that are materially different from those affecting NIPSCO's regulated utility operations. Indeed, the regulatory process itself provides an effective mechanism to mitigate some of the market risks influencing the U.S. economy. Therefore, using Mr. Rea's non-utility proxy group, which is much riskier than the utility industry, will produce an unreliable and inflated return on equity for a low-risk utility like NIPSCO. Therefore, the Commission should disregard the results of Mr. Rea's non-utility group DCF.

Q PLEASE EXPLAIN WHY MR. REA'S NON-UTILITY GROUP IS NOT A REASONABLE RISK PROXY GROUP FOR NIPSCO.

A One criterion that Mr. Rea uses to select a comparable risk non-utility group is the bond rating. While this may be a reasonable method of estimating and identifying comparable proxy groups within an industry, doing it across industries is not as straightforward and not as reliable. For example, if bond ratings alone would adequately help to identify comparable risk companies across industries, then there should not be any observable clear differences in the investment cost for securities that have different bond ratings. However, the industry or circumstances behind the security have a material role in the market's assessment of a fair compensation.

While "AAA" rated corporate bonds and U.S. Treasuries have comparable bond ratings, the risk differential is significant largely because of the operating risk differences between the securities. The U.S. government has virtually minimal default risk on its bond issuances, whereas even a "AAA" rated corporate bond has measurable default risk. Similarly, regulated utility operations with the ability to seek price adjustments to match to cost of service provide far less default risk than non-regulated companies. A regulated company generally has a franchise to a monopoly service territory and the ability to have prices set based on reasonable and prudent costs. In significant contrast, a non-regulated entity does not have an exclusive hold over its customer base, must price its services consistent with what the market will permit, and has far more uncertainty of selling products that produce cash flows that support financial obligations. Therefore, the results produced by Mr. Rea's non-utility group should be rejected.

Q WHAT IS YOUR CONCLUSION REGARDING THE APPROPRIATE RETURN ON EQUITY FOR NIPSCO BASED ON YOUR ANALYSIS?

A My analysis supports a reasonable range of NIPSCO's current market cost of equity to be from 9.10% to 9.70%, with a recommended point estimate of 9.15%.

The Commission should reject Mr. Rea's recommended cost of common equity for the reasons outlined above, primarily because his analysis has artificially inflated NIPSCO's cost of equity through unreasonable adjustments.

Q DOES THIS CONCLUDE YOUR VERIFIED DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Michael P. Gorman

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A In 1983 I received a Bachelor of Science Degree in Electrical Engineering from Southern Illinois University, and in 1986, I received a Master's Degree in Business Administration with a concentration in Finance from the University of Illinois at Springfield. I have also completed several graduate level economics courses.

In August of 1983, I accepted an analyst position with the Illinois Commerce Commission ("ICC"). In this position, I performed a variety of analyses for both formal and informal investigations before the ICC, including marginal cost of energy, central dispatch, avoided cost of energy, annual system production costs, and working capital. In October of 1986, I was promoted to the position of Senior Analyst. In this position, I assumed the additional responsibilities of technical leader on projects, and my areas of responsibility were expanded to include utility financial modeling and financial analyses.

In 1987, I was promoted to Director of the Financial Analysis Department. In this position, I was responsible for all financial analyses conducted by the Staff. Among other things, I conducted analyses and sponsored testimony before the ICC on rate of return, financial integrity, financial modeling and related issues. I also supervised the development of all Staff analyses and testimony on these same issues. In addition, I supervised the Staff's review and recommendations to the Commission concerning utility plans to issue debt and equity securities.

In August of 1989, I accepted a position with Merrill-Lynch as a financial consultant. After receiving all required securities licenses, I worked with individual investors and small businesses in evaluating and selecting investments suitable to their requirements.

In September of 1990, I accepted a position with Drazen-Brubaker & Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc. was formed. It includes most of the former DBA principals and Staff. Since 1990, I have performed various analyses and sponsored testimony on cost of capital, cost/benefits of utility mergers and acquisitions, utility reorganizations, level of operating expenses and rate base, cost of service studies, and analyses relating to industrial jobs and economic development. I also participated in a study used to revise the financial policy for the municipal utility in Kansas City, Kansas.

At BAI, I also have extensive experience working with large energy users to distribute and critically evaluate responses to requests for proposals ("RFPs") for electric, steam, and gas energy supply from competitive energy suppliers. These analyses include the evaluation of gas supply and delivery charges, cogeneration and/or combined cycle unit feasibility studies, and the evaluation of third-party asset/supply management agreements. I have participated in rate cases on rate design and class cost of service for electric, natural gas, water and wastewater utilities. I have also analyzed commodity pricing indices and forward pricing methods for third party supply agreements and have also conducted regional electric market price forecasts.

In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas, Louisville, Kentucky and Phoenix, Arizona.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of service and other issues before the Federal Energy Regulatory Commission and numerous state regulatory commissions including: Alaska, Arkansas, Arizona, California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before the provincial regulatory boards in Alberta, Nova Scotia, and Quebec, Canada. I have also sponsored testimony before the Board of Public Utilities in Kansas City, Kansas; presented rate setting position reports to the regulatory board of the municipal utility in Austin, Texas, and Salt River Project, Arizona, on behalf of industrial customers; and negotiated rate disputes for industrial customers of the Municipal Electric Authority of Georgia in the LaGrange, Georgia district.

Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.

A I earned the designation of Chartered Financial Analyst ("CFA") from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting, economics, fixed income and equity valuation and professional and ethical conduct. I am a member of the CFA Institute's Financial Analyst Society.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7, 8-1-2-61 AND 8-1-2.5-6 FOR (1) AUTHORITY TO MODIFY ITS RETAIL RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A PHASE IN OF RATES; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL OF REVISED COMMON AND ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING, BUT LIMITED TO, AUTHORITY TO CAPITALIZE AS RATE BASE ALL EXPENDITURES FOR IMPROVEMENTS TO PETITIONER'S INFORMATION TECHNOLOGY SYSTEMS THROUGH THE DESIGN, DEVELOPMENT, AND IMPLEMENTATION OF A WORK AND ASSET MANAGEMENT ("WAM") PROGRAM, TO THE EXTENT NECESSARY; AND (5) APPROVAL OF ALTERNATIVE REGULATORY PLANS FOR THE PARTIAL WAIVER OF 170 IAC 4-1-16(f) AND PROPOSED REMOTE DISCONNECTION AND RECONNECTION PROCESS AND, TO THE EXTENT NECESSARY, IMPLEMENTATION OF A LOW INCOME PROGRAM.	**CAUSE NO. 46120**

Verification

I, Michael P. Gorman, a Managing Principal of Brubaker & Associates, Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Michael P. Gorman

515746

Northern Indiana Public Service Company LLC

Rate of Return
(December 31, 2025)

Line	Description	Amount (1)	Weight (2)	Cost (3)	Weighted Cost (4)
1	Long-Term Debt	$ 5,468,979,284	36.63%	5.20%	1.90%
2	Common Equity	$ 7,718,129,223	51.69%	**9.15%**	4.73%
3	Customer Deposits	$ 59,885,295	0.40%	5.76%	0.02%
4	Deferred Income Tax	$ 1,691,723,532	11.33%	0.00%	0.00%
5	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%
6	Post-1970 ITC	$ 174,612	0.00%	7.51%	0.00%
7	Prepaid Pension*	$ -	0.00%	0.00%	0.00%
8	Total	$ 14,931,400,061	100.00%		6.66%
9	Long-Term Debt	$ 5,468,979,284	41.47%	5.20%	2.16%
10	Common Equity	$ 7,718,129,223	58.53%	**9.15%**	5.36%
11	Total	$ 13,187,108,507	100.00%		7.51%

Source:
Attachment 3-A-S2, Page 5.
*The prepaid pension asset was removed from NIPSCO's proposed capital structure.

Northern Indiana Public Service Company LLC

Schahfer Units 17 and 18 Retirement Amortization
Calculation of a Levelized Revenue Requirement

		NIPSCO Proposed Declining Balance					Levelized Revenue Requirement		Proposed Levelized Recovery				
Line	Description	Beginning Balance[1]	Annual Amortization[2]	Ending Balance	Return and Income Taxes	Declining Bal. Rev. Req.	Levelized Rev. Req.	Revenue Req. Impact	Beginning Balance	Annual Amortization	Ending Balance	Return and Income Taxes	Levelized Rev. Req.
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Step 2 Pre-Tax Rate of Return[3]				8.26%							8.26%	
2	2026	$ 181,499,810	$ 21,352,919	$ 160,146,891	$ 14,994,935	$ 36,347,854	$ 30,582,587	$ (5,765,267)	$ 181,499,810	$ 15,587,652	$ 165,912,158	$ 14,994,935	$ 30,582,587
3	2027	160,146,891	21,352,919	138,793,972	13,230,825	34,583,744	30,582,587		165,912,158	16,875,454	149,036,703	13,707,133	30,582,587
4	2028	138,793,972	21,352,919	117,441,054	11,466,715	32,819,634	30,582,587		149,036,703	18,269,650	130,767,053	12,312,937	30,582,587
5	2029	117,441,054	21,352,919	96,088,135	9,702,605	31,055,524	30,582,587		130,767,053	19,779,031	110,988,022	10,803,556	30,582,587
6	2030	96,088,135	21,352,919	74,735,216	7,938,495	29,291,414	30,582,587		110,988,022	21,413,111	89,574,911	9,169,476	30,582,587
7	2031	74,735,216	21,352,919	53,382,297	6,174,385	27,527,304	30,582,587		89,574,911	23,182,194	66,392,717	7,400,393	30,582,587
8	2032	53,382,297	21,352,919	32,029,378	4,410,275	25,763,194	30,582,587		66,392,717	25,097,433	41,295,285	5,485,154	30,582,587
9	2033	32,029,378	21,352,919	10,676,459	2,646,165	23,999,084	30,582,587		41,295,285	27,170,903	14,124,382	3,411,685	30,582,587
10	6/30/2034	10,676,459	10,676,459	-	882,055	11,558,514	15,291,294		14,124,382	14,124,382	(0)	1,166,911	15,291,294
11	**Net Present Value**					**$ 181,499,810**	**$ 181,499,810**						**$ 181,499,810**
12	**Total**		**$ 181,499,810**							**$ 181,499,810**			

Sources:
[1] Workpaper RB 7-S2, Page [.6].
[2] Workpaper AMTZ 3-S2, Page [.6].
[3] Attachment MPG-1.

Northern Indiana Public Service Company LLC

Schahfer Units 14 and 15 Retirement Amortization
Calculation of a Levelized Revenue Requirement

		NIPSCO Proposed Declining Balance					Levelized Revenue Requirement		Proposed Levelized Recovery				
Line	**Description**	**Beginning Balance[1]**	**Annual Amortization[2]**	**Ending Balance**	**Return and Income Taxes**	**Declining Bal. Rev. Req.**	**Levelized Rev. Req.**	**Revenue Req. Impact**	**Beginning Balance**	**Annual Amortization**	**Ending Balance**	**Return and Income Taxes**	**Levelized Rev. Req.**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
1	Step 1 Pre-Tax Rate of Return[3]				8.20%							8.20%	
2	2024	$ 592,487,087	$ 56,435,153	$ 536,051,934	$ 48,577,158	$ 105,012,311	$ 86,362,634		$ 592,487,087	$ 37,785,476	$ 554,701,610	$ 48,577,158	$ 86,362,634
3	2025	536,051,934	56,426,519	479,625,414	43,950,121	100,376,641	86,362,634		554,701,610	40,883,453	513,818,158	45,479,181	86,362,634
4	Step 1 (May 2025)	512,540,884	56,426,519	456,114,365	42,022,485	98,449,004	86,362,634	$ (12,086,370)					
5	Step 2 (2026)	479,625,414	56,426,519	423,198,895	39,323,793	95,750,312	86,362,634	$ (9,387,678)	513,818,158	44,235,428	469,582,730	42,127,206	86,362,634
6	2027	423,198,895	56,426,519	366,772,376	34,697,464	91,123,984	86,362,634		469,582,730	47,862,227	421,720,503	38,500,408	86,362,634
7	2028	366,772,376	56,426,519	310,345,856	30,071,136	86,497,655	86,362,634		421,720,503	51,786,381	369,934,122	34,576,253	86,362,634
8	2029	310,345,856	56,426,519	253,919,337	25,444,807	81,871,326	86,362,634		369,934,122	56,032,272	313,901,850	30,330,363	86,362,634
9	2030	253,919,337	56,426,519	197,492,818	20,818,479	77,244,998	86,362,634		313,901,850	60,626,276	253,275,573	25,736,358	86,362,634
10	2031	197,492,818	56,426,519	141,066,298	16,192,150	72,618,669	86,362,634		253,275,573	65,596,937	187,678,636	20,765,697	86,362,634
11	2032	141,066,298	56,426,519	84,639,779	11,565,821	67,992,341	86,362,634		187,678,636	70,975,135	116,703,502	15,387,500	86,362,634
12	2033	84,639,779	56,426,519	28,213,260	6,939,493	63,366,012	86,362,634		116,703,502	76,794,283	39,909,218	9,568,351	86,362,634
13	6/30/2034	28,213,260	28,213,260	(0)	2,313,164	30,526,424	43,181,317		39,909,218	39,909,218	(0)	3,272,099	43,181,317
14	**Net Present Value**					**$ 592,487,087**	**$ 592,487,087**						**$ 592,487,087**
15	**Total**		**$ 592,487,087**							**$ 592,487,087**			

Sources:
[1] Workpaper RB 7-S2, Page [.6].
[2] Workpaper AMTZ 3-S2, Page [.6].
[3] Gorman Workpapers.

Cause No. 46120
NIPSCO's Responses to Data Requests
Referenced in the Verified Direct Testimony
of Industrial Group Witness Michael P. Gorman

NIPSCO's Responses to Data Requests: **Page**

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[1]Voluminous attachments excluded from Attachment MPG-3.

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
NIPSCO Industrial Group's Second Set of Data Requests

Industrials Request 2-008:
In an electronic spreadsheet with all formulas intact, please provide the monthly average balances for construction work in progress and short-term debt for the most recent 13-month period. Please identify the amount of short-term debt included in the regulatory capital structure, if any.
Objections:
Response:
See Industrial Request 2-008 Attachment A and Attachment B. Short-term debt is not included in the regulatory capital structure.

Industrials Request 2-008 Attachment A
Cause No. 46120

Short Term Borrowings		
Year	Month	Average Balance
2023	9	$ (72,855,507)
2023	10	$ (101,448,409)
2023	11	$ (248,395,094)
2023	12	$ (19,000,000)
2024	1	$ (53,500,000)
2024	2	$ (17,900,000)
2024	3	$ (12,020,000)
2024	4	$ (25,800,000)
2024	5	$ (121,555,000)
2024	6	$ (18,400,000)
2024	7	$ (26,810,000)
2024	8	$ (64,300,000)
2024	9	$ -
		$ (60,152,616)

Industrials Request 2-008 Attachment B
Cause No. 46120

CWIP Balances

DATE	FERC COMMON CWIP (RATIO H)	TOTAL COMMON CWIP
Sep-23	$ 58,269,118.56	$ 58,269,118.56
Oct-23	50,620,058.18	50,620,058.18
Nov-23	59,065,846.80	59,065,846.80
Dec-23	63,418,871.30	63,418,871.30
Jan-24	61,469,989.90	61,469,989.90
Feb-24	68,076,035.63	68,076,035.63
Mar-24	75,809,410.96	75,809,410.96
Apr-24	80,965,086.59	80,965,086.59
May-24	81,028,713.31	81,028,713.31
Jun-24	65,202,423.52	65,202,423.52
Jul-24	66,086,540.05	66,086,540.05
Aug-24	63,998,270.47	63,998,270.47
Sep-24	69,956,180.22	69,956,180.22
Average	$ 66,458,965.04	$ 66,458,965.04

	RATIO	ELECTRIC	GAS
08/23 - 01/24	**Investment H**	**67.24%**	**32.76%**
02/24 - 07/24	**Investment H**	**66.91%**	**33.09%**
08/24 - 01/25	**Investment H**	**68.19%**	**31.81%**

DATE	ELECTRIC CWIP	COMMON CWIP ALLOCATION	TOTAL ELECTRIC
Sep-23	$ 611,327,893.95	$ 39,181,012.79	$ 650,508,906.74
Oct-23	617,499,975.00	34,037,672.03	651,537,647.03
Nov-23	645,927,391.97	39,716,744.58	685,644,136.55
Dec-23	420,539,557.62	42,643,782.32	463,183,339.94
Jan-24	475,914,475.45	41,333,325.78	517,247,801.23
Feb-24	531,440,739.08	45,548,741.45	576,989,480.53
Mar-24	863,200,895.41	50,723,036.78	913,923,932.19
Apr-24	938,940,311.54	54,172,628.61	993,112,940.15
May-24	677,104,103.45	54,215,200.37	731,319,303.82
Jun-24	731,273,723.81	43,626,047.01	774,899,770.82
Jul-24	709,909,710.07	44,217,597.25	754,127,307.32
Aug-24	725,120,777.44	43,638,666.38	768,759,443.82
Sep-24	1,319,359,252.29	47,701,201.73	1,367,060,454.02
Average	$ 712,889,139.01	$ 44,673,512.08	$ 757,562,651.09

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
NIPSCO Industrial Group's Second Set of Data Requests

Industrials Request 2-009:
Please provide the amount of capitalized interest estimated to be paid during the test year related to construction projects.
Objections:
Response:
The forecasted debt component of AFUDC included in the capital plan for 2025 is $4,861,001.

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
NIPSCO Industrial Group's Second Set of Data Requests

Industrials Request 2-010:
Please state whether NIPSCO's regulated electric retail operations have any off-balances sheet debt such as operating leases. If the answer is "yes," please provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off-balance sheet debt equivalents specific to NIPSCO's Indiana jurisdictional regulated retail electric operations.
Objections:
NIPSCO objects to this Request on the grounds and to the extent that this Request seeks publicly available information.
Response:
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: NIPSCO does not have any off-balance sheet assets or liabilities. NIPSCO does enter into operating leases and executory contracts in the normal course of business. Please refer to NIPSCO's Commitments and Contingency footnote included in its publicly filed 2023 FERC Form No. 1.

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Industrials Request 3-001:

Concerning the prepaid pension asset shown on Attachment 3-B-S2, CS Module, please answer the following questions:

a) Please provide workpapers showing the development of the prepaid pension asset since its creation. Please show annual GAAP pension expense, annual pension trust fund contributions, any other factors, and the resulting annual accumulated prepaid pension asset each year up to end of the Forward Test Year.

b) Please identify the amount of pension expense included in the Company's retail cost of service and recovered from customers each year since the creation of the prepaid pension asset up to the end of the Forward Test Year.

c) Please identify the GAAP pension expense each year since the creation of the prepaid pension asset up to the end of the Forward Test Year.

d) Please provide the amount of the test year prepaid pension asset that represents contributions from the Company, and the amount that represents market gains.

e) Please identify the annual ERISA minimum pension contribution over the same annual time period as that listed in "a" above with respect to reconciling the annual accumulation of a test year amount of the prepaid pension asset.

f) Please provide the amount of the test year prepaid pension asset if the Company had only made the ERISA minimum contribution over the time period in "a" above.

Objections:

NIPSCO objects to this Request on the grounds and to the extent that this Request seeks information that is confidential, proprietary and/or trade secret.

NIPSCO further objects to this Request on the separate and independent grounds and to the extent that this Request solicits an analysis, calculation or compilation which has not already been performed and which NIPSCO objects to performing.

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NIPSCO further objects to subparts d. and e. of this Request on the separate and independent grounds and to the extent that this Request asks NIPSCO to address a hypothetical because NIPSCO has not "only made the ERISA minimum contribution over the time period in 'a' above." NIPSCO objects to the Request on the separate and independent grounds and to the extent that it seeks information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. *See Indiana American Water,* Cause No. 45870 (IURC 2/14/2024).
<u>Response:</u>
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: a. The Statement of Financial Accounting Standards No. 87 (SFAS 87) became effective for fiscal years beginning after December 15, 1986 with the recognition of unfunded accrued pension cost (liability) or a prepaid pension cost (asset) being required for fiscal years beginning after December 15, 1988. NIPSCO does not maintain its general ledger or sub-ledger detail back to 1988. As such, please see the file attached hereto as Industrials Request 3-001 Attachment A for a calculation from 2008 showing the build-up of the prepaid pension asset, which is primarily made up of the pension trust fund contributions in excess of historical amounts charged to operating expense. For the projected 2024 and 2025 total NIPSCO prepaid pension asset build up, please see Petitioner's Confidential Exhibit 18-S2 (Redacted), specifically workpaper CS 6 (Pages 712-719) and Petitioner's Confidential Exhibit 18-S2, specifically workpaper CS 6 (Pages 720 and 721). b. As explained at page 48 of the 2/14/2024 Final Order in *Indiana American* Cause No. 45870, this information is not relevant to the calculation of the prepaid pension asset. Nevertheless, please see Industrials Request 3-001 Attachment A. This schedule also shows the amount of net pension expense in the revenue requirement that was used to calculate NIPSCO's current electric rates. The amount of pension cost included in the revenue requirement used to calculate NIPSCO's electric rates prior to Cause No. 44688 is not available. Additionally, NIPSCO does not allocate pension plan contributions between gas and electric operations. c. See response to subpart (a) above.

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d. Please see NIPSCO's objections. This "what if" analysis has not been performed. As noted in subpart a. above, the current pre-paid pension balance is a sum of activity dating back to the late 1980s for which contribution and expense details are no longer available going back that far in time. Additionally, any assumptive change such as making contributions equal to the ERISA minimums would also impact overall plan returns and expenses as well, so that this is no simple analysis and would require many assumptions rolling forward from previous years.

e. Please see Industrials Request 3-001 Attachment B for the ERISA minimum contribution requirements for the NiSource Inc. Qualified Plan for the plan years 2010 through 2023.

f. Please see NIPSCO's objections. See also the response to subpart (d) above.

Industrials Request 3-001 Attachment A
Cause No. 46120

Northern Indiana Public Service Company
Prepaid Pension Asset Rollforward

Line No.	Prepaid Pension Asset Rollforward	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Prepaid pension asset beginning balance	$ 157,132,253	172,742,067	187,064,209	217,164,360	349,346,406	319,215,634	301,424,013	320,837,317	309,111,603	282,773,632	434,568,447	442,238,223	423,125,414	420,025,857	433,464,769	437,959,675
2	Pension plan contributions	1,602,842	74,528,549	72,354,170	151,343,847	810,000	279,528	20,485,398	-	-	165,672,532	-	-	-	-	-	-
3	Net pension periodic benefit (cost)/income	15,538,394	(61,702,838)	(39,354,524)	(19,290,528)	(30,940,772)	(18,070,825)	(1,072,094)	(11,789,082)	(26,300,671)	(14,048,291)	7,645,706	(19,173,371)	(3,118,273)	13,384,669	4,379,627	(17,239,896)
4	Employee transfers and other activity	(1,531,422)	1,496,431	(2,899,495)	128,727	-	(324)	-	63,368	(37,300)	170,574	24,070	60,562	18,716	54,243	115,279	3
5	Prepaid Pension Asset Ending Balance	$ 172,742,067	$ 187,064,209	$ 217,164,360	$ 349,346,406	$ 319,215,634	$ 301,424,013	$ 320,837,317	$ 309,111,603	$ 282,773,632	$ 434,568,447	$ 442,238,223	$ 423,125,414	$ 420,025,857	$ 433,464,769	$ 437,959,675	$ 420,719,782

Line No.	NIPSCO Gross Pension Expense	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
6	Gross Pension Expense Allocated to Gas	$ (4,761,243)	$ 18,808,333	$ 11,605,770	$ 5,815,390	$ 9,857,730	$ 5,946,728	$ 343,937	$ 3,743,111	$ 8,376,325	$ 4,614,733	$ (239,731)	$ 6,643,551	$ 2,384,222	$ (2,519,942)	$ (952,843)	$ 5,977,594
7	Gross Pension Expense Allocated to Electric	(10,763,707)	42,202,187	27,005,593	13,176,770	21,083,042	12,124,097	728,157	8,045,971	17,924,346	9,433,558	(7,405,974)	12,529,820	734,051	(10,864,727)	(3,426,784)	11,262,302
8	NIFL and Kokomo Gross Pension Expense	(13,444)	692,318	743,161	298,368	-	-	-	-	-	-	-	-	-	-	-	-
9	Total NIPSCO Gross Pension Expense	$ (15,538,394)	$ 61,702,838	$ 39,354,524	$ 19,290,528	$ 30,940,772	$ 18,070,825	$ 1,072,094	$ 11,789,082	$ 26,300,671	$ 14,048,291	$ (7,645,706)	$ 19,173,371	$ 3,118,273	$ (13,384,669)	$ (4,379,627)	$ 17,239,896

Line No.	NIPSCO Net Pension Cost in Electric Base Rates *	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10	NIPSCO Cause No. 38045 (effective 7-16-1987)	Not Available	Not Available	Not Available	Not Available												
11	NIPSCO Cause No. 43969 (effective 12-27-2011)				Not Available	Not Available	Not Available	Not Available	Not Available	Not Available							
12	NIPSCO Cause No. 44688 (Step 1 effective 9-29-2016)									$ 8,499,043	$ 8,499,043	$ 8,499,043	$ 8,499,043	$ 8,499,043			
13	NIPSCO Cause No. 45159 (Step 1 effective 1-02-2020)													$ 712,654	$ 712,654	$ 712,654	$ 712,654
14	NIPSCO Cause No. 45772 (Step 1 effective 8-02-2023)																$ 4,202,213

*Net Pension Cost amounts reflect annual level included in NIPSCO Electric Base Rates

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
NIPSCO Industrial Group's Fourth Set of Data Requests

Industrials Request 4-001:
Please provide the following information regarding the $114,193,347 of NCSC expenses allocated to NIPSCO electric in the 2023 historic base period as shown on NIPSCO's Attachment 5-D: a) On an electronic spreadsheet with all formulas intact, please provide calculations of each allocation factor that NCSC uses to assign costs to NIPSCO. Please also include any electric allocation, jurisdictional allocation or other factors necessary to arrive at the $114,193,347 of NCSC expenses shown on Attachment 5-D. b) On an electronic spreadsheet with all formulas intact, please provide the total NCSC costs by FERC account for the 2023 historic base period that will be allocated across all affiliate companies. c) On an electronic spreadsheet with all formulas intact, please calculate NIPSCO electric's allocated costs during the 2023 historic base period using the total NCSC costs provided in part (b.) and the allocation factors provided in part (a.) of this response. Please also quantify any directly assigned costs to NIPSCO electric so that the resulting calculation equals $114,193,347.
Objections:
NIPSCO objects to this Request on the grounds and to the extent that this Request is unduly burdensome and calls for the compilation and production of voluminous materials.
Response:
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: a) NCSC allocates costs to affiliates using Billing Pools, which can be an allocation or directly assigned to an affiliate. Please refer to Industrials Request 4-001 Attachment A for the calculations of each allocation factor used to bill NIPSCO Common. Please note, once NCSC allocations arrive at NIPSCO Common, NIPSCO performs a common segment allocation ("CSA") to split costs between

Cause No. 46120
Northern Indiana Public Service Company LLC's
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NIPSCO's gas and electric segment. Industrials Request 4-001 Attachment B shows NIPSCO Electric's CSA factors. These factors are not reasonably available in an Excel spreadsheet, rather they are developed and applied within the ledger system based upon the voluminous data which informs them. See objection.

b) Please refer to Industrials Request 4-001 Attachment C. However, the intent of this discovery request is focused on allocations which are not allocated by FERC account but rather by Billing Pool. To holistically satisfy all requests as part of NIPSCO Industrial Group Set 4, the remaining requests will be focused on Billing Pool. If NCSC costs by FERC account are still desired, please refer to NCSC FERC Form 60 which is publicly available on the FERC website.

c) Please refer to Industrials Request 4-001 Attachment D, which shows costs by Billing Pool both at NIPSCO Common and NCS Total, which recalculates the allocation percentage and compares it to the allocation survey values presented in Industrials Request 4-001 Attachment A. As previously mentioned, after the costs arrive at NIPSCO Common, CSA percentages are used to arrive at NIPSCO Electric's portion of NCSC costs. The actual calculations are performed within the PeopleSoft system and Attachment B is the best representation of NIPSCO Electric's CSA percentages. Variances will exist between the Allocation Survey and Common Segment Allocation due to the comparison only being to the August survey and during each year there are three surveys being used (i.e. pre 2/1 update, 2/1-8/1, and after 8/1 update).

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OUCC Request 3-008:
Please provide the actual headcount, for the period January 2019 through August 2024, by month for each employee type (Exempt, Non-exempt, and Union).
Objections:
Response:
Please see OUCC Request 3-008 Attachment A for the actual headcount for each year, 2019 through 2022, and year-to-date August 2024. For the actual headcount for 2023, please refer to Petitioner's Confidential Exhibit 18-S2, Workpaper OM1, page [.8].

2019 NIPSCO HC

Line No.	Month	BU Non-Exem	NBU Exem	NBU Non Exem	Total
1	Jan-19	1911	931	112	2954
2	Feb-19	1909	930	114	2953
3	Mar-19	1897	931	114	2942
4	Apr-19	1893	942	112	2947
5	May-19	1884	948	115	2947
6	Jun-19	1866	956	104	2926
7	Jul-19	1851	960	107	2918
8	Aug-19	1846	980	101	2927
9	Sep-19	1848	995	113	2956
10	Oct-19	1852	1005	113	2970
11	Nov-19	1851	1012	117	2980
12	Dec-19	1849	1015	117	2981

2020 NIPSCO HC

		BU	NBU		
Line No.	**Month**	**Non-Exem**	**Exem**	**Non Exem**	**Total**
1	Jan-20	1857	1025	117	2999
2	Feb-20	1854	1036	117	3007
3	Mar-20	1848	1047	118	3013
4	Apr-20	1866	1044	117	3027
5	May-20	1860	1040	114	3014
6	Jun-20	1855	1046	119	3020
7	Jul-20	1848	1044	121	3013
8	Aug-20	1845	1054	120	3019
9	Sep-20	1837	1054	119	3010
10	Oct-20	1837	1016	118	2971
11	Nov-20	1835	1015	117	2967
12	Dec-20	1836	1015	114	2965

2021 NIPSCO HC

		BU	NBU		
Line No.	**Month**	**Non-Exem**	**Exem**	**Non Exem**	**Total**
1	Jan-21	1831	994	109	2934
2	Feb-21	1830	978	108	2916
3	Mar-21	1829	969	112	2910
4	Apr-21	1823	970	109	2902
5	May-21	1829	965	109	2903
6	Jun-21	1784	962	101	2847
7	Jul-21	1771	957	100	2828
8	Aug-21	1766	959	99	2824
9	Sep-21	1757	962	102	2821
10	Oct-21	1731	961	100	2792
11	Nov-21	1726	970	101	2797
12	Dec-21	1719	968	100	2787

OUCC Request 3-008 Attachment A
Cause No. 46120

2022 NIPSCO HC

		BU		NBU	
Line No.	**Month**	**Non-Exem**	**Exem**	**Non Exem**	**Total**
1	Jan-22	1695	929	103	2727
2	Feb-22	1690	923	104	2717
3	Mar-22	1680	920	101	2701
4	Apr-22	1668	947	99	2714
5	May-22	1683	948	114	2745
6	Jun-22	1697	940	113	2750
7	Jul-22	1697	929	115	2741
8	Aug-22	1696	932	118	2746
9	Sep-22	1685	929	119	2733
10	Oct-22	1676	923	117	2716
11	Nov-22	1671	919	117	2707
12	Dec-22	1663	925	112	2700

OUCC Request 3-008 Attachment A
Cause No. 46120

2024 NIPSCO HC

Line No.	Month	BU Non-Exem	Exem	NBU Non Exem	Total
1	Jan-24	1,675	942	144	2,761
2	Feb-24	1,687	945	144	2,776
3	Mar-24	1,686	949	149	2,784
4	Apr-24	1,691	949	151	2,791
5	May-24	1,689	943	159	2,791
6	Jun-24	1,685	960	154	2,799
7	Jul-24	1,682	966	155	2,803
8	Aug-24	1,689	956	154	2,799

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OUCC Request 3-009:
Please provide the budgeted headcount, for the period January 2019 through December 2025, by month for each employee type (Exempt, Non-exempt, and Union).
Objections:
NIPSCO objects to this Request on the grounds and to the extent that this Request solicits an analysis, calculation, or compilation which has not already been performed and which NIPSCO objects to performing. NIPSCO further objects to this Request on the grounds and to the extent that this Request is vague and ambiguous as the term "budgeted headcount" is undefined.
Response:
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: As described in Q/A 38 of Witness Weatherford's direct testimony, NIPSCO forecasts labor expense utilizing actual headcount as of June 30, 2024. OUCC Request 3-009 Attachment A provides authorized NIPSCO headcount for the years 2019 to 2025 from the Human Resource System. However, NIPSCO does not solely budget labor expense based on authorized headcount from the Human Resource System; rather, NIPSCO uses it as a starting point when building the budget and adjusts for anticipated changes.

OUCC Request 3-009 Attachment A
Cause No. 46120

2019 through 2025 NIPSCO Authorized Headcount

Line No.	Year	Authorized HC
1	2019	3117
2	2020	3151
3	2021	3094
4	2022	3049
5	2023	2972
6	2024	3035
7	2025	3029

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OUCC Request 3-016:
Please provide the budgeted amounts for payroll for each year, 2019 through 2025, by month, separately identifying amounts for each affiliate or operating group with payroll costs included in adjustment OM 1.
Objections:
NIPSCO objects to this Request on the grounds and to the extent that this Request solicits an analysis, calculation, or compilation which has not already been performed and which NIPSCO objects to performing. NIPSCO is providing the information requested in the format and manner in which the information is kept in the normal course of business.
Response:
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: The information for the period of 2019-2021 is housed in a legacy system and is not available on a monthly basis. Please see OUCC Request 3-015 Attachment A for the NIPSCO Electric total labor budget for the period on 2019-2021. For the monthly NIPSCO Electric labor budget information for the period of 2022-2025, please see OUCC Request 3-016 Attachment A. NIPSCO notes the labor expense amount included in the forecasted test year is not based on budgeted labor expense. Please see Q/A 38-40 of the Direct Testimony of NIPSCO Witness Weatherford for further discussion on how labor expense was included in the forecasted test year.

Northern Indiana Public Service Company LLC
OUCC Request 3-016 Attachment A

2022

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Exempt Regular Salary & Wages	$ 3,747,112	$ 3,693,268	$ 3,707,152	$ 3,729,691	$ 3,742,772	$ 3,745,258	$ 3,765,686	$ 3,718,194	$ 3,708,317	$ 3,738,540	$ 3,722,558	$ 3,793,352	$ 44,811,900
Non Exempt Regular Salaries	$ 4,974,625	$ 4,683,354	$ 5,177,735	$ 4,993,901	$ 5,233,656	$ 5,247,958	$ 5,011,501	$ 5,188,325	$ 5,082,075	$ 4,935,558	$ 4,897,093	$ 4,960,950	$ 60,386,733
Other Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime Salary & Wages	$ 1,414,183	$ 1,486,968	$ 1,319,027	$ 1,248,034	$ 1,422,272	$ 1,502,944	$ 1,833,830	$ 1,565,389	$ 1,443,301	$ 1,381,973	$ 1,522,214	$ 1,522,716	$ 17,662,852
Labor Vacancy	$ (72,970)	$ (62,473)	$ (66,526)	$ (79,697)	$ (81,318)	$ (82,939)	$ (69,316)	$ (70,372)	$ (72,810)	$ (71,562)	$ (74,435)	$ (80,843)	$ (885,261)
Discretionary Bonus	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Labor Other Deduction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 10,062,949**	**$ 9,801,117**	**$ 10,137,388**	**$ 9,891,930**	**$ 10,317,382**	**$ 10,413,221**	**$ 10,541,701**	**$ 10,401,537**	**$ 10,160,884**	**$ 9,984,509**	**$ 10,067,430**	**$ 10,196,175**	**$ 121,976,223**

2023

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Exempt Regular Salary & Wages	$ 3,986,793	$ 3,928,760	$ 4,027,069	$ 4,028,575	$ 4,069,797	$ 4,096,608	$ 4,068,544	$ 4,052,071	$ 4,034,265	$ 4,050,987	$ 4,054,086	$ 4,104,493	$ 48,502,048
Non Exempt Regular Salaries	$ 5,333,782	$ 4,832,536	$ 5,367,895	$ 4,783,811	$ 5,441,170	$ 5,339,112	$ 4,989,393	$ 5,314,056	$ 5,186,271	$ 5,290,700	$ 5,344,560	$ 5,025,731	$ 62,249,017
Other Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime Salary & Wages	$ 1,607,440	$ 1,380,791	$ 1,521,414	$ 1,319,607	$ 1,507,281	$ 2,243,640	$ 1,667,378	$ 2,516,929	$ 1,463,708	$ 1,532,341	$ 1,534,964	$ 1,631,798	$ 19,927,290
Labor Vacancy	$ (82,607)	$ (81,761)	$ (84,282)	$ (41,719)	$ (41,298)	$ (41,719)	$ (41,719)	$ (41,719)	$ (41,719)	$ -	$ -	$ -	$ (498,545)
Discretionary Bonus	$ 1,589	$ 1,589	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,177
Labor Other Deduction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 10,846,996**	**$ 10,061,915**	**$ 10,832,096**	**$ 10,090,273**	**$ 10,976,950**	**$ 11,637,641**	**$ 10,683,597**	**$ 11,841,337**	**$ 10,642,524**	**$ 10,874,028**	**$ 10,933,610**	**$ 10,762,022**	**$ 130,182,989**

2024

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Exempt Regular Salary & Wages	$ 3,734,093	$ 3,724,987	$ 3,873,360	$ 3,762,368	$ 3,883,994	$ 3,910,081	$ 3,915,178	$ 3,885,483	$ 3,880,120	$ 3,870,917	$ 3,871,562	$ 4,030,901	$ 46,343,044
Non Exempt Regular Salaries	$ 5,292,087	$ 5,204,850	$ 5,175,505	$ 5,239,578	$ 5,273,495	$ 5,290,747	$ 5,436,163	$ 5,224,836	$ 5,227,417	$ 5,291,182	$ 5,091,115	$ 5,365,404	$ 63,112,381
Other Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime Salary & Wages	$ 1,750,440	$ 1,601,851	$ 1,681,735	$ 1,621,873	$ 1,615,495	$ 2,519,432	$ 1,783,285	$ 2,687,820	$ 1,645,513	$ 1,654,485	$ 1,725,784	$ 1,781,293	$ 22,069,004
Labor Vacancy	$ (35,454)	$ (35,454)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (35,625)	$ (427,158)
Discretionary Bonus	$ 1,648	$ 1,648	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,295
Labor Other Deduction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 10,742,814**	**$ 10,497,881**	**$ 10,694,975**	**$ 10,588,195**	**$ 10,737,358**	**$ 11,684,635**	**$ 11,099,001**	**$ 11,762,514**	**$ 10,717,426**	**$ 10,780,959**	**$ 10,652,836**	**$ 11,141,973**	**$ 131,100,566**

2025

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Exempt Regular Salary & Wages	$ 3,793,324	$ 3,791,519	$ 3,905,688	$ 3,766,704	$ 3,914,097	$ 3,931,674	$ 3,932,879	$ 3,908,704	$ 3,901,648	$ 3,902,251	$ 3,901,011	$ 5,454,770	$ 48,104,268
Non Exempt Regular Salaries	$ 5,537,425	$ 4,810,776	$ 4,975,473	$ 5,180,779	$ 5,168,086	$ 5,085,627	$ 5,502,953	$ 4,947,719	$ 5,038,441	$ 5,258,099	$ 4,640,373	$ 5,292,386	$ 61,438,137
Other Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overtime Salary & Wages	$ 1,658,522	$ 1,376,164	$ 1,486,904	$ 1,431,000	$ 1,517,104	$ 2,288,503	$ 2,306,053	$ 2,196,337	$ 1,581,637	$ 1,627,311	$ 1,498,640	$ 1,696,153	$ 20,664,329
Labor Vacancy	$ (47,806)	$ (47,806)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (48,746)	$ (583,069)
Discretionary Bonus	$ 1,686	$ 1,686	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,372
Labor Other Deduction	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (8,344)	$ (100,126)
Total	**$ 10,934,806**	**$ 9,923,995**	**$ 10,310,976**	**$ 10,321,393**	**$ 10,542,197**	**$ 11,248,715**	**$ 11,684,796**	**$ 10,995,670**	**$ 10,464,636**	**$ 10,730,571**	**$ 9,982,934**	**$ 12,386,220**	**$ 129,526,910**

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Eighth Set of Data Requests

OUCC Request 8-004:
Please describe NIPSCO's methodology for prioritizing vegetation management, including, without limitation: a) Budgeting and spending. b) Decisions on which areas to target. c) Any metrics or factors that are considered/utilized; and, d) Names and titles of persons responsible for vegetation management planning and implementation.
Objections:
Response:
a) NIPSCO develops the vegetation management budget considering the targeted miles to be completed in the planned year, the reliability metrics listed in subpart c, and historical budget amounts. Once the target is set, NIPSCO then manages the work to achieve the annual targeted spend. b) Decisions on which area to target are identified by region, substation, and circuit using the reliability metrics listed in subpart c. c) NIPSCO uses reliability data such as: tree related outage counts by event, number of customers impacted and the duration of the outage event to determine the areas to target. The circuit trim history and field input from forestry supervisors, line and engineering is also used to determine the vegetation management approach (i.e. work the entire circuit or just a section to improve reliability and timing during the year for the work to start). NIPSCO Vegetation Management engaged a data analytics team in 2023 to use imagery and advanced data analytics to help progress towards a shorter cycle length and effective cost controls. d) Orville Cocking, Senior Vice President of Electric Operations.

Northern Indiana Public Service Company LLC

Cause No. 45159 Amortization Adjustment

Line	Description	12/31/2023 (1)	12/31/2024 (2)	12/31/2025 (3)
	Company Proposed			
	Amortization Expense[1]			
1	Cause No. 44688	$ 2,543,102	$ -	$ -
2	Cause No. 45159	8,572,620	9,928,969	9,928,969
3	Cause No. 45772	1,986,352	5,764,576	5,835,472
4	Total	$ 13,102,074	$ 15,693,545	$ 15,764,441
	Remaining Regulatory Asset[2]			
5	Cause No. 44688	$ -	$ -	$ -
6	Cause No. 45159	23,512,826	15,673,558	7,836,778
7	Cause No. 45772	23,869,214	20,329,242	16,688,183
8	Total	$ 47,382,040	$ 36,002,800	$ 24,524,961
	Adjusted			
	Amortization Expense			
9	Cause No. 44688	$ 2,543,102	$ -	$ -
10	Cause No. 45159	8,572,620	9,928,969	2,468,005
11	Cause No. 45772	1,986,352	5,764,576	5,835,472
12	Total	$ 13,102,074	$ 15,693,545	$ 8,303,477
	Remaining Regulatory Asset			
13	Cause No. 44688	$ -	$ -	$ -
14	Cause No. 45159	23,512,826	15,673,558	2,468,005
15	Cause No. 45772	23,869,214	20,329,242	16,688,183
16	Total	$ 47,382,040	$ 36,002,800	$ 19,156,188
	Difference			
	Amortization Expense			
17	Cause No. 44688	$ -	$ -	$ -
18	Cause No. 45159	-	-	(7,460,964)
19	Cause No. 45772	-	-	-
20	Total	$ -	$ -	$ (7,460,964)
	Remaining Regulatory Asset			
21	Cause No. 44688	$ -	$ -	$ -
22	Cause No. 45159	-	-	(5,368,773)
23	Cause No. 45772	-	-	-
24	Total	$ -	$ -	$ (5,368,773)
25	**Revenue Requirement Impact**			**$ (7,904,515)**

Sources:
[1] Workpaper AMTZ 8-S2, Page [.2].
[2] Workpaper RB 10-S2, Page [.2].

Northern Indiana Public Service Company LLC

NCSC Total Costs

		2016		2017		2018		2019		2020		2021		2022		2023	
Line	**Description**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**
1	Columbia Gas of Massachusetts	$45,496,537	10.8%	$53,626,201	10.0%	$114,915,620	22.1%	$57,807,104	12.4%	$42,464,102	9.4%	$1,511,159	0.3%	$106,999	0.0%	($10,571)	0.0%
2	Columbia Gas of Ohio Inc	120,386,369	28.5%	153,459,014	28.7%	127,663,168	24.5%	134,364,859	28.7%	132,208,976	29.3%	146,929,493	31.8%	151,430,624	32.2%	161,240,786	31.8%
3	Columbia Gas of Pennsylvania	56,367,272	13.4%	68,992,933	12.9%	63,223,231	12.2%	64,245,648	13.7%	62,440,834	13.8%	68,897,187	14.9%	69,712,080	14.8%	75,238,621	14.8%
4	Columbia Gas of Virginia Inc	33,420,539	7.9%	40,429,576	7.6%	34,468,758	6.6%	36,154,255	7.7%	35,053,262	7.8%	38,774,064	8.4%	39,327,155	8.4%	42,555,409	8.4%
5	NiSource Inc.	11,041,158	2.6%	26,899,779	5.0%	7,002,608	1.3%	6,151,792	1.3%	7,089,587	1.6%	6,846,886	1.5%	9,325,642	2.0%	7,379,446	1.5%
6	Northern Indiana Public Service Co.	131,500,496	31.2%	162,744,348	30.5%	148,933,388	28.6%	144,114,434	30.8%	148,029,252	32.8%	170,926,900	37.0%	172,100,417	36.6%	189,460,240	37.3%
7	Other Associated Companies	23,825,062	5.6%	27,918,427	5.2%	24,144,099	4.6%	25,166,795	5.4%	24,327,355	5.4%	27,926,516	6.0%	27,635,424	5.9%	31,415,261	6.2%
8	Total Associated Companies	$422,037,433	100.0%	$534,070,278	100.0%	$520,350,872	100.0%	$468,004,887	100.0%	$451,613,368	100.0%	$461,812,205	100.0%	$469,638,341	100.0%	$507,279,192	100.0%
9	Number of Associated Companies	17		17		13		13		12		15		15		20	

Sources:
NiSource Corporate Services Company FERC Form 60.

Northern Indiana Public Service Company LLC

NCSC Allocation Rates to NIPSCO By Year

						Percent Change		
Line	Allocator	Aug 2020	Aug 2021	Aug 2022	Aug 2023	20 to '21	21 to '22	22 to '23
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	01AG	49.94%	54.89%	50.94%	50.82%	9.9%	-7.2%	-0.2%
2	01AN	43.42%	46.46%	43.31%	43.44%	7.0%	-6.8%	0.3%
3	01AR	23.05%	26.40%	26.40%	27.19%	14.5%	0.0%	3.0%
4	01AV	50.49%	55.69%	52.73%	52.80%	10.3%	-5.3%	0.1%
5	01ZG	54.69%	84.76%	84.53%	85.28%	55.0%	-0.3%	0.9%
6	01ZI	97.63%	97.78%	97.30%	97.21%	0.2%	-0.5%	-0.1%
7	01ZK	55.97%	55.69%	52.73%	52.80%	-0.5%	-5.3%	0.1%
8	02BN	49.33%	53.06%	48.88%	47.74%	7.6%	-7.9%	-2.3%
9	04DE	49.55%	56.02%	56.48%	57.55%	13.0%	0.8%	1.9%
10	07GG	50.03%	54.75%	50.59%	50.10%	9.5%	-7.6%	-1.0%
11	09IG	31.81%	37.17%	35.99%	36.99%	16.9%	-3.2%	2.8%
12	10JE	33.00%	36.04%	36.13%	36.06%	9.2%	0.2%	-0.2%
13	10JL	25.72%	28.54%	28.63%	28.57%	11.0%	0.3%	-0.2%
14	10JN	23.93%	26.45%	26.52%	26.47%	10.5%	0.3%	-0.2%
15	11KF	35.67%	38.88%	37.05%	36.98%	9.0%	-4.7%	-0.2%
16	11KG	47.14%	52.49%	51.04%	51.67%	11.4%	-2.8%	1.2%
17	11KU	32.81%	39.05%	35.86%	35.74%	19.0%	-8.2%	-0.3%
18	13MA	36.45%	42.82%	43.74%	44.80%	17.5%	2.2%	2.4%
19	13MD	38.92%	43.90%	43.92%	43.93%	12.8%	0.0%	0.0%
20	13MK	50.16%	56.01%	56.00%	56.01%	11.6%	0.0%	0.0%
21	13MM	44.54%	49.95%	49.96%	49.97%	12.1%	0.0%	0.0%
22	13MR	38.62%	43.56%	38.57%	39.15%	12.8%	-11.5%	1.5%
23	13MZ	20.21%	25.21%	26.57%	27.76%	24.8%	5.4%	4.5%
24	20TA	37.97%	42.76%	42.30%	42.25%	12.6%	-1.1%	-0.1%
25	20TI	39.11%	45.98%	45.24%	44.53%	17.6%	-1.6%	-1.6%
26	20TL	38.62%	38.67%	41.20%	39.77%	0.1%	6.5%	-3.5%

Source:
NIPSCO's response to Industrial Data Request 4-1.

Northern Indiana Public Service Company LLC

NCSC Corporate Service Bill Adjustment

Line	Description	Amount (1)
	Company Proposed[1]	
1	Normalized Expense for Year End 12/31/23	$ 105,706,394
2	Year-Over-Year Change for Year End 12/31/24	8,978,906
3	Forecasted Expense for Year End 12/31/24	$ 114,685,300
4	Year-Over-Year Change for Year End 12/31/25	6,272,827
5	Forecasted Expense for Year End 12/31/25	$ 120,958,127
6	Ratemaking Adjustment	(2,310,426)
7	Ratemaking Expense for Year End 12/31/25	$ 118,647,701
	Adjusted	
8	Normalized Expense for Year End 12/31/23	$ 105,706,394
9	Year-Over-Year Change for Year End 12/31/24[2]	2.6%
10	Forecasted Expense for Year End 12/31/24	$ 108,428,334
11	Year-Over-Year Change for Year End 12/31/25[2]	2.4%
12	Forecasted Expense for Year End 12/31/25	$ 111,057,721
13	Ratemaking Adjustment	N/A
14	Ratemaking Expense for Year End 12/31/25	$ 111,057,721
15	**Difference**	**$ (7,589,979)**

Sources:
[1] Workpaper OM 6, Page [.1].
[2] *Blue Chip Financial Forecasts,* December 1, 2024, at 2.

Northern Indiana Public Service Company LLC

Prepaid Pension Asset Development

Line	Description	Beginning Balance	Contributions	Net Pension Benefits / (Costs)	Other Activity	Ending Balance	NIPSCO Net Pension Cost in Electric Base Rates Cause No. 38045	Cause No. 43969	Cause No. 44688	Cause No. 45159	Cause No. 45772
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	2008	157,132,253	1,602,842	15,538,394	(1,531,422)	172,742,067	Not Available				
2	2009	172,742,067	74,528,549	(61,702,838)	1,496,431	187,064,209	Not Available				
3	2010	187,064,209	72,354,170	(39,354,524)	(2,899,495)	217,164,360	Not Available				
4	2011	217,164,360	151,343,847	(19,290,528)	128,727	349,346,406	Not Available	Not Available			
5	2012	349,346,406	810,000	(30,940,772)	-	319,215,634		Not Available			
6	2013	319,215,634	279,528	(18,070,825)	(324)	301,424,013		Not Available			
7	2014	301,424,013	20,485,398	(1,072,094)	-	320,837,317		Not Available			
8	2015	320,837,317	-	(11,789,082)	63,368	309,111,603		Not Available			
9	2016	309,111,603	-	(26,300,671)	(37,300)	282,773,632		Not Available	8,499,043		
10	2017	282,773,632	165,672,532	(14,048,291)	170,574	434,568,447			8,499,043		
11	2018	434,568,447	-	7,645,706	24,070	442,238,223			8,499,043		
12	2019	442,238,223	-	(19,173,371)	60,562	423,125,414			8,499,043		
13	2020	423,125,414	-	(3,118,273)	18,716	420,025,857			8,499,043	712,654	
14	2021	420,025,857	-	13,384,669	54,243	433,464,769				712,654	
15	2022	433,464,769	-	4,379,627	115,279	437,959,675				712,654	
16	2023	437,959,675	-	(17,239,896)	3	420,719,782				712,654	4,202,213
17	**16 Year Balance**	**157,132,253**	**487,076,866**	**(221,152,769)**	**(2,336,568)**	**420,719,782**					
18	2024[1]	420,719,782		(34,280,469)		386,439,313					
19	2025[1]	386,439,313		(6,593,750)		379,845,563					
20	Ratemaking 2025[1]	379,845,563		705,833		380,551,396					

Sources:
NIPSCO Response to Industrials Request 3-001, Attachment A.
[1] Workpaper CS 6, Page [.2]. 2024 and 2025 represent NIPSCO's budget forecast.

Northern Indiana Public Service Company LLC

Prepaid Pension Asset Adjustment - Step 1

Line	Description	Amount (1)	Weight (2)	Cost (3)	Weighted Cost (4)	Pre-Tax Weighted Cost (5)
1	Long-Term Debt	$ 4,768,970,821	37.18%	5.20%	1.93%	1.93%
2	Common Equity	6,784,926,641	52.90%	9.15%	4.84%	6.48%
3	Customer Deposits	59,885,295	0.47%	5.76%	0.03%	0.03%
4	Deferred Income Tax	1,594,868,575	12.43%	0.00%	0.00%	0.00%
5	Post Retirement Liability	(1,678,340)	-0.01%	0.00%	0.00%	0.00%
6	Post-1970 ITC	174,612	0.00%	7.51%	0.00%	0.00%
7	Prepaid Pension	(380,551,396)	-2.97%	0.00%	0.00%	0.00%
8	Total	$ 12,826,596,208	100.00%		6.80%	8.44%
9	Tax Conversion Factor[1]					1.33917
10	Long-Term Debt	$ 4,768,970,821	36.11%	5.20%	1.88%	1.88%
11	Common Equity	6,784,926,641	51.37%	9.15%	4.70%	6.29%
12	Customer Deposits	59,885,295	0.45%	5.76%	0.03%	0.03%
13	Deferred Income Tax	1,594,868,575	12.08%	0.00%	0.00%	0.00%
14	Post Retirement Liability	(1,678,340)	-0.01%	0.00%	0.00%	0.00%
15	Post-1970 ITC	174,612	0.00%	7.51%	0.00%	0.00%
16	Prepaid Pension	-	0.00%	0.00%	0.00%	0.00%
17	Total	$ 13,207,147,604	100.00%		6.60%	8.20%
18	Rate Base[1]					$ 8,826,944,924
19	Rate of Return Impact					-0.24%
20	**Revenue Requirement Impact**					**$ (21,471,655)**

Sources:
Attachment MPG-1.
[1] NIPSCO Attachment 3-A-S2, Page 5.

Northern Indiana Public Service Company LLC

Prepaid Pension Asset Adjustment - Step 2

Line	Description	Amount (1)	Weight (2)	Cost (3)	Weighted Cost (4)	Pre-Tax Weighted Cost (5)
1	Long-Term Debt	$ 5,468,979,284	37.56%	5.20%	1.95%	1.95%
2	Common Equity	7,718,129,223	53.01%	9.15%	4.85%	6.50%
3	Customer Deposits	59,885,295	0.41%	5.76%	0.02%	0.02%
4	Deferred Income Tax	1,691,723,532	11.62%	0.00%	0.00%	0.00%
5	Post Retirement Liability	(7,491,885)	-0.05%	0.00%	0.00%	0.00%
6	Post-1970 ITC	174,612	0.00%	7.51%	0.00%	0.00%
7	Prepaid Pension	(372,308,313)	-2.56%	0.00%	0.00%	0.00%
8	Total	$ 14,559,091,748	100.00%		6.83%	8.47%
9	Tax Conversion Factor[1]					1.33917
10	Long-Term Debt	$ 5,468,979,284	36.63%	5.20%	1.90%	1.90%
11	Common Equity	7,718,129,223	51.69%	9.15%	4.73%	6.33%
12	Customer Deposits	59,885,295	0.40%	5.76%	0.02%	0.02%
13	Deferred Income Tax	1,691,723,532	11.33%	0.00%	0.00%	0.00%
14	Post Retirement Liability	(7,491,885)	-0.05%	0.00%	0.00%	0.00%
15	Post-1970 ITC	174,612	0.00%	7.51%	0.00%	0.00%
16	Prepaid Pension	-	0.00%	0.00%	0.00%	0.00%
17	Total	$ 14,931,400,061	100.00%		6.66%	8.26%
18	Rate Base[1]					$ 402,868,517
19	Rate of Return Impact					-0.21%
20	**Revenue Requirement Impact**					**$ (851,138)**

Sources:
Attachment MPG-1.
[1] NIPSCO Attachment 3-A-S2, Page 5.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Price to Earnings (P/E) Ratio [1]											
		23-Year						3-Year Averages					
Line	Company	Average	2024 [2]	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007	2002-2004
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	18.14	16.60	16.80	18.10	20.60	18.30	23.30	16.97	16.40	15.33	16.42	25.21
2	Alliant Energy	17.06	19.00	16.40	21.40	21.20	21.20	20.30	19.00	14.77	13.27	14.84	15.54
3	Ameren Corp.	16.75	17.10	15.50	21.50	21.40	22.20	20.33	17.50	13.93	11.07	17.83	15.19
4	American Electric Power	15.28	16.80	15.90	21.10	17.10	19.60	19.57	15.63	13.40	12.17	14.30	11.92
5	Avangrid, Inc.	22.89	15.70	16.30	19.60	23.20	23.60	25.50	27.00	N/A	N/A	N/A	N/A
6	Avista Corp.	18.18	15.20	14.60	20.00	20.20	21.20	20.97	17.90	16.00	13.03	21.91	19.18
7	Black Hills	17.51	15.20	14.20	18.10	17.70	17.00	19.17	19.13	22.13	14.00	16.01	15.20
8	CenterPoint Energy	16.90	17.30	20.40	18.70	26.10	15.90	24.80	19.00	16.03	12.30	14.77	9.83
9	CMS Energy Corp.	18.45	20.60	18.60	22.90	23.60	23.30	21.97	18.83	15.00	12.33	20.53	12.39
10	Consol. Edison	16.23	18.60	17.70	20.30	17.20	19.00	18.87	16.77	15.07	12.70	14.80	15.26
11	Dominion Resources	18.29	17.30	18.30	18.70	19.50	22.60	19.30	22.13	18.47	13.60	20.49	14.12
12	DTE Energy	16.71	16.40	16.90	22.40	30.00	16.30	18.63	17.33	15.43	12.50	16.51	13.67
13	Duke Energy	17.24	18.20	16.50	19.60	18.90	17.10	18.20	19.13	16.23	14.43	16.10	N/A
14	Edison Int'l	17.06	16.50	14.30	40.60	29.70	34.90	16.95	15.23	11.40	10.80	13.58	17.45
15	El Paso Electric	17.68	N/A	N/A	N/A	N/A	N/A	24.32	17.79	14.32	11.14	19.63	21.10
16	Entergy Corp.	14.71	20.80	20.60	21.10	15.00	15.30	15.10	12.10	11.17	13.40	16.62	13.46
17	Eversource Energy	18.07	13.80	13.10	20.90	22.20	23.70	20.10	18.23	17.40	13.03	21.84	16.73
18	Evergy, Inc.	18.86	14.90	14.80	19.90	16.20	21.70	22.25	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	14.39	14.60	15.40	19.90	16.60	12.40	13.80	13.70	14.60	13.50	16.70	11.74
20	FirstEnergy Corp.	15.18	15.00	14.40	17.00	14.10	15.70	14.03	12.83	18.87	13.43	15.30	16.52
21	Fortis Inc.	19.20	18.10	17.00	21.10	21.20	20.60	17.70	21.30	19.63	17.37	19.39	N/A
22	Great Plains Energy	15.52	N/A	N/A	N/A	N/A	N/A	N/A	17.94	15.28	16.23	16.20	11.97
23	Hawaiian Elec.	17.65	NMF	6.00	18.50	18.20	21.50	20.30	16.63	16.37	20.53	19.30	15.47
24	IDACORP, Inc.	17.19	18.20	18.10	21.00	20.80	19.90	21.13	16.67	12.43	11.97	16.66	20.29
25	MGE Energy	20.22	23.10	21.10	24.70	25.50	26.40	27.63	20.80	16.67	14.77	17.76	17.16
26	NextEra Energy, Inc.	18.87	21.30	19.80	27.80	31.30	28.90	24.40	18.30	14.17	12.90	16.81	15.05
27	NorthWestern Corp	16.84	15.20	13.70	17.30	17.40	18.60	18.17	17.27	15.07	12.77	21.58	N/A
28	OGE Energy	15.42	16.10	17.00	17.20	14.30	16.20	17.93	17.90	15.77	12.17	14.14	13.36
29	Otter Tail Corp.	20.38	14.50	14.30	9.50	12.30	18.30	22.60	19.07	30.10	30.65	17.25	17.04
30	Pinnacle West Capital	15.98	18.10	15.80	17.10	14.10	16.70	18.83	16.87	14.73	14.13	15.94	14.73
31	TXNM Energy	18.15	15.30	14.20	17.40	19.90	19.60	20.67	19.93	15.20	16.05	22.85	14.94
32	Portland General	16.65	15.50	14.30	18.20	17.70	16.60	20.23	17.37	14.43	14.23	17.63	N/A
33	PPL Corp.	16.31	17.90	16.20	20.00	54.10	13.90	14.07	13.60	11.40	18.40	15.51	11.39
34	Public Serv. Enterprise	14.79	20.90	18.80	18.50	16.80	15.70	16.97	14.00	12.23	11.33	17.02	11.61
35	SCANA Corp.	13.96	N/A	N/A	N/A	N/A	N/A	14.46	15.05	14.30	12.41	14.94	12.93
36	Sempra Energy	15.60	16.80	15.00	16.80	15.40	17.50	22.40	22.00	15.47	11.50	12.43	8.60
37	Southern Co.	16.48	20.90	18.60	19.60	18.40	17.90	16.07	16.53	16.33	14.83	16.04	14.72
38	Vectren Corp.	17.05	N/A	N/A	N/A	N/A	N/A	23.54	19.03	17.17	14.93	16.45	15.51
39	WEC Energy Group	17.50	18.90	16.50	21.90	22.30	24.90	21.03	19.63	15.50	14.03	15.64	13.47
40	Westar Energy	15.58	N/A	N/A	N/A	N/A	N/A	23.40	18.47	14.08	14.96	13.69	14.08
41	Xcel Energy Inc.	17.86	17.60	15.30	22.20	22.50	23.90	20.47	16.80	14.67	13.50	15.62	22.02
42	Average	17.05	17.37	16.18	20.29	20.91	19.95	19.99	17.78	15.68	14.15	16.95	15.11
43	Median	16.25	17.10	16.25	19.90	19.70	19.30	20.27	17.84	15.20	13.43	16.45	14.94

Sources:
The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Market Price to Cash Flow (MP/CF) Ratio [1]											
		23-Year						3-Year Averages					
Line	Company	Average	2024 [2]	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007	2002-2004
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	9.09	7.34	6.69	7.56	8.61	8.14	10.83	8.19	8.41	8.61	10.97	11.46
2	Alliant Energy	8.30	9.50	9.43	10.43	10.31	10.66	11.22	9.31	7.41	6.77	7.01	5.16
3	Ameren Corp.	7.40	7.18	8.05	9.54	9.03	9.63	8.59	7.09	5.70	4.94	8.28	7.65
4	American Electric Power	6.77	7.71	7.68	8.67	7.57	8.41	8.72	7.22	5.99	5.32	6.15	5.13
5	Avangrid, Inc.	9.21	6.36	7.12	8.69	11.19	9.39	9.83	9.93	N/A	N/A	N/A	N/A
6	Avista Corp.	6.93	6.09	6.73	9.39	8.03	7.80	8.94	7.23	6.50	4.99	6.49	6.28
7	Black Hills	7.87	6.91	7.76	8.92	8.84	8.56	9.56	8.73	7.30	7.22	7.37	6.50
8	CenterPoint Energy	5.64	7.22	7.75	8.01	7.95	5.94	7.48	5.99	5.70	4.35	4.60	2.83
9	CMS Energy Corp.	6.58	8.10	8.28	9.43	9.27	9.87	9.00	7.72	6.04	3.85	4.67	3.04
10	Consol. Edison	8.21	7.62	8.26	8.70	7.26	8.35	9.28	8.42	8.08	7.00	8.52	8.28
11	Dominion Resources	9.79	7.52	9.24	9.35	11.15	14.59	11.92	11.90	10.08	7.79	8.85	7.24
12	DTE Energy	6.80	7.53	7.27	7.96	10.62	7.85	9.09	7.86	5.92	4.39	5.49	5.61
13	Duke Energy	7.60	7.38	7.17	7.75	7.89	8.06	7.82	8.21	8.07	6.37	7.16	N/A
14	Edison Int'l	6.01	5.91	5.67	6.83	7.14	7.57	9.25	6.12	4.76	4.56	6.16	4.21
15	El Paso Electric	5.93	N/A	N/A	N/A	N/A	N/A	8.99	6.75	5.71	4.41	6.45	4.31
16	Entergy Corp.	5.78	6.78	4.62	7.15	5.61	5.78	5.21	4.11	4.06	6.10	8.38	6.51
17	Eversource Energy	7.59	6.25	10.39	9.39	11.41	12.53	10.33	10.13	8.12	4.57	5.25	3.13
18	Evergy, Inc.	7.42	6.86	6.74	8.66	7.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	6.04	5.78	6.41	7.69	5.08	4.44	4.93	4.86	5.34	6.91	8.82	5.66
20	FirstEnergy Corp.	6.94	7.78	7.90	8.93	6.60	9.23	8.23	5.98	6.97	5.66	7.15	5.72
21	Fortis Inc.	8.44	7.96	8.34	9.10	9.57	9.50	8.56	9.00	8.13	7.25	8.54	N/A
22	Great Plains Energy	6.89	N/A	N/A	N/A	N/A	N/A	14.62	7.25	5.85	5.75	7.17	5.86
23	Hawaiian Elec.	7.69	1.86	5.70	7.95	8.23	8.69	8.95	8.11	7.98	7.95	8.24	6.92
24	IDACORP, Inc.	9.02	10.08	11.04	12.42	11.84	11.38	12.01	9.64	7.16	6.31	7.83	7.31
25	MGE Energy	11.66	11.25	12.31	13.63	N/A	14.90	15.98	13.20	10.48	8.62	10.08	9.78
26	NextEra Energy, Inc.	9.25	10.34	10.89	15.17	20.40	15.48	11.57	8.38	7.05	6.26	7.42	6.15
27	NorthWestern Corp	7.87	7.30	8.01	8.65	8.83	8.88	8.98	8.88	6.78	5.47	8.39	8.13
28	OGE Energy	7.92	7.71	7.78	8.36	7.64	8.38	10.16	9.64	8.25	6.14	7.37	5.91
29	Otter Tail Corp.	9.31	10.33	8.02	7.70	8.61	9.99	11.70	9.29	9.02	9.24	8.79	8.49
30	Pinnacle West Capital	6.21	6.15	6.47	5.19	6.19	7.49	8.04	7.28	6.33	4.56	5.57	5.30
31	TXNM Energy	6.85	5.80	6.87	6.95	7.81	7.87	7.63	7.36	5.74	5.40	8.60	6.03
32	Portland General	5.98	5.60	6.56	6.65	6.48	6.72	7.22	6.45	5.33	4.52	5.54	N/A
33	PPL Corp.	7.84	7.77	7.83	8.82	13.74	7.46	8.37	8.14	6.14	8.48	8.02	5.73
34	Public Serv. Enterprise	8.05	10.33	9.68	10.53	11.32	8.22	8.96	7.24	6.28	6.90	8.95	6.73
35	SCANA Corp.	7.09	N/A	N/A	N/A	N/A	N/A	8.26	8.48	7.21	6.26	6.53	6.60
36	Sempra Energy	8.48	9.15	8.93	9.75	13.23	10.40	10.93	10.55	7.59	6.56	7.60	4.67
37	Southern Co.	8.33	9.22	8.64	9.63	8.72	8.34	7.78	8.49	8.42	7.68	8.50	8.13
38	Vectren Corp.	7.08	N/A	N/A	N/A	N/A	N/A	10.32	8.00	6.14	5.91	6.99	7.28
39	WEC Energy Group	9.23	9.02	10.12	11.81	11.99	13.67	11.58	11.37	9.08	7.53	7.17	5.15
40	Westar Energy	6.91	N/A	N/A	N/A	N/A	N/A	10.87	9.28	6.87	5.97	6.56	4.57
41	Xcel Energy Inc.	7.03	6.53	7.96	8.62	9.19	10.07	8.61	7.68	6.78	5.80	5.89	5.01
42	Average	7.65	7.56	8.01	9.00	9.28	9.26	9.51	8.24	6.99	6.22	7.37	6.18
43	Median	7.45	7.45	7.87	8.69	8.72	8.56	8.99	8.16	6.87	6.14	7.37	5.97

Sources:
The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.
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Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Note:
[a] Based on the average of the high and low price and the projected Cash Flow per share.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Market Price to Book Value (MP/BV) Ratio [1]										
		20-Year						3-Year Averages				
Line	Company	Average	2024 [2]	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	ALLETE	1.53	1.19	1.19	1.24	1.43	1.39	1.83	1.44	1.40	1.33	2.07
2	Alliant Energy	1.82	1.91	1.92	2.25	2.26	2.30	2.29	1.96	1.58	1.23	1.51
3	Ameren Corp.	1.60	1.76	2.00	2.15	2.13	2.21	2.04	1.53	1.12	0.95	1.64
4	American Electric Power	1.64	1.63	1.73	1.99	1.87	2.09	1.97	1.64	1.31	1.27	1.66
5	Avangrid, Inc.	0.88	0.66	0.71	0.89	1.01	0.97	0.99	0.78	N/A	N/A	N/A
6	Avista Corp.	1.32	1.09	1.19	1.33	1.42	1.37	1.72	1.42	1.22	1.04	1.24
7	Black Hills	1.49	1.14	1.28	1.54	1.52	1.55	1.87	1.77	1.32	1.04	1.56
8	CenterPoint Energy	2.25	1.75	1.86	1.99	1.74	1.90	2.33	2.48	2.05	2.07	2.98
9	CMS Energy Corp.	2.18	2.28	2.33	2.71	2.69	3.24	3.01	2.47	1.88	1.27	1.52
10	Consol. Edison	1.42	1.45	1.48	1.55	1.34	1.44	1.57	1.45	1.41	1.15	1.49
11	Dominion Resources	2.50	1.58	1.68	2.34	2.37	2.72	2.51	3.35	2.73	2.08	2.42
12	DTE Energy	1.67	2.05	1.97	2.41	2.82	1.80	1.99	1.70	1.35	1.05	1.35
13	Duke Energy	1.30	1.51	1.49	1.63	1.58	1.47	1.40	1.31	1.14	0.99	1.15
14	Edison Int'l	1.72	2.00	1.86	2.08	1.67	1.62	1.98	1.78	1.45	1.22	1.93
15	El Paso Electric	1.56	N/A	N/A	N/A	N/A	N/A	1.91	1.56	1.57	1.16	1.72
16	Entergy Corp.	1.73	1.55	1.45	1.81	1.75	1.93	1.84	1.47	1.29	1.91	2.18
17	Eversource Energy	1.54	1.39	1.71	1.86	2.00	2.11	1.80	1.55	1.39	1.25	1.29
18	Evergy, Inc.	1.40	1.24	1.33	1.52	1.50	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.04	1.37	1.52	1.88	1.37	1.20	1.31	1.21	1.53	3.01	4.09
20	FirstEnergy Corp.	2.06	2.03	2.08	2.37	2.33	2.81	3.20	1.56	1.35	1.81	1.93
21	Fortis Inc.	1.47	1.35	1.43	1.56	1.48	1.47	1.35	1.31	1.55	1.45	1.79
22	Great Plains Energy	1.21	N/A	N/A	N/A	N/A	N/A	1.33	1.13	0.97	0.93	1.77
23	Hawaiian Elec.	1.65	1.57	1.24	1.94	1.81	1.82	1.85	1.61	1.57	1.40	1.78
24	IDACORP, Inc.	1.52	1.51	1.75	1.91	1.88	1.84	2.00	1.58	1.23	1.05	1.28
25	MGE Energy	2.16	2.29	2.35	2.47	N/A	2.54	2.78	2.26	1.91	1.60	1.89
26	NextEra Energy, Inc.	2.40	2.73	2.89	4.07	4.27	3.58	2.47	2.18	1.74	1.75	2.02
27	NorthWestern Corp	1.42	1.12	1.18	1.25	1.43	1.45	1.62	1.61	1.44	1.15	1.52
28	OGE Energy	1.81	1.57	1.62	1.74	1.67	1.86	1.88	1.92	2.03	1.53	1.90
29	Otter Tail Corp.	1.98	2.90	2.55	2.30	2.33	2.04	2.48	1.86	1.63	1.36	1.81
30	Pinnacle West Capital	1.41	1.31	1.42	1.31	1.45	1.63	1.85	1.56	1.37	1.03	1.25
31	TXNM Energy	1.37	1.45	1.75	1.81	1.86	1.87	1.98	1.36	0.96	0.64	1.30
32	Portland General	1.36	1.29	1.37	1.58	1.55	1.57	1.70	1.45	1.17	0.97	1.34
33	PPL Corp.	1.96	1.39	1.43	1.44	1.52	1.63	2.02	2.11	1.53	2.30	2.66
34	Public Serv. Enterprise	1.94	2.07	1.92	2.32	2.11	1.70	1.82	1.61	1.50	2.01	2.63
35	SCANA Corp.	1.51	N/A	N/A	N/A	N/A	N/A	1.65	1.56	1.44	1.32	1.66
36	Sempra Energy	1.78	1.61	1.65	1.84	1.64	1.84	2.17	2.12	1.55	1.42	1.77
37	Southern Co.	2.14	2.50	2.34	2.53	2.39	2.20	2.03	2.01	2.06	1.89	2.27
38	Vectren Corp.	1.83	N/A	N/A	N/A	N/A	N/A	2.75	2.16	1.64	1.46	1.77
39	WEC Energy Group	2.07	2.23	2.35	2.57	2.61	2.84	2.27	2.08	2.02	1.54	1.70
40	Westar Energy	1.37	N/A	N/A	N/A	N/A	N/A	1.94	1.63	1.27	1.04	1.35
41	Xcel Energy Inc.	1.73	1.69	2.00	2.22	2.27	2.46	2.12	1.70	1.47	1.27	1.44
42	Average	1.73	1.67	1.72	1.96	1.92	1.96	1.99	1.73	1.52	1.41	1.81
43	Median	1.69	1.57	1.69	1.89	1.75	1.84	1.95	1.61	1.45	1.27	1.72

Sources:
The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price o
achieved earnings per share.
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Notes:
[b] Based on the average of the high and low price and the projected Book Value per share.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Dividend Yield[1]									
		19-Year					3-Year Averages				
Line	**Company**	**Average**	**2024 [2/a]**	**2023**	**2022**	**2021**	**2018-2020**	**2015-2017**	**2012-2014**	**2009-2011**	**2006-2008**
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	4.05%	4.63%	4.67%	4.47%	3.88%	3.29%	3.50%	4.10%	5.13%	3.71%
2	Alliant Energy	3.61%	3.64%	3.57%	3.04%	2.97%	2.99%	3.29%	3.78%	4.87%	3.52%
3	Ameren Corp.	4.08%	3.54%	3.13%	2.74%	2.74%	2.74%	3.53%	4.53%	5.67%	5.34%
4	American Electric Power	3.97%	4.01%	4.02%	3.41%	3.61%	3.33%	3.58%	4.21%	5.12%	3.89%
5	Avangrid, Inc.	4.04%	5.22%	4.87%	3.94%	3.53%	3.57%	4.03%	N/A	N/A	N/A
6	Avista Corp.	3.94%	5.42%	4.85%	4.26%	3.94%	3.48%	3.50%	4.35%	4.60%	2.86%
7	Black Hills	3.78%	4.67%	4.15%	3.44%	3.50%	3.16%	3.05%	3.47%	5.20%	3.80%
8	CenterPoint Energy	4.08%	2.91%	2.71%	2.46%	2.77%	3.82%	4.85%	3.85%	5.31%	4.42%
9	CMS Energy Corp.	3.21%	3.38%	3.37%	2.92%	2.92%	2.77%	3.07%	3.84%	4.07%	1.93%
10	Consol. Edison	4.25%	3.60%	3.57%	3.51%	4.10%	3.66%	3.71%	4.23%	5.20%	5.18%
11	Dominion Resources	4.13%	5.47%	5.18%	3.66%	3.38%	4.60%	3.78%	3.76%	4.58%	3.56%
12	DTE Energy	3.96%	3.56%	3.67%	3.17%	3.06%	3.33%	3.34%	3.86%	5.24%	4.82%
13	Duke Energy	4.58%	4.14%	4.28%	3.98%	4.02%	4.35%	4.25%	4.46%	5.72%	4.80%
14	Edison Int'l	3.41%	4.13%	4.47%	4.45%	4.39%	3.95%	2.84%	2.82%	3.66%	2.49%
15	El Paso Electric	2.74%	N/A	N/A	N/A	N/A	2.55%	2.79%	2.98%	2.11%	N/A
16	Entergy Corp.	4.04%	4.15%	4.36%	3.70%	3.84%	3.83%	4.54%	4.81%	4.34%	2.71%
17	Eversource Energy	3.35%	4.87%	3.89%	3.09%	2.85%	2.92%	3.23%	3.47%	3.67%	3.04%
18	Evergy, Inc.	4.11%	4.78%	4.42%	3.66%	3.59%	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	3.77%	4.20%	3.67%	2.89%	3.17%	3.40%	3.71%	4.70%	4.72%	2.70%
20	FirstEnergy Corp.	4.31%	4.42%	4.24%	3.71%	4.39%	4.28%	4.39%	4.47%	5.36%	3.24%
21	Fortis Inc.	3.74%	4.27%	4.09%	3.82%	3.77%	3.78%	3.75%	3.79%	3.86%	3.19%
22	Great Plains Energy	4.52%	N/A	N/A	N/A	N/A	N/A	3.66%	3.84%	4.55%	6.02%
23	Hawaiian Elec.	4.40%	N/A	4.09%	3.59%	3.44%	3.32%	3.90%	4.73%	5.81%	4.92%
24	IDACORP, Inc.	3.18%	3.51%	3.18%	2.86%	2.89%	2.67%	2.80%	3.20%	3.66%	3.63%
25	MGE Energy	2.97%	2.42%	2.25%	2.15%	N/A	2.07%	2.32%	2.98%	3.99%	4.21%
26	NextEra Energy, Inc.	2.91%	3.07%	2.80%	2.11%	1.90%	2.40%	2.90%	3.32%	3.93%	N/A
27	NorthWestern Corp	4.18%	5.01%	4.78%	4.51%	4.00%	3.72%	3.52%	3.71%	5.06%	4.37%
28	OGE Energy	3.87%	4.66%	4.63%	4.30%	4.81%	4.06%	3.66%	2.68%	3.90%	4.10%
29	Otter Tail Corp.	3.75%	2.07%	2.33%	2.44%	2.81%	3.04%	3.77%	4.49%	5.54%	3.67%
30	Pinnacle West Capital	4.51%	4.53%	4.51%	4.90%	4.44%	3.60%	3.50%	4.46%	5.67%	5.19%
31	TXNM Energy	3.20%	3.95%	3.27%	3.04%	2.09%	2.68%	2.71%	2.91%	4.01%	3.81%
32	Portland General	3.73%	4.47%	4.20%	3.63%	3.62%	3.19%	3.08%	3.71%	4.98%	3.39%
33	PPL Corp.	4.44%	3.73%	3.53%	3.23%	5.83%	5.56%	4.35%	4.78%	4.91%	3.06%
34	Public Serv. Enterprise	3.73%	3.57%	3.83%	3.37%	3.37%	3.44%	3.78%	4.28%	4.28%	3.15%
35	SCANA Corp.	4.37%	N/A	N/A	N/A	N/A	N/A	3.74%	4.15%	5.13%	4.48%
36	Sempra Energy	3.02%	3.29%	3.27%	2.99%	3.39%	3.11%	2.85%	3.12%	3.32%	2.39%
37	Southern Co.	4.54%	3.83%	4.13%	3.82%	4.17%	4.68%	4.61%	4.53%	5.10%	4.49%
38	Vectren Corp.	4.38%	N/A	N/A	N/A	N/A	N/A	3.23%	4.20%	5.48%	4.61%
39	WEC Energy Group	3.10%	3.96%	3.57%	3.08%	3.00%	2.96%	3.38%	3.38%	3.16%	2.24%
40	Westar Energy	4.37%	N/A	N/A	N/A	N/A	N/A	3.21%	4.24%	5.48%	4.55%
41	Xcel Energy Inc.	3.70%	3.90%	3.28%	2.90%	2.81%	2.86%	3.37%	3.86%	4.63%	4.39%
42	**Average**	**3.84%**	**4.03%**	**3.86%**	**3.42%**	**3.52%**	**3.42%**	**3.53%**	**3.90%**	**4.64%**	**3.83%**
43	Median	3.69%	4.01%	3.95%	3.43%	3.50%	3.33%	3.51%	3.86%	4.87%	3.80%

Sources:
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[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.
[3] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org.
[4] Mergent Bond Record, through October 31, 2024.
Notes:
[a] Based on the average of the high and low price and the projected Dividends Declared per share, published in the Value Line Investment Survey.

Northern Indiana Public Service Company LLC

Electric Utilities
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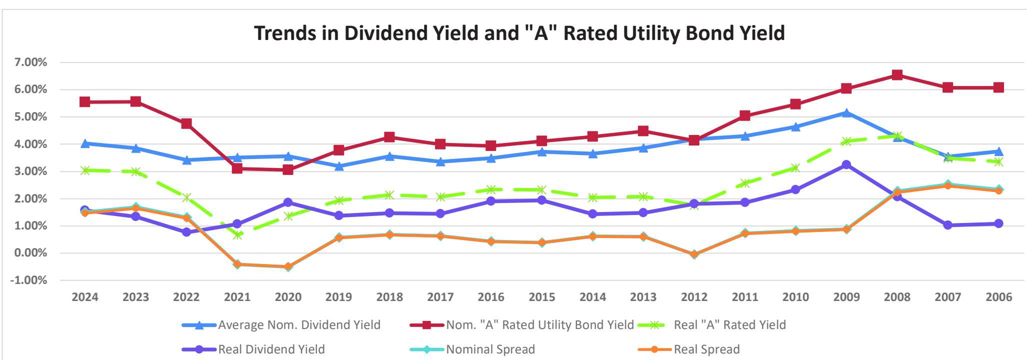
Line	Company	19-Year Average (1)	2024 [2/a] (2)	2023 (3)	2022 (4)	2021 (5)	2018-2020 (6)	2015-2017 (7)	2012-2014 (8)	2009-2011 (9)	2006-2008 (10)
		Dividend Yield[1]					3-Year Averages				
1	**Average**	**3.84%**	**4.03%**	**3.86%**	**3.42%**	**3.52%**	**3.42%**	**3.53%**	**3.90%**	**4.64%**	**3.83%**
2	Median	3.69%	4.01%	3.95%	3.43%	3.50%	3.33%	3.51%	3.86%	4.87%	3.80%
3	30-Yr Treasury Yields	3.43%	4.38%	4.09%	3.11%	2.06%	2.42%	2.78%	3.24%	4.08%	4.67%
4	20-Yr Treasury Yields[3]	3.32%	4.56%	4.25%	3.30%	1.98%	2.26%	2.47%	2.91%	3.92%	4.75%
5	20-Yr TIPS[3]	1.12%	2.09%	1.73%	0.64%	-0.43%	0.41%	0.73%	0.61%	1.71%	2.28%
6	Forward Inflation[b]	2.17%	2.42%	2.48%	2.64%	2.42%	1.84%	1.73%	2.29%	2.17%	2.42%
7	**Real Dividend Yield[c]**	**1.63%**	**1.57%**	**1.34%**	**0.77%**	**1.07%**	**1.55%**	**1.76%**	**1.57%**	**2.42%**	**1.38%**
	A-Rated Utility										
8	**Nominal "A" Rated Yield[4]**	**4.74%**	**5.54%**	**5.55%**	**4.74%**	**3.10%**	**3.69%**	**4.01%**	**4.29%**	**5.51%**	**6.22%**
9	**Real "A" Rated Yield**	**2.52%**	**3.05%**	**2.99%**	**2.05%**	**0.67%**	**1.82%**	**2.24%**	**1.96%**	**3.27%**	**3.72%**
	Baa-Rated Utility										
10	**Nominal "Baa" Rated Yield**	**5.24%**	**5.76%**	**5.85%**	**5.05%**	**3.36%**	**4.10%**	**4.69%**	**4.87%**	**6.20%**	**6.63%**
11	**Real "Baa" Rated Yield**	**3.00%**	**3.26%**	**3.29%**	**2.35%**	**0.91%**	**2.22%**	**2.91%**	**2.52%**	**3.94%**	**4.11%**
	Spreads (A-Rated Utility Bond - Stock)										
12	**Nominal Spread[d]**	**0.90%**	**1.51%**	**1.69%**	**1.32%**	**-0.41%**	**0.27%**	**0.49%**	**0.40%**	**0.87%**	**2.39%**
13	**Real Spread[e]**	**0.88%**	**1.48%**	**1.65%**	**1.28%**	**-0.40%**	**0.26%**	**0.48%**	**0.39%**	**0.85%**	**2.33%**
	Spreads (Baa-Rated Utility Bond - Stock)										
14	**Nominal Spread[b]**	**1.39%**	**1.73%**	**1.99%**	**1.63%**	**-0.16%**	**0.68%**	**1.17%**	**0.97%**	**1.55%**	**2.80%**
15	**Real Spread[c]**	**1.36%**	**1.69%**	**1.94%**	**1.58%**	**-0.16%**	**0.67%**	**1.15%**	**0.95%**	**1.52%**	**2.73%**
	Spreads (20-Yr Treasury Bond - Stock)										
16	**Nominal[f]**	**-0.53%**	**0.53%**	**0.40%**	**-0.12%**	**-1.54%**	**-1.16%**	**-1.05%**	**-0.99%**	**-0.72%**	**0.92%**
17	**Real[g]**	**-0.51%**	**0.52%**	**0.39%**	**-0.12%**	**-1.50%**	**-1.14%**	**-1.04%**	**-0.96%**	**-0.71%**	**0.90%**
	Spreads (Stock - 30-Yr Treasury Bond)										
18	**Nominal[h]**	**0.41%**	**-0.35%**	**-0.24%**	**0.31%**	**1.46%**	**1.00%**	**0.75%**	**0.66%**	**0.56%**	**-0.83%**



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[4] Mergent Bond Record, through October 31, 2024.

Notes:
[a] Based on the average of the high and low price and the projected Dividends Declared per share, published in the Value Line Investment Survey.
[b] Line 47 = (1 + Line 45) / (1 + Line 46) - 1.
[c] Line 48 = (1 + Line 43) / (1 +Line 47) - 1.
[d] The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield; (Line 49 - Line 42).
[e] The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield; Line 50 - Line 48)
[f] The spread being measured here is the nominal 20-Year Treasury yield over the average nominal utility dividend yield; (Line 45 - Line 42).
[g] The spread being measured here is the real 20-Year TIPS yield over the average real utility dividend yield; Line 46 - Line 48)
[h] The spread being measured here is the nominal utility dividend yield over the nominal 30-Year Treasury yield; (Line 42 - Line 44).

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Dividend per Share[1]									
		19-Year					3-Year Averages				
Line	**Company**	**Average**	**2024[2]**	**2023**	**2022**	**2021**	**2018-2020**	**2015-2017**	**2012-2014**	**2009-2011**	**2006-2008**
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	2.09	2.82	2.71	2.60	2.52	2.35	2.08	1.90	1.77	1.60
2	Alliant Energy	1.16	1.92	1.81	1.71	1.61	1.43	1.18	0.95	0.80	0.64
3	Ameren Corp.	1.99	2.68	2.52	2.36	2.20	1.92	1.72	1.60	1.55	2.54
4	American Electric Power	2.31	3.60	3.37	3.17	3.00	2.69	2.27	1.95	1.73	1.57
5	Avangrid, Inc.	1.75	1.76	1.76	1.76	1.76	1.75	1.73	N/A	N/A	N/A
6	Avista Corp.	1.29	1.95	1.84	1.76	1.69	1.55	1.37	1.22	0.97	0.62
7	Black Hills	1.79	2.60	2.50	2.41	2.29	2.05	1.70	1.52	1.44	1.36
8	CenterPoint Energy	0.85	0.83	0.77	0.72	0.66	0.96	1.12	0.86	0.78	0.67
9	CMS Energy Corp.	1.20	2.08	1.95	1.84	1.74	1.53	1.24	1.02	0.67	0.28
10	Consol. Edison	2.70	3.32	3.24	3.16	3.10	2.96	2.68	2.47	2.38	2.32
11	Dominion Resources	2.43	2.67	2.67	2.67	2.52	3.49	2.81	2.25	1.85	1.47
12	DTE Energy	2.99	4.08	3.88	3.54	3.88	3.85	3.09	2.57	2.21	2.11
13	Duke Energy	3.37	4.14	4.06	3.98	3.90	3.74	3.36	3.09	2.90	2.64
14	Edison Int'l	1.92	3.14	2.99	2.84	2.69	2.49	1.98	1.39	1.27	1.17
15	El Paso Electric	1.11	N/A	N/A	N/A	N/A	1.42	1.24	1.04	0.66	N/A
16	Entergy Corp.	3.44	4.56	4.34	4.10	3.86	3.66	3.42	3.32	3.19	2.58
17	Eversource Energy	1.69	2.86	2.70	2.55	2.41	2.14	1.78	1.45	1.03	0.78
18	Evergy, Inc.	2.40	2.61	2.48	2.33	2.18	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.61	1.52	1.44	1.35	1.53	1.45	1.27	1.60	2.10	1.84
20	FirstEnergy Corp.	1.77	1.70	1.60	1.56	1.56	1.64	1.44	1.76	2.20	2.03
21	Fortis Inc.	1.51	2.38	2.29	2.17	2.08	1.86	1.54	1.25	1.11	0.83
22	Great Plains Energy	1.11	N/A	N/A	N/A	N/A	N/A	1.05	0.89	0.83	1.66
23	Hawaiian Elec.	1.25	N/A	1.08	1.40	1.36	1.28	1.24	1.24	1.24	1.24
24	IDACORP, Inc.	2.02	3.36	3.20	3.04	2.88	2.56	2.08	1.57	1.20	1.20
25	MGE Energy	1.22	1.84	1.67	1.59	N/A	1.38	1.21	1.07	0.99	0.94
26	NextEra Energy, Inc.	0.96	2.06	1.87	1.70	1.54	1.25	0.87	0.66	0.51	0.41
27	NorthWestern Corp	1.88	2.60	2.56	2.52	2.48	2.30	2.01	1.53	1.38	1.28
28	OGE Energy	1.13	1.69	1.66	1.64	1.63	1.49	1.16	0.87	0.74	0.68
29	Otter Tail Corp.	1.34	1.87	1.75	1.65	1.56	1.41	1.25	1.20	1.19	1.17
30	Pinnacle West Capital	2.65	3.55	3.49	3.42	3.36	3.05	2.57	2.41	2.10	2.08
31	TXNM Energy	0.92	1.57	1.49	1.41	0.98	1.17	0.89	0.67	0.50	0.79
32	Portland General	1.30	1.98	1.88	1.79	1.70	1.51	1.26	1.10	1.03	0.86
33	PPL Corp.	1.38	1.03	0.95	0.88	1.66	1.65	1.53	1.47	1.39	1.22
34	Public Serv. Enterprise	1.66	2.40	2.28	2.16	2.04	1.88	1.64	1.45	1.36	1.20
35	SCANA Corp.	2.00	N/A	N/A	N/A	N/A	N/A	2.31	2.04	1.91	1.76
36	Sempra Energy	2.68	2.48	2.38	4.58	4.40	3.88	3.04	2.52	1.68	1.27
37	Southern Co.	2.17	2.86	2.78	2.70	2.62	2.46	2.23	2.01	1.80	1.60
38	Vectren Corp.	1.42	N/A	N/A	N/A	N/A	N/A	1.62	1.43	1.37	1.27
39	WEC Energy Group	1.75	3.34	3.12	2.91	2.71	2.37	1.93	1.40	0.84	0.50
40	Westar Energy	1.30	N/A	N/A	N/A	N/A	N/A	1.52	1.36	1.24	1.07
41	Xcel Energy Inc.	1.37	2.19	2.08	1.95	1.83	1.62	1.36	1.13	1.00	0.91
42	**Average**	**1.80**	**2.52**	**2.37**	**2.33**	**2.28**	**2.12**	**1.80**	**1.57**	**1.41**	**1.32**
43	**Industry Average Growth**	**4.02%**	**6.34%**	**1.48%**	**2.08%**	**2.47%**	**5.52%**	**5.59%**	**3.42%**	**1.70%**	**5.67%**

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Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Earnings per Share[1]									
		19-Year					3-Year Averages				
Line	Company	Average	2024[2]	2023[2]	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	3.04	3.70	4.30	3.38	3.23	3.35	3.22	2.70	2.24	2.89
2	Alliant Energy	1.88	2.95	2.78	2.73	2.63	2.33	1.78	1.64	1.23	1.22
3	Ameren Corp.	3.07	4.60	4.37	4.14	3.84	3.39	2.61	2.30	2.67	2.84
4	American Electric Power	3.77	5.65	5.24	5.09	4.96	4.13	3.81	3.17	2.90	2.90
5	Avangrid, Inc.	1.92	2.25	2.09	2.32	1.97	2.02	1.50	N/A	N/A	N/A
6	Avista Corp.	1.86	2.40	2.24	2.12	2.10	2.31	2.00	1.67	1.65	1.18
7	Black Hills	2.77	3.95	3.91	3.97	3.74	3.58	2.95	2.49	1.66	1.69
8	CenterPoint Energy	1.26	1.62	1.37	1.59	0.94	1.17	1.22	1.34	1.12	1.27
9	CMS Energy Corp.	1.91	3.30	3.01	2.84	2.58	2.45	2.01	1.64	1.24	0.84
10	Consol. Edison	3.98	5.30	5.04	4.55	4.74	4.19	4.03	3.80	3.39	3.26
11	Dominion Resources	2.86	2.80	1.99	4.11	3.19	2.42	3.39	2.96	2.76	2.52
12	DTE Energy	4.68	6.70	6.76	5.52	4.10	6.52	5.00	4.25	3.55	2.61
13	Duke Energy	4.19	6.00	5.56	5.27	4.93	4.37	4.01	3.94	3.85	3.12
14	Edison Int'l	3.32	4.95	4.76	1.60	2.00	1.48	4.20	4.22	3.27	3.43
15	El Paso Electric	2.02	N/A	N/A	N/A	N/A	2.07	2.28	2.24	2.02	1.54
16	Entergy Corp.	6.27	4.50	11.10	5.37	6.87	6.36	5.96	5.58	6.84	5.72
17	Eversource Energy	2.80	4.60	4.34	4.09	3.54	3.42	2.94	2.32	2.08	1.42
18	Evergy, Inc.	3.53	3.85	3.17	3.26	3.83	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.82	2.45	2.38	2.26	1.74	2.56	2.37	2.11	3.97	3.88
20	FirstEnergy Corp.	2.58	2.70	2.56	2.41	2.69	1.67	2.28	1.98	2.82	4.14
21	Fortis Inc.	2.10	3.25	3.10	2.78	2.61	2.60	2.22	1.55	1.62	1.39
22	Great Plains Energy	1.33	N/A	N/A	N/A	N/A	N/A	0.97	1.51	1.27	1.54
23	Hawaiian Elec.	2.11	10.70	1.81	2.20	2.25	1.88	1.81	1.64	1.19	1.17
24	IDACORP, Inc.	3.82	5.45	5.14	5.11	4.85	4.60	4.01	3.62	2.98	2.13
25	MGE Energy	2.21	3.70	3.25	3.07	N/A	2.51	2.15	2.11	1.63	1.49
26	NextEra Energy, Inc.	1.65	3.45	3.17	2.90	1.81	1.90	1.53	1.25	1.13	0.88
27	NorthWestern Corp	2.74	3.50	3.22	3.29	3.60	3.33	3.21	2.57	2.23	1.51
28	OGE Energy	1.82	2.15	2.07	2.25	2.36	2.15	1.77	1.90	1.52	1.26
29	Otter Tail Corp.	2.46	7.00	7.00	6.78	4.23	2.19	1.67	1.32	0.51	1.52
30	Pinnacle West Capital	3.83	4.80	4.41	4.26	5.47	4.73	4.10	3.58	2.78	2.75
31	TXNM Energy	1.64	2.75	2.82	2.69	2.27	2.03	1.74	1.39	0.84	0.86
32	Portland General	2.08	3.10	2.38	2.74	2.72	2.16	2.16	1.94	1.64	1.62
33	PPL Corp.	2.12	1.70	1.60	1.41	0.53	2.33	2.42	2.46	2.03	2.46
34	Public Serv. Enterprise	2.99	3.65	3.48	3.47	2.55	3.42	2.98	2.63	3.09	2.45
35	SCANA Corp.	3.30	N/A	N/A	N/A	N/A	N/A	4.06	3.44	2.93	2.76
36	Sempra Energy	4.95	4.75	4.61	9.21	4.01	6.01	4.70	4.40	4.42	4.31
37	Southern Co.	2.89	4.00	3.64	3.61	3.42	3.14	2.96	2.71	2.41	2.21
38	Vectren Corp.	1.94	N/A	N/A	N/A	N/A	N/A	2.51	1.87	1.72	1.63
39	WEC Energy Group	2.88	4.90	4.63	4.46	4.11	3.57	2.81	2.48	1.90	1.42
40	Westar Energy	1.96	N/A	N/A	N/A	N/A	N/A	2.26	2.26	1.62	1.68
41	Xcel Energy Inc.	2.22	3.55	3.35	3.17	2.96	2.63	2.20	1.93	1.59	1.39
42	**Average**	**2.82**	**4.07**	**3.80**	**3.61**	**3.24**	**3.08**	**2.80**	**2.54**	**2.32**	**2.18**
43	**Industry Average Growth**	**3.86%**	**7.33%**	**5.10%**	**11.50%**	**2.47%**	**3.23%**	**2.98%**	**2.95%**	**3.70%**	**2.31%**

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Cash Flow / Capital Spending[1]							
Line	**Company**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025[2]**	**3 - 5 yr[2] Projection**
		(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
1	ALLETE	0.63x	0.74x	0.80x	2.26x	1.42x	2.21x	1.42x	1.33x
2	Alliant Energy	0.73x	0.82x	0.97x	0.94x	0.95x	0.97x	1.04x	1.20x
3	Ameren Corp.	0.79x	0.51x	0.59x	0.72x	0.74x	0.84x	0.87x	0.95x
4	American Electric Power	0.75x	0.74x	0.69x	0.73x	0.72x	0.82x	0.88x	1.09x
5	Avangrid, Inc.	0.70x	0.56x	0.62x	0.61x	0.57x	0.71x	0.74x	0.78x
6	Avista Corp.	0.89x	0.85x	0.87x	0.83x	0.78x	0.84x	0.95x	0.90x
7	Black Hills	0.51x	0.72x	0.76x	0.85x	0.82x	0.68x	0.76x	0.86x
8	CenterPoint Energy	0.83x	0.88x	0.62x	0.62x	0.57x	0.55x	0.59x	0.58x
9	CMS Energy Corp.	0.79x	0.82x	0.77x	0.78x	0.92x	0.80x	0.66x	0.93x
10	Consol. Edison	0.79x	0.82x	0.89x	0.83x	0.72x	0.84x	0.88x	0.94x
11	Dominion Resources	0.81x	1.00x	0.89x	0.74x	0.63x	0.51x	0.58x	0.89x
12	DTE Energy	0.83x	0.67x	0.70x	0.75x	0.82x	0.87x	0.90x	0.96x
13	Duke Energy	0.78x	0.86x	0.93x	0.81x	0.79x	0.77x	0.78x	0.90x
14	Edison Int'l	0.69x	0.67x	0.74x	0.67x	0.75x	0.82x	0.84x	0.89x
15	El Paso Electric	0.96x	1.00x	0.83x	N/A	N/A	N/A	N/A	N/A
16	Entergy Corp.	0.79x	0.81x	1.05x	0.98x	0.85x	0.81x	0.82x	1.08x
17	Eversource Energy	0.78x	0.95x	0.74x	0.72x	0.86x	0.76x	0.78x	0.80x
18	Evergy, Inc.	1.34x	1.06x	0.96x	0.94x	0.86x	0.86x	0.91x	0.97x
19	Exelon Corp.	1.18x	1.30x	1.32x	0.96x	0.99x	0.80x	0.84x	0.94x
20	FirstEnergy Corp.	0.74x	0.96x	0.91x	0.86x	0.80x	0.82x	0.84x	0.96x
21	Fortis Inc.	0.68x	0.60x	0.74x	0.75x	0.82x	0.85x	0.88x	0.97x
22	Hawaiian Elec.	1.12x	1.10x	1.42x	1.30x	1.51x	1.20x	1.08x	1.19x
23	IDACORP, Inc.	1.25x	1.25x	1.16x	0.83x	0.63x	0.56x	0.61x	0.91x
24	MGE Energy	0.97x	0.73x	0.87x	N/A	1.26x	1.10x	1.05x	1.10x
25	NextEra Energy, Inc.	0.67x	0.58x	0.69x	0.54x	0.59x	0.59x	0.61x	0.65x
26	NorthWestern Corp	1.07x	0.98x	0.82x	0.66x	0.75x	0.87x	0.91x	1.04x
27	OGE Energy	1.26x	1.43x	1.13x	0.99x	0.97x	0.99x	1.06x	1.23x
28	Otter Tail Corp.	0.80x	0.45x	1.42x	1.45x	1.08x	1.46x	1.18x	1.09x
29	Pinnacle West Capital	0.98x	0.98x	0.85x	0.78x	0.95x	0.74x	0.79x	0.91x
30	TXNM Energy	0.72x	0.59x	0.51x	0.63x	0.63x	0.53x	0.52x	0.64x
31	Portland General	0.99x	0.75x	0.97x	1.01x	0.58x	0.62x	0.73x	0.82x
32	PPL Corp.	0.92x	1.06x	1.12x	1.35x	0.98x	0.97x	0.99x	1.03x
33	Public Serv. Enterprise	1.07x	1.00x	1.05x	0.82x	0.87x	0.90x	0.95x	0.90x
34	Sempra Energy	0.66x	0.92x	0.78x	0.92x	0.96x	0.63x	0.64x	0.68x
35	Southern Co.	0.88x	1.01x	0.93x	0.97x	0.97x	0.90x	0.96x	1.09x
36	WEC Energy Group	0.91x	0.70x	0.75x	0.87x	0.92x	1.01x	1.09x	1.29x
37	Xcel Energy Inc.	0.69x	0.99x	0.86x	0.80x	0.92x	0.65x	0.60x	0.78x
38	Average	0.86x	0.86x	0.88x	0.89x	0.86x	0.86x	0.85x	0.95x
39	Median	0.80x	0.85x	0.86x	0.83x	0.84x	0.82x	0.86x	0.94x

Sources:
[1] Data for the years 2019 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.
Notes:
Based on the projected Cash Flow per share and Capital Spending per share.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Percent Dividends to Book Value [1]									
		19-Year					3-Year Averages				
Line	Company	Average	2024 [2/a]	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	5.88%	5.50%	5.56%	5.52%	5.56%	5.47%	5.40%	5.83%	6.44%	6.73%
2	Alliant Energy	6.42%	6.94%	6.84%	6.84%	6.73%	6.75%	6.99%	6.43%	6.10%	5.25%
3	Ameren Corp.	6.04%	6.25%	6.26%	5.88%	5.84%	5.82%	5.88%	5.87%	4.74%	7.85%
4	American Electric Power	6.36%	6.54%	6.95%	6.80%	6.74%	6.75%	6.25%	5.94%	6.03%	6.28%
5	Avangrid, Inc.	3.18%	3.43%	3.46%	3.51%	3.57%	3.57%	2.36%	N/A	N/A	N/A
6	Avista Corp.	5.12%	5.93%	5.78%	5.65%	5.61%	5.47%	5.38%	5.49%	4.91%	3.49%
7	Black Hills	5.33%	5.33%	5.30%	5.32%	5.32%	5.32%	5.63%	5.18%	5.18%	5.35%
8	CenterPoint Energy	9.09%	5.09%	5.03%	4.90%	4.82%	7.96%	12.50%	8.41%	9.87%	12.21%
9	CMS Energy Corp.	6.76%	7.70%	7.84%	7.89%	7.87%	8.58%	8.25%	7.96%	5.78%	1.81%
10	Consol. Edison	5.94%	5.23%	5.29%	5.42%	5.48%	5.50%	5.70%	5.91%	6.30%	7.04%
11	Dominion Resources	10.07%	8.61%	8.69%	8.54%	8.00%	11.14%	11.88%	11.63%	9.35%	8.52%
12	DTE Energy	6.32%	7.29%	7.25%	7.64%	8.64%	6.38%	6.08%	5.72%	5.56%	5.99%
13	Duke Energy	5.52%	6.25%	6.37%	6.47%	6.34%	6.18%	5.73%	5.32%	5.73%	3.52%
14	Edison Int'l	5.79%	8.26%	8.30%	9.24%	7.36%	7.09%	5.53%	4.48%	4.06%	4.46%
15	El Paso Electric	2.94%	N/A	N/A	N/A	N/A	5.04%	4.64%	4.57%	1.16%	0.00%
16	Entergy Corp.	6.68%	6.45%	6.32%	6.68%	6.72%	7.21%	7.31%	6.17%	6.65%	6.27%
17	Eversource Energy	5.17%	6.75%	6.66%	5.74%	5.69%	5.57%	5.27%	4.77%	4.76%	4.14%
18	Evergy, Inc.	5.62%	5.92%	5.90%	5.57%	5.41%	5.32%	N/A	N/A	N/A	N/A
19	Exelon Corp.	6.96%	5.77%	5.59%	5.42%	4.36%	4.45%	4.39%	6.19%	10.30%	11.70%
20	FirstEnergy Corp.	8.80%	8.97%	8.81%	8.78%	10.26%	12.46%	10.48%	5.79%	7.54%	7.20%
21	Fortis Inc.	5.44%	5.75%	5.84%	5.95%	5.59%	5.17%	4.99%	5.54%	5.74%	5.31%
22	Great Plains Energy	5.31%	N/A	N/A	N/A	N/A	N/A	4.42%	3.95%	3.92%	8.94%
23	Hawaiian Elec.	7.09%	N/A	5.07%	6.96%	6.22%	6.18%	6.62%	7.33%	7.88%	8.47%
24	IDACORP, Inc.	4.73%	5.29%	5.57%	5.48%	5.45%	5.23%	4.86%	4.23%	3.87%	4.49%
25	MGE Energy	6.08%	5.54%	5.30%	5.32%	N/A	5.47%	5.74%	6.02%	6.55%	7.29%
26	NextEra Energy, Inc.	6.79%	8.37%	8.08%	8.61%	8.13%	6.78%	6.51%	6.40%	5.98%	6.24%
27	NorthWestern Corp	5.81%	5.60%	5.63%	5.65%	5.73%	5.74%	5.77%	5.56%	6.07%	6.09%
28	OGE Energy	6.88%	7.32%	7.49%	7.47%	8.04%	7.65%	6.53%	5.70%	6.28%	7.32%
29	Otter Tail Corp.	6.98%	6.00%	5.95%	5.61%	6.54%	7.18%	7.43%	8.06%	6.88%	6.59%
30	Pinnacle West Capital	6.19%	5.93%	6.41%	6.40%	6.43%	6.31%	5.96%	6.37%	6.21%	6.00%
31	TXNM Energy	4.12%	5.73%	5.72%	5.52%	3.88%	5.31%	4.23%	3.17%	2.68%	3.74%
32	Portland General	4.94%	5.79%	5.73%	5.75%	5.61%	5.26%	4.79%	4.66%	4.87%	4.12%
33	PPL Corp.	8.33%	5.19%	5.03%	4.66%	8.89%	9.81%	10.27%	7.57%	8.40%	8.78%
34	Public Serv. Enterprise	6.99%	7.41%	7.34%	7.82%	7.12%	6.26%	6.20%	6.36%	7.20%	8.36%
35	SCANA Corp.	6.44%	N/A	N/A	N/A		N/A	6.04%	6.15%	6.61%	6.98%
36	Sempra Energy	5.33%	5.30%	5.41%	5.49%	5.56%	6.31%	6.08%	5.67%	4.37%	4.09%
37	Southern Co.	9.56%	9.57%	9.65%	9.67%	9.96%	9.65%	9.34%	9.36%	9.38%	9.88%
38	Vectren Corp.	7.71%	N/A	N/A	N/A	N/A	N/A	7.61%	7.54%	7.78%	7.90%
39	WEC Energy Group	6.54%	8.81%	8.38%	7.92%	7.83%	7.37%	6.76%	7.44%	5.13%	3.76%
40	Westar Energy	5.71%	N/A	N/A	N/A	N/A	N/A	5.68%	5.69%	5.82%	5.65%
41	Xcel Energy Inc.	6.21%	6.58%	6.55%	6.43%	6.38%	6.38%	6.26%	5.87%	5.99%	6.16%
42	Average	6.35%	6.47%	6.43%	6.46%	6.50%	6.60%	6.44%	6.16%	6.10%	6.26%
43	Median	6.08%	6.00%	6.10%	5.92%	6.34%	6.26%	6.00%	5.87%	6.03%	6.24%

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.
[a] Based on the projected 2024 Dividend Declared per share and Book Value per share,
published in The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Dividends to Earnings Ratio [1]									
		19-Year					3-Year Averages				
Line	**Company**	**Average**	**2024 [2/b]**	**2023**	**2022**	**2021**	**2018-2020**	**2015-2017**	**2012-2014**	**2009-2011**	**2006-2008**
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	0.69	0.76	0.63	0.77	0.78	0.70	0.65	0.70	0.80	0.56
2	Alliant Energy	0.62	0.65	0.65	0.63	0.61	0.61	0.67	0.58	0.66	0.53
3	Ameren Corp.	0.66	0.58	0.58	0.57	0.57	0.57	0.66	0.70	0.58	0.90
4	American Electric Power	0.61	0.64	0.64	0.62	0.60	0.65	0.60	0.62	0.60	0.54
5	Avangrid, Inc.	0.87	0.78	0.84	0.76	0.89	0.87	0.95	N/A	N/A	N/A
6	Avista Corp.	0.69	0.81	0.82	0.83	0.80	0.70	0.69	0.74	0.59	0.57
7	Black Hills	1.04	0.66	0.64	0.61	0.61	0.57	0.58	0.62	0.98	2.96
8	CenterPoint Energy	0.71	0.51	0.56	0.45	0.70	0.93	0.94	0.65	0.70	0.53
9	CMS Energy Corp.	0.58	0.63	0.65	0.65	0.67	0.62	0.62	0.62	0.54	0.30
10	Consol. Edison	0.68	0.63	0.64	0.69	0.65	0.71	0.67	0.65	0.70	0.71
11	Dominion Resources	0.89	0.95	1.34	0.65	0.79	1.53	0.83	0.76	0.67	0.59
12	DTE Energy	0.66	0.61	0.57	0.64	0.95	0.59	0.62	0.61	0.62	0.81
13	Duke Energy	0.80	0.69	0.73	0.76	0.79	0.86	0.84	0.79	0.76	0.80
14	Edison Int'l	0.48	0.63	0.63	1.78	1.35	0.06	0.47	0.33	0.39	0.34
15	El Paso Electric	0.50	N/A	N/A	N/A	N/A	0.68	0.54	0.46	0.27	N/A
16	Entergy Corp.	0.57	1.01	0.39	0.76	0.56	0.58	0.58	0.60	0.47	0.45
17	Eversource Energy	0.60	0.62	0.62	0.62	0.68	0.63	0.61	0.63	0.49	0.61
18	Evergy, Inc.	0.69	0.68	0.78	0.71	0.57	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	0.60	0.62	0.61	0.60	0.88	0.58	0.55	0.77	0.53	0.47
20	FirstEnergy Corp.	0.77	0.63	0.63	0.65	0.58	1.01	0.64	1.09	0.84	0.49
21	Fortis Inc.	0.72	0.73	0.74	0.78	0.80	0.71	0.71	0.81	0.68	0.60
22	Great Plains Energy	- 0.82	N/A	N/A	N/A	N/A	N/A	- 5.65	0.59	0.67	1.12
23	Hawaiian Elec.	0.82	N/A	0.60	0.64	0.60	0.68	0.71	0.75	1.08	1.07
24	IDACORP, Inc.	0.52	0.62	0.62	0.59	0.59	0.56	0.52	0.43	0.41	0.57
25	MGE Energy	0.56	0.50	0.51	0.52	N/A	0.55	0.56	0.51	0.61	0.63
26	NextEra Energy, Inc.	0.56	0.60	0.59	0.59	0.85	0.66	0.57	0.53	0.45	0.47
27	NorthWestern Corp	0.70	0.74	0.80	0.77	0.69	0.69	0.63	0.60	0.62	0.86
28	OGE Energy	0.61	0.79	0.80	0.73	0.69	0.70	0.66	0.45	0.49	0.54
29	Otter Tail Corp.	0.95	0.27	0.25	0.24	0.37	0.64	0.75	0.93	2.48	0.81
30	Pinnacle West Capital	0.71	0.74	0.79	0.80	0.61	0.64	0.63	0.67	0.77	0.78
31	TXNM Energy	0.84	0.57	0.53	0.52	0.43	0.58	0.51	0.48	0.63	2.40
32	Portland General	0.63	0.64	0.79	0.65	0.63	0.72	0.58	0.57	0.65	0.56
33	PPL Corp.	0.77	0.61	0.59	0.62	3.13	0.72	0.64	0.60	0.77	0.50
34	Public Serv. Enterprise	0.56	0.66	0.66	0.62	0.80	0.56	0.55	0.55	0.44	0.50
35	SCANA Corp.	0.61	N/A	N/A	N/A		N/A	0.57	0.59	0.65	0.64
36	Sempra Energy	0.54	0.52	0.52	0.50	1.10	0.65	0.65	0.57	0.38	0.29
37	Southern Co.	0.75	0.72	0.76	0.75	0.77	0.78	0.75	0.74	0.75	0.72
38	Vectren Corp.	0.75	N/A	N/A	N/A	N/A	N/A	0.65	0.77	0.80	0.78
39	WEC Energy Group	0.57	0.68	0.67	0.65	0.66	0.66	0.69	0.56	0.44	0.35
40	Westar Energy	0.68	N/A	N/A	N/A	N/A	N/A	0.67	0.60	0.78	0.66
41	Xcel Energy Inc.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.58	0.63	0.66
42	Average	0.66	0.66	0.66	0.68	0.78	0.68	0.49	0.64	0.68	0.73
43	Median	0.63	0.64	0.63	0.64	0.68	0.66	0.63	0.61	0.63	0.59

Sources:

[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.

[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Note:

[b] Based on the projected 2024 Dividends Declared per share and Earnings per share,
published in The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Northern Indiana Public Service Company LLC

Electric Utilities
(Valuation Metrics)

		Cash Flow to Capital Spending Ratio [1]									
		19-Year					3-Year Averages				
Line	Company	Average	2024 [2/c]	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	ALLETE	0.95	1.39	1.76	2.12	0.55	0.80	1.37	0.54	0.60	0.78
2	Alliant Energy	0.81	0.96	0.74	0.91	0.95	N/A	0.65	0.83	0.65	0.96
3	Ameren Corp.	0.86	0.84	0.78	0.71	0.62	0.74	0.75	0.91	1.16	0.95
4	American Electric Power	0.86	0.82	0.79	0.81	0.81	0.75	0.79	0.95	1.15	0.74
5	Avangrid, Inc.	0.71	0.71	0.66	0.79	0.56	0.68	0.77	N/A	N/A	N/A
6	Avista Corp.	0.89	0.92	0.88	0.73	0.88	0.86	0.79	0.82	1.02	1.02
7	Black Hills	0.68	0.73	0.95	0.86	0.61	0.67	0.84	0.72	0.47	0.55
8	CenterPoint Energy	0.96	0.59	0.53	0.52	0.73	0.85	1.09	1.25	1.00	1.07
9	CMS Energy Corp.	0.85	0.63	0.85	0.82	0.78	0.78	0.84	0.79	1.05	0.91
10	Consol. Edison	0.83	0.84	0.84	0.88	0.83	0.84	0.72	0.92	0.88	0.75
11	Dominion Resources	0.76	0.51	0.46	0.86	0.73	0.91	0.70	0.71	0.80	0.81
12	DTE Energy	0.97	0.87	0.85	0.86	0.74	0.80	0.90	0.97	1.37	1.03
13	Duke Energy	0.88	0.77	0.81	0.87	0.85	0.82	0.88	1.05	0.81	0.93
14	Edison Int'l	0.75	0.82	0.83	0.62	0.55	0.52	0.88	0.79	0.67	0.91
15	El Paso Electric	0.87	N/A	N/A	N/A	0.83	0.86	0.86	0.77	0.90	0.96
16	Entergy Corp.	0.95	0.77	1.03	0.62	0.74	0.76	0.97	1.03	1.14	1.07
17	Eversource Energy	0.83	0.76	0.54	0.89	0.80	0.80	0.86	0.96	0.94	0.70
18	Evergy, Inc.	0.89	0.86	0.90	0.78	1.03	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.18	0.80	0.82	0.84	1.09	1.12	0.88	0.99	1.50	1.77
20	FirstEnergy Corp.	0.99	0.82	0.82	0.98	0.83	0.80	0.96	0.77	1.20	1.42
21	Fortis Inc.	0.71	0.85	0.93	0.89	0.65	0.68	0.72	0.70	0.66	0.62
22	Great Plains Energy	0.79	N/A	N/A	N/A		N/A	0.95	0.85	0.80	0.56
23	Hawaiian Elec.	1.20	2.62	1.14	1.56	1.27	1.07	1.05	0.98	1.19	1.09
24	IDACORP, Inc.	1.06	0.54	0.75	1.00	1.33	1.40	1.21	1.26	0.87	0.79
25	MGE Energy	1.08	1.05	0.98	1.12	0.82	0.82	1.41	1.10	1.42	0.75
26	NextEra Energy, Inc.	0.61	0.59	0.50	0.55	0.58	0.60	0.62	0.61	0.63	0.64
27	NorthWestern Corp	1.00	0.87	0.72	0.75	0.84	1.07	1.11	0.91	0.89	1.26
28	OGE Energy	0.92	0.99	1.03	0.87	1.24	1.27	1.00	0.84	0.61	0.74
29	Otter Tail Corp.	1.00	1.46	1.98	2.13	0.48	0.92	0.89	0.74	0.94	0.82
30	Pinnacle West Capital	0.93	0.76	0.73	0.89	0.91	1.00	0.83	0.93	0.98	1.04
31	TXNM Energy	0.69	0.53	0.55	0.63	0.72	0.77	0.66	0.77	0.76	0.58
32	Portland General	0.81	0.63	0.51	0.86	0.78	0.93	0.92	0.78	0.83	0.76
33	PPL Corp.	0.97	0.97	1.06	1.05	0.90	0.94	0.84	0.78	1.08	1.18
34	Public Serv. Enterprise	1.09	0.90	0.92	1.05	1.13	0.97	0.68	0.98	1.31	1.64
35	SCANA Corp.	0.86	N/A	N/A	N/A		N/A	0.78	0.84	0.83	0.98
36	Sempra Energy	0.79	0.63	0.61	0.92	0.77	0.81	0.68	0.77	0.88	0.90
37	Southern Co.	0.90	0.92	0.88	0.97	0.99	0.90	0.85	0.86	0.88	0.93
38	Vectren Corp.	1.00	N/A	N/A	N/A		N/A	0.88	1.06	1.11	0.93
39	WEC Energy Group	0.98	1.01	0.95	1.09	0.97	0.93	1.03	1.36	0.96	0.62
40	Westar Energy	0.72	N/A	N/A	N/A		N/A	0.80	0.70	0.76	0.61
41	Xcel Energy Inc.	0.75	0.65	0.75	0.93	0.66	0.74	0.75	0.68	0.83	0.79
42	Average	0.89	0.87	0.86	0.94	0.83	0.86	0.88	0.88	0.94	0.91
43	Median	0.83	0.82	0.83	0.87	0.81	0.82	0.85	0.84	0.89	0.91

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 9, September 6, and October 18, 2024.
Notes:
[c] Based on the 2024 projected Cash Flow per share and Capital Spending per share
published in The Value Line Investment Survey, August 9, September 6, and October 18, 2024.

Northern Indiana Public Service Company LLC

Natural Gas Utilities
(Valuation Metrics)

Price to Earnings (P/E) Ratio [1]

Line	Company	19-Year Average	2024 [2]	2023	2022	2021	3-Year Averages 2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Atmos Energy	17.46	18.30	16.80	19.30	18.80	22.40	20.10	15.97	13.37	14.34
2	Chesapeake Utilities	19.57	23.00	21.60	25.80	25.60	23.07	23.07	16.03	13.53	16.25
3	New Jersey Resources	17.04	15.20	14.90	17.00	17.50	19.20	20.10	14.83	15.57	16.68
4	NiSource Inc.	21.86	18.00	16.90	19.60	18.00	19.77	41.63	19.83	16.33	16.69
5	Northwest Nat. Gas	20.25	13.90	15.40	19.60	19.50	27.50	25.30	20.40	17.07	16.88
6	ONE Gas Inc.	20.49	16.70	16.00	19.90	18.90	23.37	22.00	17.80	N/A	N/A
7	Southwest Gas	17.90	18.80	23.00	NMF	14.30	19.57	21.07	16.23	13.97	17.85
8	Spire Inc.	18.17	15.30	14.50	17.50	13.60	30.20	18.63	18.53	13.37	14.03
9	UGI Corp.	14.95	8.60	8.40	14.10	13.90	18.33	19.27	15.87	12.07	14.12
10	Average	18.45	16.42	16.39	19.10	17.79	22.60	23.46	17.28	14.41	15.85
11	Median	16.70	16.70	16.00	19.45	18.00	22.40	21.07	16.23	13.75	16.46

Market Price to Cash Flow (MP/CF) Ratio [1]

Line	Company	19-Year Average	2024 [2]	2023	2022	2021	3-Year Averages 2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
12	Atmos Energy	9.42	11.08	11.27	11.87	10.99	12.83	10.88	7.85	6.26	6.76
13	Chesapeake Utilities	10.87	13.69	15.77	14.21	14.20	12.91	12.00	8.28	7.73	8.62
14	New Jersey Resources	11.81	9.64	11.22	11.55	11.56	12.84	13.37	10.84	11.79	11.31
15	NiSource Inc.	7.83	7.53	7.13	8.13	7.89	8.52	10.35	9.03	5.32	6.14
16	Northwest Nat. Gas	11.88	6.83	7.56	8.76	8.57	11.66	26.92	8.98	8.76	8.37
17	ONE Gas Inc.	9.99	7.12	7.73	9.91	9.32	11.82	10.73	8.16	N/A	N/A
18	Southwest Gas	7.23	7.24	7.35	19.83	6.87	8.43	7.69	5.95	4.78	5.20
19	Spire Inc.	9.46	6.99	7.53	8.34	7.55	11.63	9.73	11.53	8.26	8.62
20	UGI Corp.	7.68	4.35	5.84	7.20	9.56	9.78	9.19	6.78	6.42	7.50
21	Average	9.47	8.27	9.04	11.09	9.61	11.16	12.32	8.60	7.42	7.82
22	Median	8.37	7.24	7.56	9.91	9.32	11.66	10.73	8.28	7.07	7.94

Market Price to Book Value (MP/BV) Ratio [1]

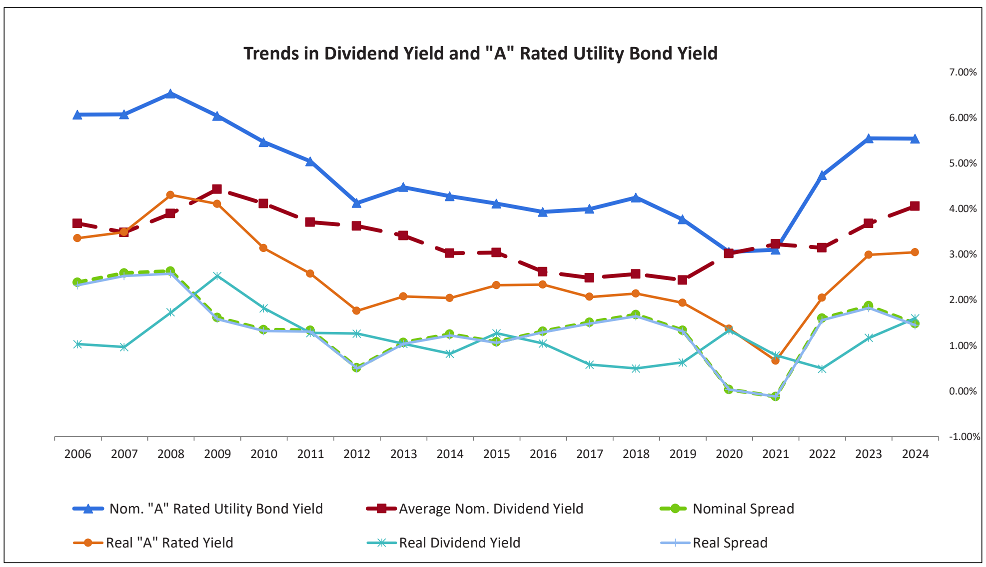
Line	Company	19-Year Average	2024 [2]	2023	2022	2021	3-Year Averages 2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
23	Atmos Energy	1.58	1.50	1.55	1.65	1.59	2.03	2.00	1.41	1.18	1.31
24	Chesapeake Utilities	2.05	1.84	1.93	2.69	2.77	2.49	2.32	1.87	1.46	1.78
25	New Jersey Resources	2.25	1.95	2.32	2.35	2.26	2.43	2.50	2.17	2.19	2.03
26	NiSource Inc.	1.53	1.24	1.14	2.15	1.86	1.99	1.92	1.63	0.92	1.10
27	Northwest Nat. Gas	1.77	1.01	1.29	1.51	1.45	2.23	1.99	1.62	1.73	1.90
28	ONE Gas Inc.	1.63	1.29	1.43	1.73	1.57	2.01	1.61	1.07	N/A	N/A
29	Southwest Gas	1.52	1.28	1.28	1.62	1.32	1.70	1.93	1.60	1.21	1.38
30	Spire Inc.	1.52	1.18	1.29	1.43	1.47	1.69	1.57	1.40	1.51	1.69
31	UGI Corp.	1.92	1.06	1.59	1.39	1.64	2.36	2.44	1.70	1.65	2.13
32	Average	1.75	1.37	1.53	1.83	1.77	2.10	2.03	1.61	1.48	1.66
33	Median	1.67	1.28	1.43	1.65	1.59	2.03	1.99	1.62	1.49	1.73

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021. Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.
Notes:
[a] Based on the average of the high and low price for year and the projected Cash Flow per share, published in The Value Line Investment Survey.
[b] Based on the average of the high and low price for the year and the projected Book Value per share, published in The Value Line Investment Survey.

Northern Indiana Public Service Company LLC

Natural Gas Utilities
(Valuation Metrics)

		Dividend Yield[1]									
		19-Year					3-Year Averages				
Line	**Company**	**Average**	**2024 [2/a]**	**2023**	**2022**	**2021**	**2018-2020**	**2015-2017**	**2012-2014**	**2009-2011**	**2006-2008**
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Atmos Energy	3.32%	2.65%	2.62%	2.46%	2.63%	2.17%	2.51%	3.59%	4.74%	4.53%
2	Chesapeake Utilities	2.63%	2.25%	2.08%	1.61%	1.50%	1.77%	1.93%	2.85%	3.79%	3.83%
3	New Jersey Resources	3.25%	3.87%	3.29%	3.25%	3.50%	2.86%	2.90%	3.53%	3.49%	3.19%
4	NiSource Inc.	3.94%	3.71%	3.85%	3.33%	3.60%	3.12%	3.03%	3.28%	5.94%	4.73%
5	Northwest Nat. Gas	3.70%	5.15%	4.40%	3.86%	3.90%	3.06%	3.43%	4.06%	3.73%	3.37%
6	ONE Gas Inc.	2.83%	4.08%	3.72%	3.08%	3.21%	2.47%	2.47%	2.28%	N/A	N/A
7	Southwest Gas	3.03%	3.64%	4.07%	3.20%	3.65%	2.87%	2.65%	2.72%	3.32%	2.78%
8	Spire Inc.	3.88%	4.86%	4.44%	3.89%	3.79%	3.15%	3.24%	3.95%	4.31%	4.24%
9	UGI Corp.	3.17%	6.35%	4.64%	3.61%	3.25%	2.60%	2.29%	3.10%	3.34%	2.83%
10	**Average**	**3.35%**	**4.06%**	**3.68%**	**3.14%**	**3.23%**	**2.67%**	**2.72%**	**3.26%**	**4.08%**	**3.69%**
11	Median	3.42%	3.87%	3.85%	3.25%	3.50%	2.86%	2.65%	3.28%	3.76%	3.60%
12	20-Yr Treasury Yields[3]	3.32%	4.56%	4.25%	3.30%	1.98%	2.26%	2.47%	2.91%	3.92%	4.75%
13	20-Yr TIPS[3]	1.12%	2.09%	1.73%	0.64%	-0.43%	0.41%	0.73%	0.61%	1.71%	2.28%
14	Implied Inflation[b]	2.17%	2.42%	2.48%	2.64%	2.42%	1.84%	1.73%	2.29%	2.17%	2.42%
15	**Real Dividend Yield[c]**	**1.15%**	**1.60%**	**1.17%**	**0.49%**	**0.79%**	**0.82%**	**0.97%**	**0.95%**	**1.87%**	**1.24%**
	Utility										
16	**Nominal "A" Rated Yield[4]**	**4.74%**	**5.54%**	**5.55%**	**4.74%**	**3.10%**	**3.69%**	**4.01%**	**4.29%**	**5.51%**	**6.22%**
17	**Real "A" Rated Yield**	**2.52%**	**3.05%**	**2.99%**	**2.05%**	**0.67%**	**1.82%**	**2.24%**	**1.96%**	**3.27%**	**3.72%**
	Spreads (Utility Bond - Stock)										
18	**Nominal[d]**	**1.39%**	**1.48%**	**1.87%**	**1.60%**	**-0.12%**	**1.02%**	**1.30%**	**1.03%**	**1.43%**	**2.54%**
19	**Real[e]**	**1.36%**	**1.44%**	**1.82%**	**1.56%**	**-0.12%**	**1.00%**	**1.28%**	**1.01%**	**1.40%**	**2.48%**
	Spreads (Treasury Bond - Stock)										
20	**Nominal[f]**	**-0.03%**	**0.50%**	**0.57%**	**0.16%**	**-1.25%**	**-0.42%**	**-0.24%**	**-0.35%**	**-0.16%**	**1.07%**
21	**Real[g]**	**-0.03%**	**0.49%**	**0.56%**	**0.15%**	**-1.22%**	**-0.41%**	**-0.24%**	**-0.34%**	**-0.16%**	**1.04%**



Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021. Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.
[3] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org.
[4] Mergent Bond Record, through October 31, 2024.

Notes:
[a] Based on the average of the high and low price for the year and the projected Dividends Declared per share published in the Value Line Investment Survey.
[b] Line 16 = (1 + Line 14) / (1 + Line 15) - 1.
[c] Line 17 = (1 + Line 12) / (1 +Line 16) - 1.
[d] The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield; (Line 18 - Line 12).
[e] The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield; Line 19 - Line 17)
[f] The spread being measured here is the nominal 20-Year Treasury yield over the average nominal utility dividend yield; (Line 14 - Line 12).
[g] The spread being measured here is the real 20-Year TIPS yield over the average real utility dividend yield; Line 15 - Line 17)

Northern Indiana Public Service Company LLC

Natural Gas Utilities
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		Dividend per Share[1]											
		19-Year					3-Year Averages					2018	2017
Line	Company	Average	2024 [2]	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008	CAGR	CAGR
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Atmos Energy	1.84	3.22	2.96	2.72	2.50	2.11	1.68	1.42	1.34	1.28	2.08%	2.15%
2	Chesapeake Utilities	1.30	2.46	2.25	2.03	1.84	1.54	1.19	1.01	0.87	0.79	2.89%	3.02%
3	New Jersey Resources	0.98	1.68	1.56	1.45	1.36	1.19	0.98	0.81	0.67	0.51	3.97%	4.59%
4	NiSource Inc.	0.89	1.06	1.00	0.94	0.88	0.81	0.72	0.98	0.92	0.92	-0.82%	-1.69%
5	Northwest Nat. Gas	1.78	1.95	1.94	1.93	1.92	1.90	1.87	1.82	1.68	1.45	1.36%	1.68%
6	ONE Gas Inc.	1.92	2.64	2.60	2.48	2.32	2.00	1.43	0.84	N/A	N/A	3.58%	4.30%
7	Southwest Gas	1.65	2.48	2.48	2.48	2.38	2.18	1.80	1.32	1.00	0.86	4.48%	5.35%
8	Spire Inc.	2.02	3.02	2.88	2.74	2.60	2.37	1.97	1.71	1.57	1.45	2.20%	2.34%
9	UGI Corp.	0.92	1.52	1.47	1.41	1.35	1.16	0.93	0.75	0.60	0.48	3.80%	4.41%
10	**Average**	**1.44**	**2.23**	**2.13**	**2.02**	**1.91**	**1.70**	**1.40**	**1.18**	**1.08**	**0.97**	**2.62%**	**2.91%**
11	**Industry Average Growth**	**4.94%**	**4.65%**	**5.28%**	**6.01%**	**5.54%**	**6.64%**	**6.41%**	**3.16%**	**4.06%**	**3.28%**		

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.

Northern Indiana Public Service Company LLC

Natural Gas Utilities
(Valuation Metrics)

		Earnings per Share[1]									
		19-Year					3-Year Averages				
Line	Company	Average	2024 [2]	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Atmos Energy	3.51	6.75	6.10	5.60	5.12	4.36	3.36	2.52	2.13	1.98
2	Chesapeake Utilities	2.87	4.85	4.73	4.97	4.70	3.79	2.74	2.24	1.72	1.28
3	New Jersey Resources	1.77	2.90	2.70	2.50	2.16	2.25	1.71	1.60	1.24	1.02
4	NiSource Inc.	1.23	1.75	1.60	1.47	1.35	1.31	0.67	1.54	0.98	1.21
5	Northwest Nat. Gas	2.17	2.30	2.59	2.54	2.50	2.27	0.71	2.21	2.65	2.56
6	ONE Gas Inc.	3.31	3.90	4.14	4.08	3.85	3.48	2.64	2.07	N/A	N/A
7	Southwest Gas	2.88	3.25	2.13	3.10	3.80	3.92	3.24	2.99	2.21	1.77
8	Spire Inc.	3.10	4.30	3.85	3.95	4.96	3.10	3.28	2.39	2.74	2.44
9	UGI Corp.	2.02	2.90	2.84	2.90	2.96	2.56	2.12	1.56	1.51	1.20
10	**Average**	**2.47**	**3.66**	**3.41**	**3.46**	**3.49**	**3.00**	**2.27**	**2.12**	**1.90**	**1.68**
11	**Industry Average Growth**	**5.22%**	**7.24%**	**-1.38%**	**-0.92%**	**18.27%**	**14.40%**	**-2.65%**	**5.77%**	**3.58%**	**3.74%**

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.

Northern Indiana Public Service Company LLC

Natural Gas Utilities
(Valuation Metrics)

		Cash Flow / Capital Spending[1]						
								3 - 5 yr[2]
Line	Company	2020	2021	2022	2023	2024	2025[2]	Projection
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Atmos Energy	0.53x	0.53x	0.54x	0.54x	0.55x	0.58x	0.68x
2	Chesapeake Utilities	0.64x	0.82x	1.23x	0.84x	0.61x	0.60x	0.68x
3	New Jersey Resources	0.65x	0.72x	0.59x	0.68x	1.03x	0.82x	0.84x
4	NiSource Inc.	0.65x	0.69x	0.55x	0.43x	0.54x	0.60x	0.61x
5	Northwest Nat. Gas	0.75x	0.61x	0.60x	0.68x	0.63x	0.69x	0.72x
6	ONE Gas Inc.	0.88x	0.86x	0.74x	0.83x	0.81x	0.77x	1.11x
7	Southwest Gas	0.53x	0.61x	0.31x	0.84x	0.76x	0.81x	0.88x
8	Spire Inc.	0.65x	0.70x	0.80x	0.71x	0.64x	0.82x	0.76x
9	UGI Corp.	1.54x	1.66x	1.42x	1.33x	1.24x	1.55x	1.33x
10	Average	0.76x	0.80x	0.75x	0.75x	0.76x	0.80x	0.84x
11	Median	0.65x	0.70x	0.60x	0.69x	0.64x	0.77x	0.76x

Sources:
[1] Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.
Notes:
Based on the projected Cash Flow per share and Capital Spending per share.

Northern Indiana Public Service Company LLC

Natural Gas Utilities
(Valuation Metrics)

Percent Dividends to Book Value [1]

Line	Company	19-Year Average (1)	2024 [2/a] (2)	2023 (3)	2022 (4)	2021 (5)	3-Year Averages 2018-2020 (6)	2015-2017 (7)	2012-2014 (8)	2009-2011 (9)	2006-2008 (10)
1	Atmos Energy	4.93%	3.99%	4.04%	4.07%	4.19%	4.38%	4.97%	5.00%	5.53%	5.94%
2	Chesapeake Utilities	5.04%	4.13%	4.01%	4.32%	4.15%	4.38%	4.45%	5.27%	5.50%	6.77%
3	New Jersey Resources	7.25%	7.53%	7.65%	7.63%	7.92%	6.77%	7.21%	7.64%	7.63%	6.45%
4	NiSource Inc.	5.56%	4.61%	4.40%	7.15%	6.69%	6.20%	5.81%	5.23%	5.22%	5.11%
5	Northwest Nat. Gas	6.38%	5.21%	5.69%	5.83%	5.66%	6.81%	6.70%	6.58%	6.48%	6.37%
6	ONE Gas Inc.	4.54%	5.26%	5.32%	5.31%	5.04%	4.94%	3.92%	2.44%	N/A	N/A
7	Southwest Gas	4.52%	4.66%	5.20%	5.17%	4.80%	4.85%	5.07%	4.35%	3.92%	3.79%
8	Spire Inc.	5.85%	5.73%	5.73%	5.58%	5.56%	5.31%	5.07%	5.52%	6.46%	7.16%
9	UGI Corp.	5.74%	6.70%	7.35%	5.02%	5.34%	5.92%	5.55%	5.19%	5.51%	6.03%
10	Average	5.59%	5.31%	5.49%	5.57%	5.48%	5.51%	5.42%	5.25%	5.78%	5.95%
11	Median	5.32%	5.21%	5.32%	5.31%	5.34%	5.31%	5.07%	5.23%	5.52%	6.20%

Dividends to Earnings Ratio [1]

Line	Company	19-Year Average (1)	2024 [2/a] (2)	2023 (3)	2022 (4)	2021 (5)	3-Year Averages 2018-2020 (6)	2015-2017 (7)	2012-2014 (8)	2009-2011 (9)	2006-2008 (10)
12	Atmos Energy	0.55	0.48	0.49	0.49	0.49	0.49	0.50	0.57	0.63	0.65
13	Chesapeake Utilities	0.48	0.51	0.48	0.41	0.39	0.41	0.43	0.45	0.51	0.62
14	New Jersey Resources	0.55	0.58	0.58	0.58	0.63	0.54	0.58	0.52	0.54	0.53
15	NiSource Inc.	0.80	0.61	0.63	0.64	0.65	0.62	1.25	0.64	0.95	0.77
16	Northwest Nat. Gas	0.66	0.85	0.75	0.76	0.77	0.84	0.29	0.83	0.64	0.57
17	ONE Gas Inc.	0.57	0.68	0.63	0.61	0.60	0.57	0.54	0.41	N/A	N/A
18	Southwest Gas	0.57	0.76	1.16	0.80	0.63	0.56	0.56	0.44	0.46	0.50
19	Spire Inc.	0.69	0.70	0.75	0.69	0.52	0.97	0.60	0.73	0.58	0.59
20	UGI Corp.	0.45	0.52	0.52	0.49	0.46	0.46	0.44	0.49	0.40	0.40
21	Average	0.59	0.63	0.66	0.61	0.57	0.61	0.58	0.57	0.59	0.58
22	Median	0.58	0.61	0.63	0.61	0.60	0.56	0.54	0.52	0.56	0.58

Cash Flow to Capital Spending Ratio [1]

Line	Company	19-Year Average (1)	2024 [2/a] (2)	2023 (3)	2022 (4)	2021 (5)	3-Year Averages 2018-2020 (6)	2015-2017 (7)	2012-2014 (8)	2009-2011 (9)	2006-2008 (10)
23	Atmos Energy	0.64	0.55	0.53	0.54	0.58	0.53	0.60	0.60	0.74	0.86
24	Chesapeake Utilities	0.76	0.60	0.81	1.23	0.81	0.60	0.51	0.72	1.12	0.70
25	New Jersey Resources	1.18	0.90	0.82	0.59	0.62	0.69	0.66	1.58	1.60	1.97
26	NiSource Inc.	0.73	0.56	0.61	0.55	0.68	0.62	0.51	0.59	0.97	1.14
27	Northwest Nat. Gas	0.88	0.56	0.67	0.60	0.68	0.69	0.76	1.05	0.97	1.30
28	ONE Gas Inc.	0.83	0.75	0.77	0.74	0.86	0.85	0.88	0.79	N/A	N/A
29	Southwest Gas	0.82	0.83	0.68	0.31	0.86	0.59	0.78	0.98	1.16	0.78
30	Spire Inc.	1.01	0.62	0.69	0.80	0.75	0.54	0.87	0.90	1.69	1.45
31	UGI Corp.	1.47	1.83	1.18	1.42	1.32	1.48	1.37	1.46	1.39	1.68
32	Average	0.94	0.80	0.75	0.75	0.80	0.73	0.77	0.96	1.20	1.23
33	Median	0.84	0.62	0.69	0.60	0.75	0.62	0.76	0.90	1.14	1.22

Sources:
[1] Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021. Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.
[2] The Value Line Investment Survey, August 23, 2024.
Notes:
[a] Based on the projected Dividends Declared per share and Book Value per share, published in The Value Line Investment Survey.
[b] Based on the projected Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey.
[c] Based on the projected Cash Flow per share and Capital Spending per share, published in The Value Line Investment Survey.

Northern Indiana Public Service Company LLC

Adjustment Clauses

			Type of adjustment clause											
					Decoupling			New capital						
Company	Ultimate parent ticker	Type of service	Electric fuel/gas commodity/ purch. power	Conserv. program expense	Full	Partial		Traditional generation	Renewables/ Nontraditional generation	Delivery infrastructure		Environmental compliance		Transmission costs
Industry Frequency			81%	70%		56%		13	23%	50%		28%		51%
INDIANA														
Duke Energy Indiana LLC	DUK	Elec.	✓	✓	--	✓	*	--	✓	✓	*	✓	*	✓
Indiana Gas Co.	CNP	Gas	✓	✓	✓	--		--	--	✓	*	--	--	--
Indiana Michigan Power Co.	AEP	Elec.	✓	✓	--	✓	*	--	✓	✓	*	✓	*	✓
Indianapolis Power & Light Co.	AES	Elec.	✓	✓	--	✓	*	--	✓	--	*	✓	*	✓
Northern Indiana Public Service Co.	NI	Elec.	✓	✓	--	✓	*	--	✓	✓	*	✓	*	✓
Northern Indiana Public Service Co.	NI	Gas	✓	✓	--	--		--	--	✓	*	--	--	--
Southern Indiana Gas & Electric Co.	CNP	Elec.	✓	✓	--	✓	*	--	--	✓	*	✓	*	✓
Southern Indiana Gas & Electric Co.	CNP	Gas	✓	✓	✓	--		--	--	✓	*	--	--	--

Decoupling — Electric energy efficiency riders of Indianapolis Power and Light Co., or IP&L; Indiana Michigan Power Co., or IMP; Duke Energy Indiana Co., or DEI; Northern Indiana Public Service Company, or NIPSCO; and Southern Indiana Gas and Electric, or SIGECO provide for the recovery of net lost revenues and shared savings, subject to commission approval.
Delivery infrastructure — State law allows the Indiana URC to authorize utilities to implement a transmission, distribution and storage system improvement charge rider to facilitate recovery of the costs associated with certain electric and gas infrastructure expansion projects, including those intended to improve safety or reliability, modernize the utility's system or improve an area's economic development prospects. The URC has approved such a rider for DEI, Indiana Gas Co., or IG, SIGECO's and NIPSCO's electric and gas operations and IP&L. IMP and NIPSCO use a rider to recover costs associated with certain government-mandated investments. SIGECO uses a rider to recover the costs associated with clean energy investments.
Environmental compliance — State law allows the URC to authorize electric utilities to recover, through a rate adjustment mechanism, 80% of the costs associated with certain federally-mandated emissions-control and transmission/distribution reliability projects. The remaining 20% of such costs are to be deferred for future recovery. Environmental cost recovery riders are in place for DEI, NIPSCO, IP&L, IMP and SIGECO. Through these riders, the utilities are permitted to recover the related operations and maintenance costs and depreciation expense after the environmental facilities become operational, as well

Sources:
S&P Market Intelligence, RRA Regulatory Focus: Adjustment Clauses, July 18, 2022.

Northern Indiana Public Service Company LLC

S&P MI Commission Ranking

Line	Jurisdiction	Commission Name	Ranking
1	Alabama	Alabama Public Service Commission	Above Average/1
2	Florida	Florida Public Service Commission	Above Average/2
3	Georgia	Georgia Public Service Commission	Above Average/2
4	Pennsylvania	Pennsylvania Public Utility Commission	Above Average/2
5	Iowa	Iowa Utilities Board	Above Average/3
6	North Carolina	North Carolina Utilities Commission	Above Average/3
7	Tennessee	Tennessee Public Utility Commission	Above Average/3
8	Wisconsin	Public Service Commission of Wisconsin	Above Average/3
9	Arkansas	Arkansas Public Service Commission	Average/1
10	California	California Public Utilities Commission	Average/1
11	Colorado	Colorado Public Utilities Commission	Average/1
12	Indiana	Indiana Utility Regulatory Commission	Average/1
13	Michigan	Michigan Public Service Commission	Average/1
14	Mississippi	Mississippi Public Service Commission	Average/1
15	Nebraska	Nebraska Public Service Commission	Average/1
16	Nevada	Public Utilities Commission of Nevada	Average/1
17	North Dakota	North Dakota Public Service Commission	Average/1
18	Texas — RRC	Railroad Commission of Texas	Average/1
19	Virginia	Virginia State Corporation Commission	Average/1
20	Delaware	Delaware Public Service Commission	Average/2
21	Hawaii	Hawaii Public Utilities Commission	Average/2
22	Idaho	Idaho Public Utilities Commission	Average/2
23	Kentucky	Kentucky Public Service Commission	Average/2
24	Louisiana — PSC	Louisiana Public Service Commission	Average/2
25	Massachusetts	Massachusetts Department of Public Utilities	Average/2
26	Minnesota	Minnesota Public Utilities Commission	Average/2
27	New Hampshire	New Hampshire Public Utilities Commission	Average/2
28	New York	New York Public Service Commission	Average/2
29	Ohio	Public Utilities Commission of Ohio	Average/2
30	Oregon	Oregon Public Utility Commission	Average/2
31	Rhode Island	Rhode Island Public Utilities Commission	Average/2
32	South Dakota	South Dakota Public Utilities Commission	Average/2
33	Utah	Public Service Commission of Utah	Average/2
34	Wyoming	Wyoming Public Service Commission	Average/2
35	Illinois	Illinois Commerce Commission	Average/3
36	Kansas	Kansas Corporation Commission	Average/3
37	Louisiana — NOCC	New Orleans City Council	Average/3
38	Maine	Maine Public Utilities Commission	Average/3
39	Missouri	Missouri Public Service Commission	Average/3
40	Montana	Montana Public Service Commission	Average/3
41	Oklahoma	Oklahoma Corporation Commission	Average/3
42	South Carolina	Public Service Commission of South Carolina	Average/3
43	Texas — PUC	Public Utility Commission of Texas	Average/3
44	Vermont	Vermont Public Utility Commission	Average/3
45	Washington	Washington Utilities and Transportation Commission	Average/3
46	Alaska	Regulatory Commission of Alaska	Below Average/1
47	New Jersey	New Jersey Board of Public Utilities	Below Average/1
48	New Mexico	New Mexico Public Regulation Commission	Below Average/1
49	West Virginia	Public Service Commission of West Virginia	Below Average/1
50	Arizona	Arizona Corporation Commission	Below Average/2
51	Connecticut	Connecticut Public Utilities Regulatory Authority	Below Average/2
52	District of Columbia	District of Columbia Public Service Commission	Below Average/2
53	Maryland	Maryland Public Service Commission	Below Average/3

RRA maintains three principal rating categories, Above Average, Average, and Below Average, with Above Average indicating a relatively more constructive, lower-risk regulatory environment from an investor viewpoint, and Below Average indicating a less constructive, higher-risk regulatory climate from an investor viewpoint, Within the three principal rating categories, the numbers 1, 2, and 3 indicate relative position. The designation 1 indicates a stronger (more constructive) rating; 2, a mid-range rating; and, 3, a weaker (less constructive) rating. We endeavor to maintain an approximately equal number of ratings above the average and below the average.

Source:
S&P Market Intelligence, Data Compiled October 18, 2024.

Northern Indiana Public Service Company LLC

Capital Structure Impact

Line	Description	Amount (1)	Weight (2)	Cost (3)	WACC (4)	Pre-Tax WACC (5)
1. Proposed Rate of Return[1]						
1	Long-Term Debt	$ 5,468,979,284	37.56%	5.20%	1.95%	1.95%
2	Common Equity	$ 7,718,129,223	53.01%	**9.40%**	4.98%	6.67%
3	Customer Deposits	$ 59,885,295	0.41%	5.76%	0.02%	0.02%
4	Deferred Income Tax	$ 1,691,723,532	11.62%	0.00%	0.00%	0.00%
5	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%	0.00%
6	Post-1970 ITC	$ 174,612	0.00%	7.66%	0.00%	0.00%
7	Prepaid Pension	$ (372,308,313)	-2.56%	0.00%	0.00%	0.00%
8	Total	$14,559,091,748	100.00%		6.96%	8.65%
9	Tax Conversion Factor[2]					1.33917

Line	Description	Amount (1)	Weight (2)	Cost (3)	WACC (4)	Pre-Tax WACC (5)
2. Capital Structure Adjustment						
10	Long-Term Debt	$ 6,593,554,254	45.29%	5.20%	2.35%	2.35%
11	Common Equity	$ 6,593,554,254	45.29%	**9.40%**	4.26%	5.70%
12	Customer Deposits	$ 59,885,295	0.41%	5.76%	0.02%	0.02%
13	Deferred Income Tax	$ 1,691,723,532	11.62%	0.00%	0.00%	0.00%
14	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%	0.00%
15	Post-1970 ITC	$ 174,612	0.00%	7.30%	0.00%	0.00%
16	Prepaid Pension	$ (372,308,313)	-2.56%	0.00%	0.00%	0.00%
17	Total	$14,559,091,748	100.00%		6.64%	8.08%
18	Rate Base[2]					$ 9,229,813,441
19	Rate of Return Impacts					0.57%
20	**Revenue Requirement Impact**					**$ 52,673,239**

Sources:
[1]Attachment 3-A-S2, Page 3.
[2]Attachment 3-A-S2, Page 5.

Northern Indiana Public Service Company LLC

Return on Equity Impact

Line	Description	Amount (1)	Weight (2)	Cost (3)	WACC (4)	Pre-Tax WACC (5)
1. Proposed Rate of Return[1]						
1	Long-Term Debt	$ 5,468,979,284	37.56%	5.20%	1.95%	1.95%
2	Common Equity	$ 7,718,129,223	53.01%	**9.40%**	4.98%	6.67%
3	Customer Deposits	$ 59,885,295	0.41%	5.76%	0.02%	0.02%
4	Deferred Income Tax	$ 1,691,723,532	11.62%	0.00%	0.00%	0.00%
5	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%	0.00%
6	Post-1970 ITC	$ 174,612	0.00%	7.66%	0.00%	0.00%
7	Prepaid Pension	$ (372,308,313)	-2.56%	0.00%	0.00%	0.00%
8	Total	$ 14,559,091,748	100.00%		6.96%	8.65%
9	Tax Conversion Factor[2]					1.33917

Line	Description	Amount (1)	Weight (2)	Cost (3)	WACC (4)	Pre-Tax WACC (5)
2. Capital Structure Adjustment						
10	Long-Term Debt	$ 5,468,979,284	37.56%	5.20%	1.95%	1.95%
11	Common Equity	$ 7,718,129,223	53.01%	**9.15%**	4.85%	6.50%
12	Customer Deposits	$ 59,885,295	0.41%	5.76%	0.02%	0.02%
13	Deferred Income Tax	$ 1,691,723,532	11.62%	0.00%	0.00%	0.00%
14	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%	0.00%
15	Post-1970 ITC	$ 174,612	0.00%	7.51%	0.00%	0.00%
16	Prepaid Pension	$ (372,308,313)	-2.56%	0.00%	0.00%	0.00%
17	Total	$ 14,559,091,748	100.00%		6.83%	8.47%
18	Rate Base[2]					$ 9,229,813,441
19	Rate of Return Impacts					0.18%
20	**Revenue Requirement Impact**					**$ 16,381,414**

Sources:
[1]Attachment 3-A-S2, Page 3.
[2]Attachment 3-A-S2, Page 5.

Northern Indiana Public Service Company LLC

Proxy Group

		Credit Ratings[1]		Common Equity Ratios	
Line	**Company**	**S&P**	**Moody's**	**MI[1]**	**Value Line[2]**
		(1)	**(2)**	**(3)**	**(4)**
	Electric				
1	Alliant Energy Corporation	A-	Baa2	41.1%	45.2%
2	Ameren Corporation	BBB+	Baa1	40.6%	43.8%
3	American Electric Power Company, Inc.	BBB+	Baa2	36.5%	42.0%
4	CMS Energy Corporation	BBB+	Baa2	30.8%	33.1%
5	Entergy Corporation	BBB+	Baa2	35.2%	38.6%
6	Evergy, Inc.	BBB+	Baa2	42.1%	48.0%
7	MGE Energy, Inc.	AA-	A1	59.1%	60.7%
8	OGE Energy Corp.	BBB+	Baa1	48.1%	49.6%
9	WEC Energy Group, Inc.	A-	Baa1	37.9%	44.5%
10	**Average**	**A-**	**Baa1**	**41.3%**	**45.1%**
	Gas				
11	Atmos Energy Corporation	A-	A1	60.4%	62.1%
12	New Jersey Resources Corporation	N/A	A1	37.7%	41.8%
13	NiSource Inc.	BBB+	Baa2	26.8%	45.5%
15	Northwest Natural Holding Company	A	A3	42.4%	47.4%
15	ONE Gas, Inc.	A-	A3	47.4%	56.2%
16	Spire Inc.	BBB+	Baa2	34.8%	41.3%
17	**Average**	**A-**	**A3**	**41.6%**	**49.1%**
18	**NIPSCO**	**BBB+[3]**	**Baa1[3]**		**58.5%[4]**

Sources:
[1] S&P Global Market Intelligence, Downloaded on November 1, 2024.
[2] *The Value Line Investment Survey* , August 23 and October 4, 2024.
[3] Petitioner’s Exhibit No. 13, page 31.
[4] Attachment 3-A-S2, Page 5.

Northern Indiana Public Service Company LLC

Consensus Analysts' Growth Rates

Line	Company	Zacks Estimated Growth %[1] (1)	Zacks Number of Estimates (2)	MI Estimated Growth %[2] (3)	MI Number of Estimates (4)	Yahoo! Finance Estimated Growth %[3] (5)	Yahoo! Finance Number of Estimates (6)	Average of Growth Rates (7)
	Electric							
1	Alliant Energy Corporation	6.84%	N/A	6.61%	6	7.70%	N/A	7.05%
2	Ameren Corporation	6.58%	N/A	6.33%	6	6.20%	N/A	6.37%
3	American Electric Power Company, Inc.	6.24%	N/A	6.36%	7	6.62%	N/A	6.41%
4	CMS Energy Corporation	7.56%	N/A	7.33%	9	7.60%	N/A	7.50%
5	Entergy Corporation	7.33%	N/A	7.56%	4	7.08%	N/A	7.32%
6	Evergy, Inc.	5.85%	N/A	5.62%	4	6.20%	N/A	5.89%
7	MGE Energy, Inc.	N/A	N/A	N/A	N/A	5.40%	N/A	5.40%
8	OGE Energy Corp.	5.24%	N/A	5.96%	3	-12.34%	N/A	5.60%
9	WEC Energy Group, Inc.	7.98%	N/A	7.14%	8	5.86%	N/A	6.99%
10	**Average**	**6.70%**	**N/A**	**6.61%**	**6**	**6.58%**	**N/A**	**6.50%**
	Gas							
11	Atmos Energy Corporation	7.00%	N/A	7.00%	1	7.40%	N/A	7.13%
12	New Jersey Resources Corporation	N/A	N/A	6.93%	3	6.00%	N/A	6.47%
13	NiSource Inc.	6.95%	N/A	7.78%	4	7.95%	N/A	7.56%
14	Northwest Natural Holding Company	N/A	N/A	4.40%	5	2.80%	N/A	3.60%
15	ONE Gas, Inc.	5.00%	N/A	2.00%	1	5.00%	N/A	4.00%
16	Spire Inc.	5.00%	N/A	5.79%	3	6.36%	N/A	5.72%
17	**Average**	**5.99%**	**N/A**	**5.65%**	**3**	**5.92%**	**N/A**	**5.75%**

Sources:
[1] Zacks, http://www.zacks.com/, downloaded on November 1, 2024.
[2] S&P Global Market Intelligence, https://platform.mi.spglobal.com, downloaded on November 1, 2024.
[3] Yahoo! Finance, https://finance.yahoo.com/, downloaded on November 1, 2024.

Northern Indiana Public Service Company LLC

Constant Growth DCF Model
(Consensus Analysts' Growth Rates)

Line	Company	13-Week AVG Stock Price[1] (1)	Analysts' Growth[2] (2)	Annualized Dividend[3] (3)	Nominal Yield (4)	Adjusted Yield (5)	Constant Growth DCF (6)
	Electric						
1	Alliant Energy Corporation	$59.16	7.05%	$1.92	3.25%	3.47%	10.53%
2	Ameren Corporation	$84.78	6.37%	$2.68	3.16%	3.36%	9.73%
3	American Electric Power Company, Inc.	$100.16	6.41%	$3.52	3.51%	3.74%	10.14%
4	CMS Energy Corporation	$68.92	7.50%	$2.06	2.99%	3.21%	10.71%
5	Entergy Corporation	$127.29	7.32%	$4.52	3.55%	3.81%	11.13%
6	Evergy, Inc.	$60.15	5.89%	$2.57	4.27%	4.52%	10.42%
7	MGE Energy, Inc.	$89.01	5.40%	$1.80	2.02%	2.13%	7.53%
8	OGE Energy Corp.	$40.09	5.60%	$1.67	4.17%	4.41%	10.01%
9	WEC Energy Group, Inc.	$94.23	6.99%	$3.34	3.54%	3.79%	10.78%
10	**Average**	**$80.42**	**6.50%**	**$2.68**	**3.39%**	**3.61%**	**10.11%**
11	**Median**	**$84.78**	**6.41%**	**$2.57**	**3.51%**	**3.74%**	**10.42%**
	Gas						
12	Atmos Energy Corporation	$135.19	7.13%	$3.22	2.38%	2.55%	9.69%
13	New Jersey Resources Corporation	$46.14	6.47%	$1.68	3.64%	3.88%	10.34%
14	NiSource Inc.	$33.55	7.56%	$1.06	3.16%	3.40%	10.96%
15	Northwest Natural Holding Company	$39.67	3.60%	$1.95	4.92%	5.10%	8.70%
16	ONE Gas, Inc.	$70.99	4.00%	$2.64	3.72%	3.87%	7.87%
17	Spire Inc.	$65.33	5.72%	$3.02	4.62%	4.89%	10.60%
18	**Average**	**$65.15**	**5.75%**	**$2.26**	**3.74%**	**3.95%**	**9.69%**
19	**Median**	**$55.73**	**6.09%**	**$2.30**	**3.68%**	**3.87%**	**10.01%**

Sources:
[1] S&P Global Intelligence, Downloaded on November 1, 2024.
[2] Attachment MPG-13.
[3] *The Value Line Investment Survey* , August 23 and October 4, 2024.

Northern Indiana Public Service Company LLC

Payout Ratios

Line	Company	Dividends Per Share		Earnings Per Share		Payout Ratio	
		2022	Projected	2022	Projected	2022	Projected
		(1)	(2)	(3)	(4)	(5)	(6)
	Electric						
1	Alliant Energy Corporation	$1.81	$2.43	$2.78	$3.90	65.1%	62.3%
2	Ameren Corporation	$2.52	$3.30	$4.37	$5.90	57.7%	55.9%
3	American Electric Power Company, Inc.	$3.37	$4.16	$5.24	$7.10	64.3%	58.6%
4	CMS Energy Corporation	$1.95	$2.50	$3.01	$4.00	64.8%	62.5%
5	Entergy Corporation	$4.34	$5.00	$11.10	$8.05	39.1%	62.1%
6	Evergy, Inc.	$2.48	$3.05	$3.17	$4.70	78.2%	64.9%
7	MGE Energy, Inc.	$1.67	$2.35	$3.25	$4.65	51.4%	50.5%
8	OGE Energy Corp.	$1.66	$1.85	$2.07	$2.70	80.2%	68.5%
9	WEC Energy Group, Inc.	$3.12	$3.83	$4.63	$6.40	67.4%	59.8%
10	**Average**	**$2.55**	**$3.16**	**$4.40**	**$5.27**	**63.1%**	**60.6%**
	Gas						
11	Atmos Energy Corporation	$2.96	$4.25	$6.10	$8.35	48.5%	50.9%
12	New Jersey Resources Corporation	$1.56	$1.95	$2.70	$3.50	57.8%	55.7%
13	NiSource Inc.	$1.00	$1.20	$1.60	$2.20	62.5%	54.5%
14	Northwest Natural Holding Company	$1.94	$1.98	$2.59	$3.15	74.9%	62.9%
15	ONE Gas, Inc.	$2.60	$2.85	$4.14	$5.00	62.8%	57.0%
16	Spire Inc.	$2.88	$3.60	$3.85	$5.50	74.8%	65.5%
17	**Average**	**$2.16**	**$2.64**	**$3.50**	**$4.62**	**63.6%**	**57.7%**

Source:
The Value Line Investment Survey , August 23 and October 4, 2024.

Northern Indiana Public Service Company LLC

Sustainable Growth Rate

		3 to 5 Year Projections										Sustainable
Line	Company	Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	Book Value Growth (4)	ROE (5)	Adjustment Factor (6)	Adjusted ROE (7)	Payout Ratio (8)	Retention Rate (9)	Internal Growth Rate (10)	Growth Rate (11)
	Electric											
1	Alliant Energy Corporation	$2.43	$3.90	$31.90	3.17%	12.23%	1.02	12.42%	62.31%	37.69%	4.68%	4.75%
2	Ameren Corporation	$3.30	$5.90	$52.65	4.57%	11.21%	1.02	11.46%	55.93%	44.07%	5.05%	6.26%
3	American Electric Power Company, Inc.	$4.16	$7.10	$62.55	4.35%	11.35%	1.02	11.59%	58.59%	41.41%	4.80%	5.59%
4	CMS Energy Corporation	$2.50	$4.00	$31.75	4.16%	12.60%	1.02	12.86%	62.50%	37.50%	4.82%	5.48%
5	Entergy Corporation	$5.00	$8.05	$84.65	3.54%	9.51%	1.02	9.68%	62.11%	37.89%	3.67%	4.77%
6	Evergy, Inc.	$3.05	$4.70	$47.50	2.05%	9.89%	1.01	10.00%	64.89%	35.11%	3.51%	3.52%
7	MGE Energy, Inc.	$2.35	$4.65	$41.25	4.58%	11.27%	1.02	11.53%	50.54%	49.46%	5.70%	5.72%
8	OGE Energy Corp.	$1.85	$2.70	$26.25	2.86%	10.29%	1.01	10.43%	68.52%	31.48%	3.28%	3.28%
9	WEC Energy Group, Inc.	$3.83	$6.40	$42.00	2.02%	15.24%	1.01	15.39%	59.84%	40.16%	6.18%	6.18%
10	**Average**	**$3.16**	**$5.27**	**$46.72**	**3.48%**	**11.51%**	**1.02**	**11.70%**	**60.58%**	**39.42%**	**4.63%**	**5.06%**
	Gas											
11	Atmos Energy Corporation	$4.25	$8.35	$89.15	3.34%	9.37%	1.02	9.52%	50.90%	49.10%	4.67%	7.03%
12	New Jersey Resources Corporation	$1.95	$3.50	$28.35	5.64%	12.35%	1.03	12.68%	55.71%	44.29%	5.62%	6.14%
13	NiSource Inc.	$1.20	$2.20	$27.50	3.24%	8.00%	1.02	8.13%	54.55%	45.45%	3.69%	3.76%
14	Northwest Natural Holding Company	$1.98	$3.15	$39.00	2.25%	8.08%	1.01	8.17%	62.86%	37.14%	3.03%	3.53%
15	ONE Gas, Inc.	$2.85	$5.00	$60.20	3.52%	8.31%	1.02	8.45%	57.00%	43.00%	3.63%	3.69%
16	Spire Inc.	$3.60	$5.50	$66.05	4.65%	8.33%	1.02	8.52%	65.45%	34.55%	2.94%	3.71%
17	**Average**	**$2.64**	**$4.62**	**$51.71**	**3.77%**	**9.07%**	**1.02**	**9.24%**	**57.74%**	**42.26%**	**3.93%**	**4.64%**

Sources and Notes:
Cols. (1), (2) and (3): *The Value Line Investment Survey*, August 23 and October 4, 2024.
Col. (4): [Col. (3) / Page 2 Col. (2)] ^ (1/number of years projected) - 1.
Col. (5): Col. (2) / Col. (3).
Col. (6): [2 * (1 + Col. (4))] / (2 + Col. (4)).
Col. (7): Col. (6) * Col. (5).
Col. (8): Col. (1) / Col. (2).
Col. (9): 1 - Col. (8).
Col. (10): Col. (9) * Col. (7).
Col. (11): Col. (10) + Page 2 Col. (9).

Northern Indiana Public Service Company LLC

Sustainable Growth Rate

Line	Company	13-Week Average Stock Price[1] (1)	2022 Book Value Per Share[2] (2)	Market to Book Ratio (3)	Common Shares Outstanding (in Millions)[2] 2022 (4)	Common Shares Outstanding (in Millions)[2] 3-5 Years (5)	Growth (6)	S Factor[3] (7)	V Factor[4] (8)	S * V (9)
1	Alliant Energy Corporation	$59.16	$26.46	2.24	256.10	257.00	0.06%	0.13%	55.27%	0.07%
2	Ameren Corporation	$84.78	$40.26	2.11	267.00	285.00	1.09%	2.30%	52.51%	1.21%
3	American Electric Power Company, Inc.	$100.16	$48.46	2.07	526.18	550.00	0.74%	1.53%	51.62%	0.79%
4	CMS Energy Corporation	$68.92	$24.86	2.77	294.40	301.00	0.37%	1.03%	63.93%	0.66%
5	Entergy Corporation	$127.29	$68.70	1.85	212.85	230.00	1.30%	2.41%	46.03%	1.11%
6	Evergy, Inc.	$60.15	$42.06	1.43	229.73	230.00	0.02%	0.03%	30.07%	0.01%
7	MGE Energy, Inc.	$89.01	$31.53	2.82	36.16	36.18	0.01%	0.03%	64.58%	0.02%
8	OGE Energy Corp.	$40.09	$22.17	1.81	200.30	200.20	-0.01%	-0.02%	44.70%	-0.01%
9	WEC Energy Group, Inc.	$94.23	$37.25	2.53	315.43	315.43	0.00%	0.00%	60.47%	0.00%
10	**Average**	**$80.42**	**$37.97**	**2.18**	**259.79**	**267.20**	**0.40%**	**0.83%**	**52.13%**	**0.43%**
11	Atmos Energy Corporation	$135.19	$73.20	1.85	148.49	175.00	2.78%	5.13%	45.85%	2.35%
12	New Jersey Resources Corporation	$46.14	$20.40	2.26	97.57	100.00	0.41%	0.93%	55.78%	0.52%
13	NiSource Inc.	$33.55	$22.71	1.48	446.38	450.00	0.13%	0.20%	32.32%	0.06%
14	Northwest Natural Holding Company	$39.67	$34.12	1.16	37.63	45.00	3.03%	3.52%	13.99%	0.49%
15	ONE Gas, Inc.	$70.99	$48.91	1.45	56.55	57.00	0.13%	0.19%	31.11%	0.06%
16	Spire Inc.	$65.33	$50.29	1.30	53.20	62.00	2.58%	3.36%	23.02%	0.77%
17	**Average**	**$65.15**	**$41.61**	**1.58**	**139.97**	**148.17**	**1.51%**	**2.22%**	**33.68%**	**0.71%**

Sources and Notes:
[1] S&P Global Intelligence, Downloaded on November 1, 2024.
[2] *The Value Line Investment Survey* , August 23 and October 4, 2024.
[3] Expected Growth in the Number of Shares, Column (3) * Column (6).
[4] Expected Profit of Stock Investment, [1 - 1 / Column (3)].

Northern Indiana Public Service Company LLC

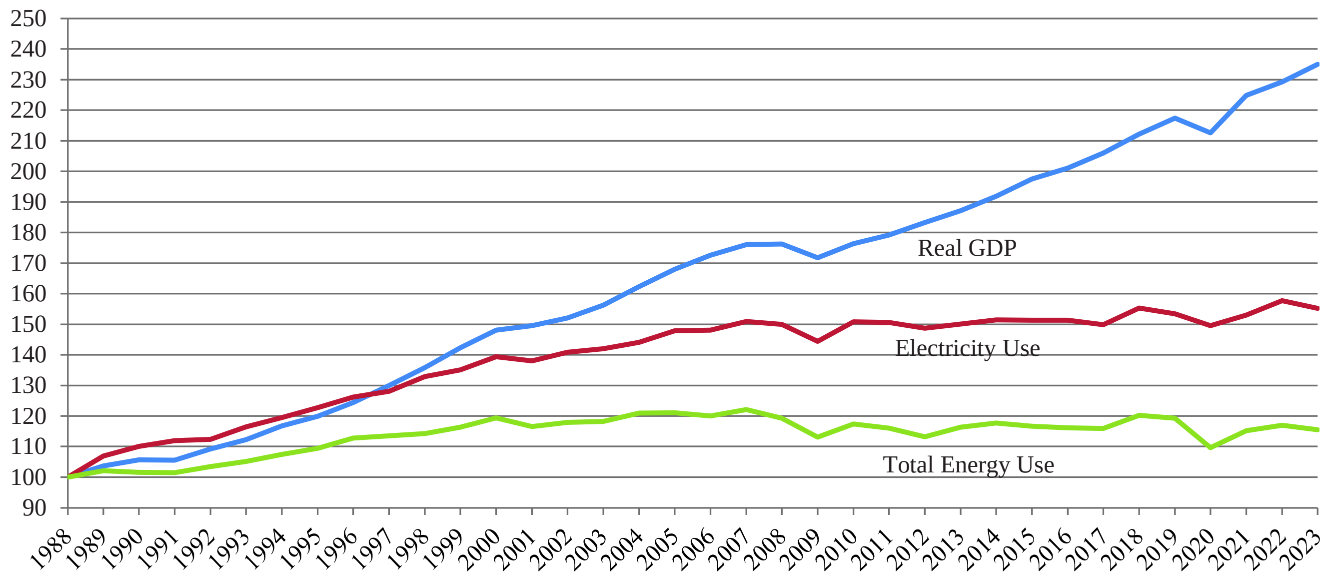
Constant Growth DCF Model
(Sustainable Growth Rate)

Line	Company	13-Week AVG Stock Price[1] (1)	Sustainable Growth[2] (2)	Annualized Dividend[3] (3)	Adjusted Yield (4)	Constant Growth DCF (5)
	Electric					
1	Alliant Energy Corporation	$59.16	4.75%	$1.92	3.40%	8.15%
2	Ameren Corporation	$84.78	6.26%	$2.68	3.36%	9.62%
3	American Electric Power Company, Inc.	$100.16	5.59%	$3.52	3.71%	9.30%
4	CMS Energy Corporation	$68.92	5.48%	$2.06	3.15%	8.63%
5	Entergy Corporation	$127.29	4.77%	$4.52	3.72%	8.49%
6	Evergy, Inc.	$60.15	3.52%	$2.57	4.42%	7.94%
7	MGE Energy, Inc.	$89.01	5.72%	$1.80	2.14%	7.86%
8	OGE Energy Corp.	$40.09	3.28%	$1.67	4.31%	7.59%
9	WEC Energy Group, Inc.	$94.23	6.18%	$3.34	3.76%	9.94%
10	**Average**	**$80.42**	**5.06%**	**$2.68**	**3.55%**	**8.61%**
11	**Median**	**$84.78**	**5.48%**	**$2.57**	**3.71%**	**8.49%**
	Gas					
12	Atmos Energy Corporation	$135.19	7.03%	$3.22	2.55%	9.57%
13	New Jersey Resources Corporation	$46.14	6.14%	$1.68	3.86%	10.00%
14	NiSource Inc.	$33.55	3.76%	$1.06	3.28%	7.04%
15	Northwest Natural Holding Company	$39.67	3.53%	$1.95	5.09%	8.62%
16	ONE Gas, Inc.	$70.99	3.69%	$2.64	3.86%	7.55%
17	Spire Inc.	$65.33	3.71%	$3.02	4.79%	8.51%
18	**Average**	**$65.15**	**4.64%**	**$2.26**	**3.91%**	**8.55%**
19	**Median**	**$55.73**	**3.74%**	**$2.30**	**3.86%**	**8.56%**

Sources:
[1] S&P Global Intelligence, Downloaded on November 1, 2024.
[2] Attachment MPG-16.
[3] *The Value Line Investment Survey* , August 23 and October 4, 2024.

Northern Indiana Public Service Company LLC

Electricity Sales Are Linked to U.S. Economic Growth



Note:
1988 represents the base year. Graph depicts increases or decreases from the base year.

Sources:
U.S. Energy Information Administration
Federal Reserve Bank of St. Louis

Northern Indiana Public Service Company LLC

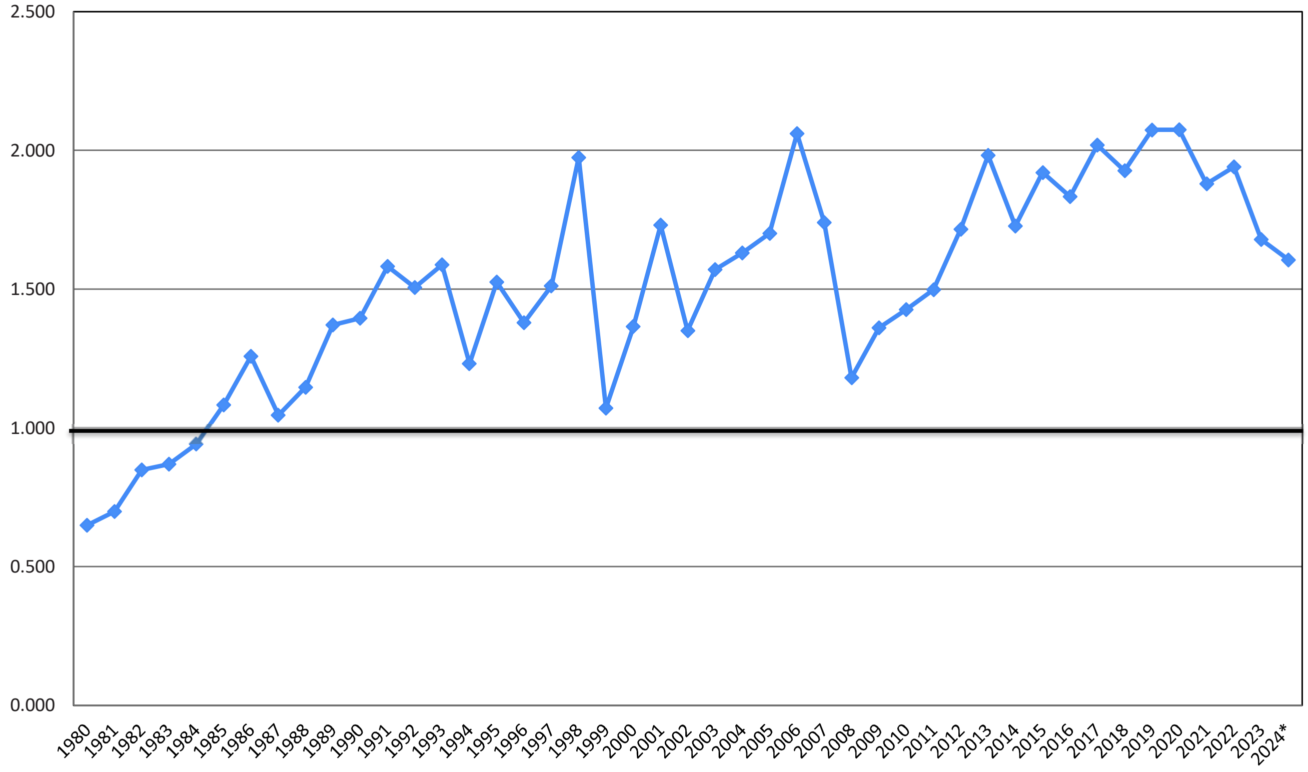
Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price[1]	Annualized Dividend[2]	First Stage Growth[3]	Second Stage Growth Year 6	Second Stage Growth Year 7	Second Stage Growth Year 8	Second Stage Growth Year 9	Second Stage Growth Year 10	Third Stage Growth[4]	Multi-Stage Growth DCF
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Electric										
1	Alliant Energy Corporation	$59.16	$1.92	7.05%	6.56%	6.07%	5.58%	5.08%	4.59%	4.10%	8.17%
2	Ameren Corporation	$84.78	$2.68	6.37%	5.99%	5.61%	5.23%	4.86%	4.48%	4.10%	7.90%
3	American Electric Power Company, Inc.	$100.16	$3.52	6.41%	6.02%	5.64%	5.25%	4.87%	4.48%	4.10%	8.33%
4	CMS Energy Corporation	$68.92	$2.06	7.50%	6.93%	6.36%	5.80%	5.23%	4.67%	4.10%	7.96%
5	Entergy Corporation	$127.29	$4.52	7.32%	6.79%	6.25%	5.71%	5.17%	4.64%	4.10%	8.62%
6	Evergy, Inc.	$60.15	$2.57	5.89%	5.59%	5.29%	5.00%	4.70%	4.40%	4.10%	9.07%
7	MGE Energy, Inc.	$89.01	$1.80	5.40%	5.18%	4.97%	4.75%	4.53%	4.32%	4.10%	6.36%
8	OGE Energy Corp.	$40.09	$1.67	5.60%	5.35%	5.10%	4.85%	4.60%	4.35%	4.10%	8.87%
9	WEC Energy Group, Inc.	$94.23	$3.34	6.99%	6.51%	6.03%	5.55%	5.06%	4.58%	4.10%	8.52%
10	**Average**	**$80.42**	**$2.68**	**6.50%**	**6.10%**	**5.70%**	**5.30%**	**4.90%**	**4.50%**	**4.10%**	**8.20%**
11	**Median**	**$84.78**	**$2.57**	**6.41%**	**6.02%**	**5.64%**	**5.25%**	**4.87%**	**4.48%**	**4.10%**	**8.33%**
	Gas										
12	Atmos Energy Corporation	$135.19	$3.22	7.13%	6.63%	6.12%	5.62%	5.11%	4.61%	4.10%	7.11%
13	New Jersey Resources Corporation	$46.14	$1.68	6.47%	6.07%	5.68%	5.28%	4.89%	4.49%	4.10%	8.49%
14	NiSource Inc.	$33.55	$1.06	7.56%	6.98%	6.41%	5.83%	5.25%	4.68%	4.10%	8.19%
15	Northwest Natural Holding Company	$39.67	$1.95	3.60%	3.68%	3.77%	3.85%	3.93%	4.02%	4.10%	9.07%
16	ONE Gas, Inc.	$70.99	$2.64	4.00%	4.02%	4.03%	4.05%	4.07%	4.08%	4.10%	7.94%
17	Spire Inc.	$65.33	$3.02	5.72%	5.45%	5.18%	4.91%	4.64%	4.37%	4.10%	9.41%
18	**Average**	**$65.15**	**$2.26**	**5.75%**	**5.47%**	**5.20%**	**4.92%**	**4.65%**	**4.37%**	**4.10%**	**8.37%**
19	**Median**	**$55.73**	**$2.30**	**6.09%**	**5.76%**	**5.43%**	**5.10%**	**4.76%**	**4.43%**	**4.10%**	**8.34%**

Sources:
[1] S&P Global Intelligence, Downloaded on November 1, 2024.
[2] *The Value Line Investment Survey* , August 23 and October 4, 2024.
[3] Attachment MPG-13.
[4] *Blue ChipEconomic Indicators* , October 10, 2024 at page 14.

Northern Indiana Public Service Company LLC

Common Stock Market/Book Ratio



Source:
1980 - 2000: Mergent Public Utility Manual.
2001 - 2015: AUS Utility Reports, multiple dates.
2016 - 2023: Value Line Investment Survey, multiple dates.
* Value Line Investment Survey Reports, August 9, August 23, September 6, and October 18, 2024.

Northern Indiana Public Service Company LLC

Equity Risk Premium - Treasury Bond

Line	Year	Authorized Electric Returns[1] (1)	30 yr. Treasury Bond Yield[2] (2)	Indicated Risk Premium (3)	Rolling 5 - Year Average (4)	Rolling 10 - Year Average (5)
1	1986	13.93%	7.80%	6.13%		
2	1987	12.99%	8.58%	4.41%		
3	1988	12.79%	8.96%	3.83%		
4	1989	12.97%	8.45%	4.52%		
5	1990	12.70%	8.61%	4.09%	4.60%	
6	1991	12.55%	8.14%	4.41%	4.25%	
7	1992	12.09%	7.67%	4.42%	4.26%	
8	1993	11.41%	6.60%	4.81%	4.45%	
9	1994	11.34%	7.37%	3.97%	4.34%	
10	1995	11.55%	6.88%	4.67%	4.46%	4.53%
11	1996	11.39%	6.70%	4.69%	4.51%	4.38%
12	1997	11.40%	6.61%	4.79%	4.59%	4.42%
13	1998	11.66%	5.58%	6.08%	4.84%	4.65%
14	1999	10.77%	5.87%	4.90%	5.03%	4.68%
15	2000	11.43%	5.94%	5.49%	5.19%	4.82%
16	2001	11.09%	5.49%	5.60%	5.37%	4.94%
17	2002	11.16%	5.43%	5.73%	5.56%	5.07%
18	2003	10.97%	4.96%	6.01%	5.55%	5.19%
19	2004	10.75%	5.05%	5.70%	5.71%	5.37%
20	2005	10.54%	4.65%	5.89%	5.79%	5.49%
21	2006	10.34%	4.87%	5.47%	5.76%	5.57%
22	2007	10.31%	4.83%	5.48%	5.71%	5.64%
23	2008	10.37%	4.28%	6.09%	5.73%	5.64%
24	2009	10.52%	4.07%	6.45%	5.88%	5.79%
25	2010	10.29%	4.25%	6.04%	5.90%	5.85%
26	2011	10.19%	3.91%	6.28%	6.07%	5.91%
27	2012	10.01%	2.92%	7.09%	6.39%	6.05%
28	2013	9.81%	3.45%	6.36%	6.44%	6.09%
29	2014	9.75%	3.34%	6.41%	6.44%	6.16%
30	2015	9.60%	2.84%	6.76%	6.58%	6.24%
31	2016	9.60%	2.60%	7.00%	6.72%	6.40%
32	2017	9.68%	2.90%	6.79%	6.66%	6.53%
33	2018	9.55%	3.11%	6.44%	6.68%	6.56%
34	2019	9.64%	2.58%	7.06%	6.81%	6.62%
35	2020	9.39%	1.56%	7.83%	7.02%	6.80%
36	2021	9.39%	2.05%	7.34%	7.09%	6.91%
37	2022	9.52%	3.12%	6.41%	7.01%	6.84%
38	2023	9.66%	4.09%	5.57%	6.84%	6.76%
39	2024[3]	9.72%	4.37%	5.35%	6.50%	6.65%
40	**Average**	**10.84%**	**5.14%**	**5.70%**	**5.73%**	**5.75%**
41	**Minimum**				**4.25%**	**4.38%**
42	**Maximum**				**7.09%**	**6.91%**

Sources:
[1] *Regulatory Research Associates, Inc* ., Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.
S&P Global Market Intelligence , RRA Regulatory Focus, Major Electric Rate Case Decisions in the US, January - September 2024, October 30, 2024 at page 3.
2006 - 2024 Authorized Returns exclude limited issue rider cases.
[2] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.
[3] Data represents January - September, 2024.

Northern Indiana Public Service Company LLC

Equity Risk Premium - Treasury Bond

Line	Year	Authorized Gas Returns[1] (1)	30 yr. Treasury Bond Yield[2] (2)	Indicated Risk Premium (3)	Rolling 5 - Year Average (4)	Rolling 10 - Year Average (5)
1	1986	13.46%	7.80%	5.66%		
2	1987	12.74%	8.58%	4.16%		
3	1988	12.85%	8.96%	3.89%		
4	1989	12.88%	8.45%	4.43%		
5	1990	12.67%	8.61%	4.06%	4.44%	
6	1991	12.46%	8.14%	4.32%	4.17%	
7	1992	12.01%	7.67%	4.34%	4.21%	
8	1993	11.35%	6.60%	4.75%	4.38%	
9	1994	11.35%	7.37%	3.98%	4.29%	
10	1995	11.43%	6.88%	4.55%	4.39%	4.42%
11	1996	11.19%	6.70%	4.49%	4.42%	4.30%
12	1997	11.29%	6.61%	4.68%	4.49%	4.35%
13	1998	11.51%	5.58%	5.93%	4.73%	4.55%
14	1999	10.66%	5.87%	4.79%	4.89%	4.59%
15	2000	11.39%	5.94%	5.45%	5.07%	4.73%
16	2001	10.95%	5.49%	5.46%	5.26%	4.84%
17	2002	11.03%	5.43%	5.60%	5.45%	4.97%
18	2003	10.99%	4.96%	6.03%	5.47%	5.10%
19	2004	10.59%	5.05%	5.54%	5.62%	5.25%
20	2005	10.46%	4.65%	5.81%	5.69%	5.38%
21	2006	10.40%	4.87%	5.53%	5.70%	5.48%
22	2007	10.22%	4.83%	5.39%	5.66%	5.55%
23	2008	10.39%	4.28%	6.11%	5.68%	5.57%
24	2009	10.22%	4.07%	6.15%	5.80%	5.71%
25	2010	10.15%	4.25%	5.90%	5.81%	5.75%
26	2011	9.92%	3.91%	6.01%	5.91%	5.81%
27	2012	9.94%	2.92%	7.02%	6.24%	5.95%
28	2013	9.68%	3.45%	6.23%	6.26%	5.97%
29	2014	9.78%	3.34%	6.44%	6.32%	6.06%
30	2015	9.60%	2.84%	6.76%	6.49%	6.15%
31	2016	9.54%	2.60%	6.94%	6.68%	6.29%
32	2017	9.63%	2.90%	6.74%	6.62%	6.43%
33	2018	9.59%	3.11%	6.48%	6.67%	6.47%
34	2019	9.71%	2.58%	7.13%	6.81%	6.56%
35	2020	9.46%	1.56%	7.90%	7.04%	6.76%
36	2021	9.56%	2.05%	7.51%	7.15%	6.91%
37	2022	9.52%	3.12%	6.41%	7.08%	6.85%
38	2023	9.60%	4.09%	5.51%	6.89%	6.78%
39	2024[3]	9.59%	4.37%	5.22%	6.51%	6.66%
40	**Average**	**10.76%**	**5.14%**	**5.62%**	**5.67%**	**5.67%**
41	**Minimum**				**4.17%**	**4.30%**
42	**Maximum**				**7.15%**	**6.91%**

Sources:
[1] *Regulatory Research Associates, Inc* ., Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.
S&P Global Market Intelligence, RRA Regulatory Focus, Major Electric Rate Case Decisions in the US,
January - September 2024, October 30, 2024 at page 3.
[2] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.
[3] Data represents January - September, 2024.

Northern Indiana Public Service Company LLC

Equity Risk Premium - Utility Bond

Line	Year	Authorized Electric Returns[1] (1)	Average "A" Rated Utility Bond Yield[2] (2)	Indicated Risk Premium (3)	Rolling 5 - Year Average (4)	Rolling 10 - Year Average (5)
1	1986	13.93%	9.58%	4.35%		
2	1987	12.99%	10.10%	2.89%		
3	1988	12.79%	10.49%	2.30%		
4	1989	12.97%	9.77%	3.20%		
5	1990	12.70%	9.86%	2.84%	3.12%	
6	1991	12.55%	9.36%	3.19%	2.88%	
7	1992	12.09%	8.69%	3.40%	2.99%	
8	1993	11.41%	7.59%	3.82%	3.29%	
9	1994	11.34%	8.31%	3.03%	3.26%	
10	1995	11.55%	7.89%	3.66%	3.42%	3.27%
11	1996	11.39%	7.75%	3.64%	3.51%	3.20%
12	1997	11.40%	7.60%	3.80%	3.59%	3.29%
13	1998	11.66%	7.04%	4.62%	3.75%	3.52%
14	1999	10.77%	7.62%	3.15%	3.77%	3.52%
15	2000	11.43%	8.24%	3.19%	3.68%	3.55%
16	2001	11.09%	7.76%	3.33%	3.62%	3.56%
17	2002	11.16%	7.37%	3.79%	3.61%	3.60%
18	2003	10.97%	6.58%	4.39%	3.57%	3.66%
19	2004	10.75%	6.16%	4.59%	3.86%	3.82%
20	2005	10.54%	5.65%	4.89%	4.20%	3.94%
21	2006	10.34%	6.07%	4.27%	4.39%	4.00%
22	2007	10.31%	6.07%	4.24%	4.48%	4.04%
23	2008	10.37%	6.53%	3.84%	4.37%	3.97%
24	2009	10.52%	6.04%	4.48%	4.34%	4.10%
25	2010	10.29%	5.46%	4.83%	4.33%	4.26%
26	2011	10.19%	5.04%	5.15%	4.51%	4.45%
27	2012	10.01%	4.13%	5.88%	4.84%	4.66%
28	2013	9.81%	4.48%	5.33%	5.13%	4.75%
29	2014	9.75%	4.28%	5.47%	5.33%	4.84%
30	2015	9.60%	4.12%	5.49%	5.46%	4.90%
31	2016	9.60%	3.93%	5.67%	5.57%	5.04%
32	2017	9.68%	4.00%	5.68%	5.53%	5.18%
33	2018	9.55%	4.25%	5.30%	5.52%	5.33%
34	2019	9.64%	3.77%	5.87%	5.60%	5.47%
35	2020	9.39%	3.02%	6.38%	5.78%	5.62%
36	2021	9.39%	3.11%	6.28%	5.90%	5.73%
37	2022	9.52%	4.72%	4.80%	5.73%	5.63%
38	2023	9.66%	5.54%	4.12%	5.49%	5.51%
39	2024[3]	9.72%	5.55%	4.17%	5.15%	5.38%
37	**Average**	**10.84%**	**6.50%**	**4.34%**	**4.39%**	**4.39%**
40	**Minimum**				**2.88%**	**3.20%**
41	**Maximum**				**5.90%**	**5.73%**

Sources:
[1] *Regulatory Research Associates, Inc* ., Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.
S&P Global Market Intelligence, RRA Regulatory Focus, Major Electric Rate Case Decisions in the US,
January - September 2024, October 30, 2024 at page 3.
2006 - 2024 Authorized Returns exclude limited issue rider cases.
[2] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.
[3] Data represents January - September, 2024.

Northern Indiana Public Service Company LLC

Equity Risk Premium - Utility Bond

Line	Year	Authorized Gas Returns[1] (1)	Average "A" Rated Utility Bond Yield[2] (2)	Indicated Risk Premium (3)	Rolling 5 - Year Average (4)	Rolling 10 - Year Average (5)
1	1986	13.46%	9.58%	3.88%		
2	1987	12.74%	10.10%	2.64%		
3	1988	12.85%	10.49%	2.36%		
4	1989	12.88%	9.77%	3.11%		
5	1990	12.67%	9.86%	2.81%	2.96%	
6	1991	12.46%	9.36%	3.10%	2.80%	
7	1992	12.01%	8.69%	3.32%	2.94%	
8	1993	11.35%	7.59%	3.76%	3.22%	
9	1994	11.35%	8.31%	3.04%	3.21%	
10	1995	11.43%	7.89%	3.54%	3.35%	3.16%
11	1996	11.19%	7.75%	3.44%	3.42%	3.11%
12	1997	11.29%	7.60%	3.69%	3.49%	3.22%
13	1998	11.51%	7.04%	4.47%	3.64%	3.43%
14	1999	10.66%	7.62%	3.04%	3.64%	3.42%
15	2000	11.39%	8.24%	3.15%	3.56%	3.45%
16	2001	10.95%	7.76%	3.19%	3.51%	3.46%
17	2002	11.03%	7.37%	3.66%	3.50%	3.50%
18	2003	10.99%	6.58%	4.41%	3.49%	3.56%
19	2004	10.59%	6.16%	4.43%	3.77%	3.70%
20	2005	10.46%	5.65%	4.81%	4.10%	3.83%
21	2006	10.40%	6.07%	4.33%	4.33%	3.92%
22	2007	10.22%	6.07%	4.15%	4.43%	3.96%
23	2008	10.39%	6.53%	3.86%	4.32%	3.90%
24	2009	10.22%	6.04%	4.18%	4.27%	4.02%
25	2010	10.15%	5.46%	4.69%	4.24%	4.17%
26	2011	9.92%	5.04%	4.88%	4.35%	4.34%
27	2012	9.94%	4.13%	5.81%	4.68%	4.55%
28	2013	9.68%	4.48%	5.20%	4.95%	4.63%
29	2014	9.78%	4.28%	5.50%	5.22%	4.74%
30	2015	9.60%	4.12%	5.49%	5.38%	4.81%
31	2016	9.54%	3.93%	5.61%	5.52%	4.94%
32	2017	9.63%	4.00%	5.63%	5.49%	5.08%
33	2018	9.59%	4.25%	5.34%	5.51%	5.23%
34	2019	9.71%	3.77%	5.94%	5.60%	5.41%
35	2020	9.46%	3.02%	6.44%	5.79%	5.58%
36	2021	9.56%	3.11%	6.45%	5.96%	5.74%
37	2022	9.52%	4.72%	4.80%	5.80%	5.64%
38	2023	9.60%	5.54%	4.06%	5.54%	5.53%
39	2024[3]	9.59%	5.55%	4.04%	5.16%	5.38%
39	**Average**	**10.76%**	**6.50%**	**4.26%**	**4.32%**	**4.31%**
40	**Minimum**				**2.80%**	**3.11%**
41	**Maximum**				**5.96%**	**5.74%**

Sources:
[1] *Regulatory Research Associates, Inc* ., Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.
S&P Global Market Intelligence, RRA Regulatory Focus, Major Electric Rate Case Decisions in the US,
January - September 2024, October 30, 2024 at page 3.
[2] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
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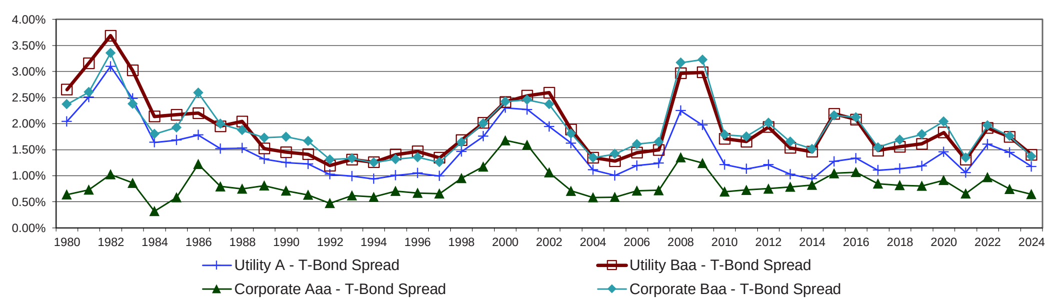
[3] Data represents January - September, 2024.

Northern Indiana Public Service Company LLC

Bond Yield Spreads

			Public Utility Bond				Corporate Bond				Utility to Corporate	
		T-Bond			A-T-Bond	Baa-T-Bond			Aaa-T-Bond	Baa-T-Bond	Baa	A-Aaa
Line	**Year**	**Yield[1]**	**A[2]**	**Baa[2]**	**Spread**	**Spread**	**Aaa[3]**	**Baa[3]**	**Spread**	**Spread**	**Spread**	**Spread**
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	1980	11.30%	13.34%	13.95%	2.04%	2.65%	11.94%	13.67%	0.64%	2.37%	0.28%	1.40%
2	1981	13.44%	15.95%	16.60%	2.51%	3.16%	14.17%	16.04%	0.73%	2.60%	0.56%	1.78%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%	2.07%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.38%	0.65%	1.62%
5	1984	12.39%	14.03%	14.53%	1.64%	2.14%	12.71%	14.19%	0.32%	1.80%	0.34%	1.32%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%	1.10%
7	1986	7.80%	9.58%	10.00%	1.78%	2.20%	9.02%	10.39%	1.22%	2.59%	-0.39%	0.56%
8	1987	8.58%	10.10%	10.53%	1.52%	1.95%	9.38%	10.58%	0.80%	2.00%	-0.05%	0.72%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%	0.78%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%	0.51%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.30%	0.54%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.67%	-0.25%	0.59%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%	0.55%
14	1993	6.60%	7.59%	7.91%	0.99%	1.31%	7.22%	7.93%	0.62%	1.33%	-0.02%	0.37%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%	0.35%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%	0.30%
17	1996	6.70%	7.75%	8.17%	1.05%	1.47%	7.37%	8.05%	0.67%	1.35%	0.12%	0.38%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.66%	1.26%	0.09%	0.34%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%	0.51%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.18%	2.01%	0.01%	0.58%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	-0.01%	0.62%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.45%	0.08%	0.68%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%	0.88%
24	2003	4.96%	6.58%	6.84%	1.62%	1.89%	5.67%	6.77%	0.71%	1.81%	0.08%	0.91%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.35%	0.00%	0.53%
26	2005	4.65%	5.65%	5.93%	1.00%	1.28%	5.24%	6.06%	0.59%	1.42%	-0.14%	0.41%
27	2006	4.87%	6.07%	6.32%	1.20%	1.44%	5.58%	6.48%	0.71%	1.61%	-0.16%	0.48%
28	2007	4.83%	6.07%	6.33%	1.24%	1.50%	5.56%	6.48%	0.72%	1.65%	-0.15%	0.52%
29	2008	4.28%	6.53%	7.25%	2.25%	2.97%	5.63%	7.45%	1.35%	3.17%	-0.20%	0.90%
30	2009	4.07%	6.04%	7.06%	1.97%	2.99%	5.31%	7.30%	1.24%	3.23%	-0.24%	0.73%
31	2010	4.25%	5.46%	5.96%	1.21%	1.71%	4.94%	6.04%	0.69%	1.79%	-0.08%	0.52%
32	2011	3.91%	5.04%	5.57%	1.13%	1.66%	4.64%	5.66%	0.73%	1.75%	-0.10%	0.40%
33	2012	2.92%	4.13%	4.86%	1.21%	1.93%	3.67%	4.94%	0.75%	2.01%	-0.08%	0.46%
34	2013	3.45%	4.48%	4.98%	1.03%	1.54%	4.24%	5.10%	0.79%	1.65%	-0.12%	0.24%
35	2014	3.34%	4.28%	4.80%	0.94%	1.46%	4.16%	4.85%	0.82%	1.51%	-0.05%	0.12%
36	2015	2.84%	4.12%	5.03%	1.27%	2.19%	3.89%	5.00%	1.05%	2.16%	0.03%	0.23%
37	2016	2.60%	3.93%	4.68%	1.34%	2.08%	3.67%	4.72%	1.07%	2.12%	-0.04%	0.27%
38	2017	2.90%	4.00%	4.38%	1.10%	1.48%	3.74%	4.44%	0.85%	1.55%	-0.06%	0.26%
39	2018	3.11%	4.25%	4.67%	1.14%	1.56%	3.93%	4.80%	0.82%	1.69%	-0.13%	0.32%
40	2019	2.58%	3.77%	4.19%	1.19%	1.61%	3.39%	4.38%	0.81%	1.79%	-0.18%	0.38%
41	2020	1.56%	3.02%	3.39%	1.45%	1.83%	2.48%	3.60%	0.91%	2.04%	-0.21%	0.54%
42	2021	2.05%	3.11%	3.36%	1.06%	1.31%	2.71%	3.40%	0.66%	1.35%	-0.04%	0.40%
43	2022	3.12%	4.72%	5.03%	1.61%	1.91%	4.09%	5.08%	0.97%	1.97%	-0.05%	0.64%
44	2023	4.09%	5.54%	5.84%	1.45%	1.75%	4.84%	5.85%	0.75%	1.76%	-0.01%	0.70%
45	2024 [4]	4.38%	5.55%	5.78%	1.18%	1.40%	5.02%	5.75%	0.64%	1.37%	0.03%	0.53%
46	**Average**	**6.05%**	**7.53%**	**7.95%**	**1.48%**	**1.90%**	**6.88%**	**7.95%**	**0.83%**	**1.90%**	**0.00%**	**0.64%**

Yield Spreads
Treasury Vs. Corporate & Treasury Vs. Utility



Sources:
[1] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
[2] The utility yields for the period 1980-2000 were obtained from Mergent Public Utility Manual, Mergent Weekly News Reports, 2003.
The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record.
The utility yields for the period 2010-2023 were obtained from http://credittrends.moodys.com/.
[3] The corporate yields for the period 1980-2009 were obtained from the St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.
The corporate yields from 2010-2024 were obtained from http://credittrends.moodys.com/.
[4] Data represents January - October, 2024.

Northern Indiana Public Service Company LLC

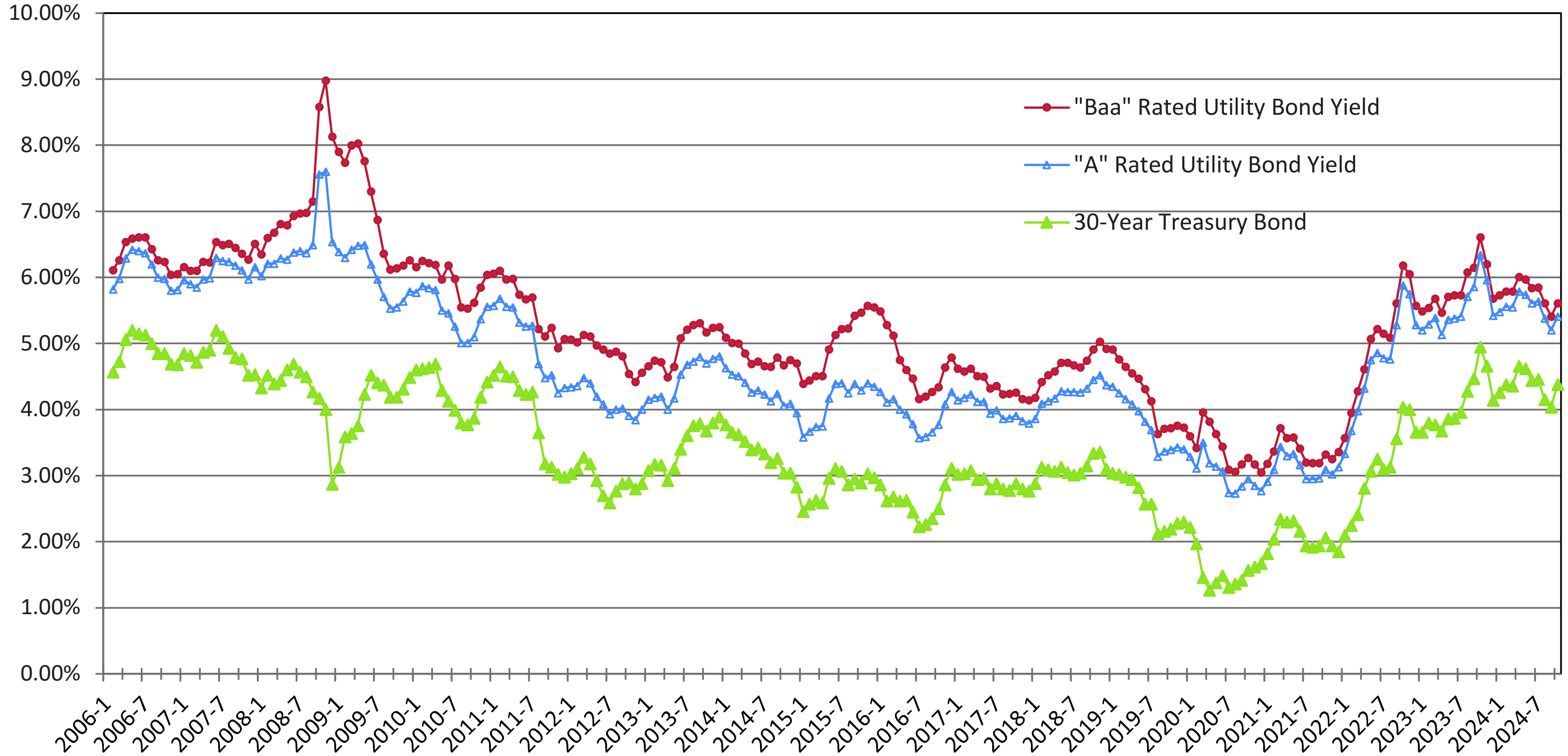
3 Month Treasury and Utility Bond Yields

Line	Date	Treasury Bond Yield[1] (1)	"A" Rated Utility Bond Yield[2] (2)	"Baa" Rated Utility Bond Yield[2] (3)
1	October-24	4.38%	5.41%	5.61%
2	September-24	4.04%	5.20%	5.41%
3	August-24	4.15%	5.38%	5.61%
4	**3-Month Average**	**4.19%**	**5.33%**	**5.54%**
5	**Utility Bond Yield**		**1.14%**	**1.35%**
	Stock Yield[3]	**3.51%**		
6	**Utility Stock Spread[3]**	**0.68%**	**1.82%**	**2.03%**

Sources:
[1] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org.
[2] Mergent Bond Record.
[3] Attachment MPG-14.

Northern Indiana Public Service Company LLC

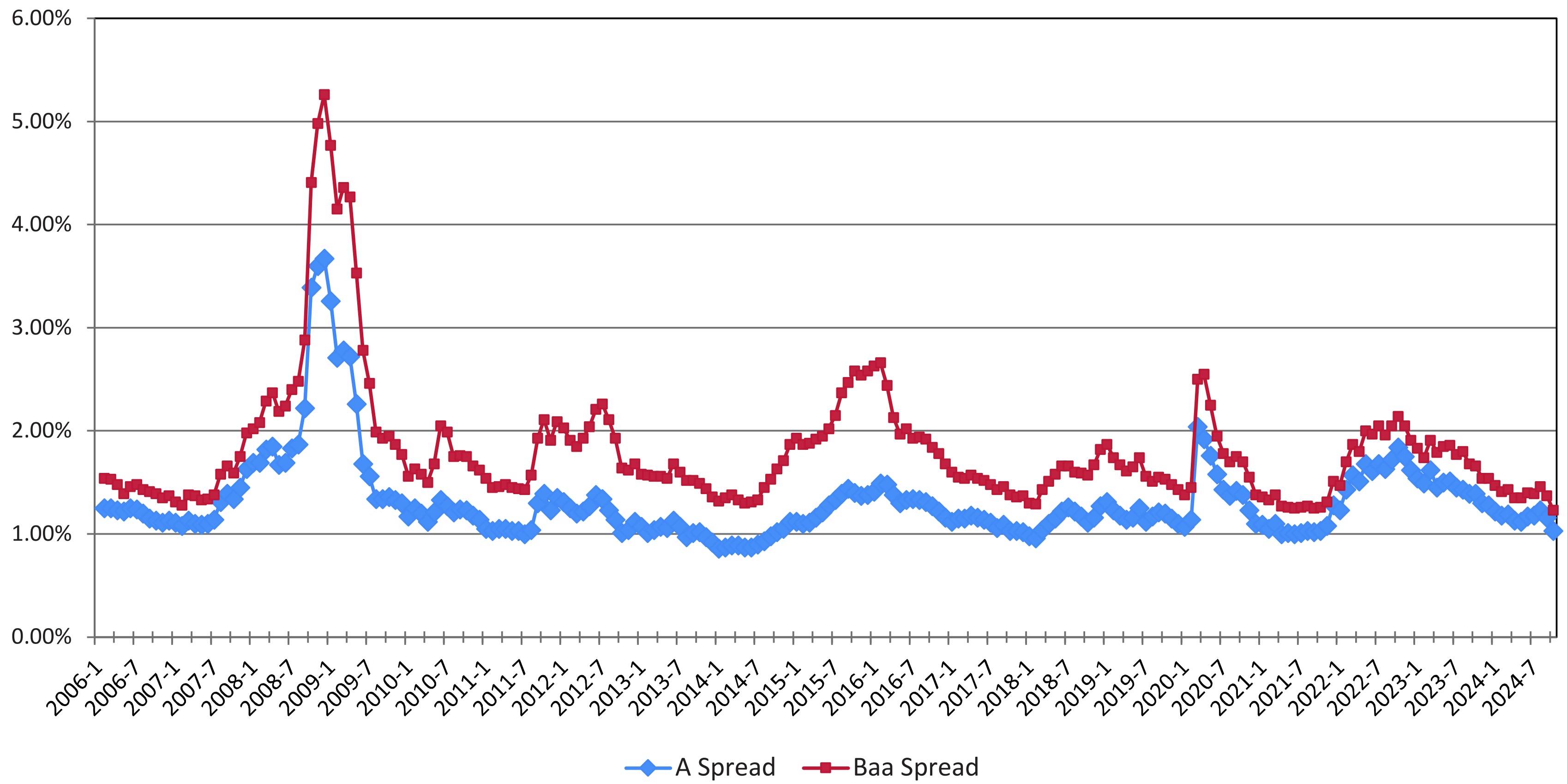
Trends in Bond Yields



Sources:
Mergent Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/

Northern Indiana Public Service Company LLC

Yield Spread Between Utility Bonds and 30-Year Treasury Bonds



Sources:
Mergent Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/

Northern Indiana Public Service Company LLC

Value Line Beta

Line	Company	Beta
	Electric	
1	Alliant Energy Corporation	0.90
2	Ameren Corporation	0.90
3	American Electric Power Company, Inc.	0.85
4	CMS Energy Corporation	0.85
5	Entergy Corporation	1.00
6	Evergy, Inc.	0.95
7	MGE Energy, Inc.	0.80
8	OGE Energy Corp.	1.05
9	WEC Energy Group, Inc.	0.85
10	**Electric Average**	**0.91**
	Gas	
11	Atmos Energy Corporation	0.85
12	New Jersey Resources Corporation	1.00
13	NiSource Inc.	0.95
14	Northwest Natural Holding Company	0.85
15	ONE Gas, Inc.	0.85
16	Spire Inc.	0.85
17	**Gas Average**	**0.89**
18	**Total Proxy Group Average**	**0.90**

Source:
The Value Line Investment Survey,
August 23 and September 6, 2024.

Northern Indiana Public Service Company LLC

Value Line
Historical Betas

Line	Company	Average	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
	Electric																				
1	Alliant Energy Corporation	0.77	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.80	0.55
2	Ameren Corporation	0.74	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.85	0.80	0.80	0.85	0.80	0.80	0.50
3	American Electric Power Company, Inc.	0.70	0.85	0.85	0.80	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.50
4	CMS Energy Corporation	0.71	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.75	0.80	0.80	0.80	0.80	0.75	0.80	0.80	0.80	0.50
5	Entergy Corporation	0.78	1.00	1.00	0.95	0.95	0.95	0.90	0.95	0.95	0.95	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.60
6	Evergy, Inc.	0.94	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	1.00	1.00	1.05	NMF
7	MGE Energy, Inc.	0.70	0.80	0.80	0.80	0.75	0.75	0.70	N/A	N/A	N/A	N/A	0.75	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.50
8	OGE Energy Corp.	0.95	1.05	1.05	1.05	1.05	1.05	1.00	1.00	1.00	1.00	1.00	1.05	1.05	1.05	1.05	1.05	1.10	1.05	1.05	0.70
9	WEC Energy Group, Inc.	0.69	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.45
10	**Electric Average**	0.78	0.91	0.91	0.89	0.89	0.86	0.84	0.86	0.86	0.86	0.84	0.86	0.86	0.86	0.86	0.84	0.87	0.86	0.86	0.54
	Gas																				
11	Atmos Energy Corporation	0.76	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.55
12	New Jersey Resources Corporation	0.85	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	1.00	1.00	1.00	1.00	0.95	0.95	0.90	0.90	0.65
13	NiSource Inc.	0.77	0.95	0.95	0.90	0.90	0.90	0.85	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.55
14	Northwest Natural Holding Company	0.73	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.55
15	ONE Gas, Inc.	0.75	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.60
16	Spire Inc.	0.75	0.85	0.85	0.85	0.85	0.85	0.80	0.85	0.85	0.80	0.80	0.85	0.85	0.85	0.85	0.85	1.00	0.80	0.80	0.60
17	**Gas Average**	0.77	0.89	0.89	0.88	0.88	0.86	0.84	0.86	0.84	0.83	0.83	0.85	0.86	0.86	0.86	0.84	0.87	0.83	0.83	0.58
18	**Total Proxy Group Average**	0.77	0.90	0.90	0.89	0.88	0.86	0.84	0.86	0.85	0.85	0.84	0.85	0.86	0.86	0.86	0.84	0.87	0.84	0.84	0.56

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line
Historical Betas

Line	Company	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
	Electric																						
1	Alliant Energy Corporation	0.60	0.60	0.60	0.65	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80
2	Ameren Corporation	0.55	0.55	0.60	0.60	0.55	0.60	0.65	0.65	0.70	0.65	0.65	0.70	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3	American Electric Power Company, Inc.	0.55	0.55	0.55	0.55	0.55	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
4	CMS Energy Corporation	0.50	0.55	0.55	0.55	0.55	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.75	0.75	0.70	0.75	0.75	0.70	0.75
5	Entergy Corporation	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.65	0.70	0.70	0.70	0.70
6	Evergy, Inc.	NMF	NMF	NMF	NMF	NMF	NMF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	MGE Energy, Inc.	0.55	0.55	0.55	0.60	0.60	0.65	0.70	0.70	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.70	0.70	0.70
8	OGE Energy Corp.	0.75	0.80	0.80	0.85	0.85	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.85
9	WEC Energy Group, Inc.	0.50	0.50	0.50	0.55	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.65	0.65	0.65
10	**Electric Average**	0.58	0.59	0.59	0.62	0.60	0.64	0.69	0.69	0.71	0.70	0.70	0.70	0.69	0.71	0.74	0.76	0.76	0.74	0.76	0.74	0.74	0.74
11	Atmos Energy Corporation	0.60	0.60	0.65	0.60	0.60	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.80	0.80
12	New Jersey Resources Corporation	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.80	0.80	0.80	0.80
13	NiSource Inc.	0.55	0.55	0.55	0.55	0.50	0.55	0.60	0.60	0.60	NMF	0.65	NMF	NMF	NMF	NMF	NMF	NMF	NMF	0.85	0.85	0.85	0.80
14	Northwest Natural Holding Company	0.60	0.60	0.60	0.65	0.60	0.65	0.70	0.65	0.70	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70
15	ONE Gas, Inc.	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Spire Inc.	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
17	**Gas Average**	0.63	0.63	0.63	0.63	0.62	0.63	0.70	0.68	0.70	0.72	0.70	0.71	0.71	0.73	0.73	0.74	0.74	0.78	0.78	0.78	0.77	0.76
18	**Total Proxy Group Average**	0.60	0.60	0.61	0.63	0.61	0.64	0.70	0.69	0.70	0.71	0.70	0.70	0.70	0.71	0.73	0.75	0.75	0.75	0.77	0.76	0.75	0.75

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Electric Industry
Historical Betas

Line	Company	Average	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
	Electric																				
1	ALLETE, Inc.	0.81	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.60
2	Alliant Energy Corporation	0.77	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.80	0.55
3	Ameren Corporation	0.74	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.85	0.80	0.80	0.85	0.80	0.80	0.50
4	American Electric Power Company, Inc.	0.70	0.85	0.85	0.80	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.50
5	Avangrid, Inc.	0.69	0.95	0.95	0.95	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	N/A	0.85	0.80	0.80	0.40
6	Avista Corporation	0.80	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.95	0.60	0.60
7	Black Hills Corporation	0.91	1.05	1.05	1.00	1.00	1.00	0.95	0.95	0.95	0.95	1.00	1.00	1.00	1.00	1.00	1.00	0.95	1.00	0.65	0.70
8	CenterPoint Energy, Inc.	0.97	1.15	1.15	1.15	1.15	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.10	1.15	0.70
9	CMS Energy Corporation	0.71	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.75	0.80	0.80	0.80	0.80	0.75	0.80	0.80	0.80	0.50
10	Consolidated Edison, Inc.	0.63	0.80	0.80	0.80	0.75	0.80	0.75	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.40
11	Dominion Resources, Inc.	0.73	0.90	0.90	0.90	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.50
12	DTE Energy Company	0.79	1.00	1.00	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.50
13	Duke Energy Corporation	0.70	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.85	0.85	0.85	0.85	0.85	0.45
14	Edison International	0.78	1.00	1.00	1.00	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	1.00	0.95	0.95	0.95	0.90	0.90	0.55	0.55
15	Entergy Corporation	0.78	1.00	1.00	0.95	0.95	0.95	0.90	0.95	0.95	0.95	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.60
16	Evergy, Inc.	0.94	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	1.00	1.00	1.05	NMF
17	Eversource Energy	0.78	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.55
18	Exelon Corporation	0.77	NMF	NMF	NMF	NMF	NMF	NMF	NMF	0.95	NMF	1.00	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.65
19	FirstEnergy Corp.	0.75	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.60
20	Fortis Inc.	0.70	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.75	N/A	0.80	0.80	0.60
21	Hawaiian Electric Industries, Inc.	0.76	1.00	1.00	0.95	0.95	0.85	0.85	0.85	0.80	0.80	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.55	0.55
22	IDACORP, Inc.	0.75	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.85	0.80	0.80	0.80	0.80	0.50	0.55
23	MGE Energy, Inc.	0.70	0.80	0.80	0.80	0.75	0.75	0.70	N/A	N/A	N/A	N/A	0.75	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.50
24	NextEra Energy, Inc.	0.78	1.05	1.05	1.00	0.95	0.95	0.95	0.95	0.90	0.95	0.90	0.95	0.90	0.95	0.90	0.90	0.90	0.85	0.85	0.50
25	NorthWestern Corporation	0.78	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.55	0.60
26	OGE Energy Corp.	0.96	1.05	1.05	1.05	1.05	1.05	1.00	1.00	1.00	1.00	1.00	1.05	1.05	1.05	1.05	1.05	1.10	1.05	1.05	0.70
27	Otter Tail Corporation	0.85	0.95	0.95	0.95	0.90	0.90	0.85	0.90	0.85	0.85	0.85	0.85	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.70
28	PG&E Corporation	0.74	1.10	1.10	1.10	1.05	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	Pinnacle West Capital Corporation	0.76	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.90	0.90	0.90	0.85	0.85	0.45	0.50
30	TXNM Energy, Inc.	0.81	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.50	0.60
31	Portland General Electric Company	0.77	0.95	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.55	0.55
32	PPL Corporation	0.87	1.15	1.15	1.10	1.05	1.10	1.05	1.05	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.15	1.10	1.05	0.65
33	Public Service Enterprise Group Incorporated	0.79	0.95	0.95	0.95	0.90	0.95	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.90	0.90	0.90	0.90	0.90	0.60
34	Sempra Energy	0.86	1.00	1.00	1.00	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	1.00	N/A	0.95	1.00	0.95	0.95	0.65	0.70
35	Southern Company	0.72	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.95	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.50
36	WEC Energy Group, Inc.	0.69	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.45
37	Xcel Energy Inc.	0.68	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.75	0.45	0.50
38	**Electric Average**	0.78	0.94	0.94	0.93	0.91	0.90	0.88	0.88	0.88	0.89	0.88	0.89	0.90	0.90	0.89	0.89	0.89	0.88	0.77	0.56

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Natural Gas Industry
Historical Betas

Line	Company	Average	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
	Natural Gas																				
1	Atmos Energy Corporation	0.76	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.55
2	Chesapeake Utilities Corporation	0.72	0.80	0.80	0.80	0.80	0.80	0.75	0.80	0.80	0.80	0.75	0.80	0.80	0.80	N/A	N/A	N/A	N/A	N/A	N/A
3	New Jersey Resources Corporation	0.85	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	1.00	1.00	1.00	1.00	0.95	0.95	0.90	0.90	0.65
4	NiSource Inc.	0.77	0.95	0.95	0.90	0.90	0.90	0.85	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.55
5	Northwest Natural Gas Company	0.73	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.55
6	ONE Gas, Inc.	0.75	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.60
7	Southwest Gas Corporation	0.83	0.90	0.90	0.90	0.90	0.90	0.85	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.65
8	Spire Inc.	0.75	0.85	0.85	0.85	0.85	0.85	0.80	0.85	0.85	0.80	0.80	0.85	0.85	0.85	0.85	0.85	1.00	0.80	0.80	0.60
9	UGI Corporation	0.96	1.10	1.10	1.10	1.10	1.05	1.05	1.05	1.05	1.00	1.05	1.05	1.05	1.05	N/A	N/A	1.00	1.00	0.95	0.75
10	**Natural Gas Average**	0.79	0.91	0.91	0.89	0.89	0.88	0.86	0.88	0.87	0.86	0.86	0.88	0.88	0.88	0.87	0.86	0.89	0.86	0.85	0.61

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Water Industry
Historical Betas

Line	Company	Average	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
	Water																				
1	American States Water Company	0.69	0.70	0.70	0.70	0.70	0.65	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
2	American Water Works Company, Inc.	0.76	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
3	California Water Service Group	0.72	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.65	0.65	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
4	Essential Utilities, Inc.	0.82	1.00	1.00	1.00	1.00	0.95	0.95	0.95	0.95	0.95	0.95	N/A	0.95	0.95	0.95	0.95	0.90	0.90	0.90	0.90
5	Middlesex Water Company	0.73	0.75	0.75	0.75	0.75	0.70	0.75	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
6	SJW Group	0.75	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
7	**Water Average**	0.74	0.83	0.83	0.83	0.83	0.78	0.80	0.78	0.78	0.77	0.77	0.74	0.77	0.77	0.77	0.77	0.76	0.76	0.76	0.76

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Electric Industry
Historical Betas

Line	Company	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	Electric																					
1	ALLETE, Inc.	0.65	0.65	0.65	0.65	0.65	0.70	0.75	0.75	0.80	0.75	0.80	0.80	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80
2	Alliant Energy Corporation	0.60	0.60	0.60	0.65	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80
3	Ameren Corporation	0.55	0.55	0.60	0.60	0.55	0.60	0.65	0.65	0.70	0.65	0.65	0.70	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75
4	American Electric Power Company, Inc.	0.55	0.55	0.55	0.55	0.55	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70
5	Avangrid, Inc.	0.40	0.40	0.40	0.40	0.30	0.30	0.40	0.35	NMF	NMF	NMF	NMF	NMF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corporation	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80
7	Black Hills Corporation	0.70	0.75	0.80	0.75	0.80	0.85	0.90	0.90	0.90	0.85	0.85	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.90	0.90
8	CenterPoint Energy, Inc.	0.80	0.80	0.80	0.80	0.85	0.85	0.90	0.85	0.90	0.90	0.85	0.85	0.85	0.80	0.85	0.85	0.85	0.80	0.80	0.80	0.75
9	CMS Energy Corporation	0.50	0.55	0.55	0.55	0.55	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.75	0.75	0.70	0.75	0.75	0.70
10	Consolidated Edison, Inc.	0.45	0.45	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
11	Dominion Resources, Inc.	0.55	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.70	0.65	0.70	0.70	0.70	0.78	0.70	0.70	0.70	0.70
12	DTE Energy Company	0.55	0.55	0.55	0.55	0.55	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75	0.75
13	Duke Energy Corporation	0.50	0.50	0.50	0.50	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.50	0.60	0.60	0.60	0.60
14	Edison International	0.60	0.60	0.60	0.55	0.60	0.60	0.60	0.65	0.65	0.60	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75
15	Entergy Corporation	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.65	0.70	0.70	0.70
16	Evergy, Inc.	NMF	NMF	NMF	NMF	NMF	NMF	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Eversource Energy	0.55	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75
18	Exelon Corporation	0.70	0.70	0.70	0.70	0.65	0.65	0.70	0.70	0.70	0.70	0.65	0.70	0.65	0.70	0.65	0.70	0.70	0.65	0.70	0.70	0.70
19	FirstEnergy Corp.	0.65	0.60	0.65	0.65	0.60	0.60	0.65	0.70	0.70	0.65	0.65	0.65	0.65	0.65	0.70	0.65	0.70	0.65	0.70	0.70	0.70
20	Fortis Inc.	0.60	0.65	0.65	0.65	0.60	0.65	0.70	0.70	0.70	0.70	0.65	0.65	0.65	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	Hawaiian Electric Industries, Inc.	0.55	0.55	0.60	0.60	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80
22	IDACORP, Inc.	0.55	0.60	0.60	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80
23	MGE Energy, Inc.	0.55	0.55	0.55	0.60	0.60	0.65	0.70	0.70	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.70	0.70
24	NextEra Energy, Inc.	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.75	0.70	0.75	0.70	0.70
25	NorthWestern Corporation	0.60	0.60	0.60	0.55	0.60	0.65	0.65	0.70	0.70	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.70	0.70	0.70
26	OGE Energy Corp.	0.75	0.80	0.80	0.85	0.85	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.90	0.90	0.95	0.95	0.95	0.90	0.90	0.90	0.90
27	Otter Tail Corporation	0.70	0.65	0.70	0.70	0.75	0.80	0.85	0.85	0.90	0.90	0.90	0.85	0.85	0.85	0.80	0.85	0.85	0.85	0.90	0.90	0.90
28	PG&E Corporation	N/A	N/A	N/A	N/A	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.65	0.65	0.65	0.65	0.65
29	Pinnacle West Capital Corporation	0.55	0.55	0.55	0.55	0.60	0.65	0.65	0.70	0.70	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.70	0.70	0.70	0.70
30	TXNM Energy, Inc.	0.60	0.60	0.65	0.65	0.60	0.75	0.70	0.75	0.75	0.75	0.70	0.75	0.75	0.80	0.80	0.80	0.85	0.85	0.85	0.85	0.85
31	Portland General Electric Company	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80
32	PPL Corporation	0.70	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.65	0.65	0.65	0.60
33	Public Service Enterprise Group Incorporated	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.65	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75
34	Sempra Energy	0.75	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.80	0.80	0.80	0.80	0.75	0.75
35	Southern Company	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.65	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.60	0.60	0.55	0.60	0.55	0.55
36	WEC Energy Group, Inc.	0.50	0.50	0.50	0.55	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.65	0.65
37	Xcel Energy Inc.	0.50	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70
38	**Electric Average**	0.59	0.60	0.61	0.61	0.61	0.64	0.68	0.69	0.70	0.69	0.69	0.70	0.69	0.71	0.73	0.74	0.75	0.74	0.75	0.74	0.73

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Natural Gas Industry
Historical Betas

Line	Company	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	Natural Gas																					
1	Atmos Energy Corporation	0.60	0.60	0.65	0.60	0.60	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.80
2	Chesapeake Utilities Corporation	N/A	N/A	0.65	0.70	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.65	0.60	0.60	0.65	0.65	0.65	0.65	NA	0.65
3	New Jersey Resources Corporation	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.80	0.80	0.80
4	NiSource Inc.	0.55	0.55	0.55	0.55	0.50	0.55	0.60	0.60	0.60	NMF	0.65	NMF	NMF	NMF	NMF	NMF	NMF	NMF	0.85	0.85	0.85
5	Northwest Natural Gas Company	0.60	0.60	0.60	0.65	0.60	0.65	0.70	0.65	0.70	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70
6	ONE Gas, Inc.	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Southwest Gas Corporation	0.70	0.70	0.70	0.70	0.70	0.75	0.80	0.75	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85
8	Spire Inc.	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
9	UGI Corporation	N/A	N/A	0.80	0.80	0.80	0.85	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.95	0.95	0.95	0.95	0.95	0.90	0.85
10	**Natural Gas Average**	0.64	0.64	0.66	0.67	0.65	0.68	0.73	0.71	0.73	0.74	0.73	0.74	0.74	0.74	0.74	0.76	0.76	0.79	0.79	0.81	0.78

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

Value Line Water Industry
Historical Betas

Line	Company	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	Water																					
1	American States Water Company	0.65	0.65	0.65	0.65	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
2	American Water Works Company, Inc.	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70
3	California Water Service Group	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.70
4	Essential Utilities, Inc.	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.70
5	Middlesex Water Company	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.70
6	SJW Group	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.75	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.85
7	**Water Average**	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.75	0.75	0.75	0.75	0.70	0.70	0.70	0.70	0.73	0.73	0.73	0.73	0.73

Source: Value Line Software Analyzer

Northern Indiana Public Service Company LLC

CAPM Return

Line	Description	Current Market Risk Premium (1)	Normalized Market Risk Premium (2)
1	Risk-Free Rate[1,2]	4.19%	4.20%
2	Risk Premium[3]	7.23%	7.22%
3	Beta[4,5]	0.90	0.77
4	**CAPM**	**10.70%**	**9.79%**

Sources:
[1] Exhibit MPG-18.
[2] *Blue Chip Financial Forecasts* , November 1, 2024.
[3] *Morningstar Direct.*
[4] Attachment MPG-25, Page 1.
[5] Attachment MPG-25, Page 2.

Northern Indiana Public Service Company LLC

Standard & Poor's Credit Metrics

Line	Description		Retail Cost of Service Amount (1)	S&P Benchmark (Medial Volatility) Intermediate (2)	Significant (3)	Aggressive (4)	Reference (5)
1	Rate Base	$	9,229,813,441				Attachment 3-A-S2, Page 3.
2	Weighted Common Return		4.73%				Page 2, Line 2, Col. 4.
3	Pre-Tax Rate of Return		8.26%				Page 2, Line 8, Col. 5.
4	Income to Common	$	436,541,494				Line 1 x Line 2.
5	EBIT	$	761,997,688				Line 1 x Line 3.
6	Depreciation & Amortization	$	572,008,761				Attachment 3-A-S2, Page 1 and 2.
7	Imputed Amortization	$	-				Response to IG 2-010, Attachment MPG-3.
8	Capitalized Interest	$	(4,861,001)				Response to IG 2-009, Attachment MPG-3.
9	Deferred Income Taxes & ITC	$	-				Attachment 3-A-S2, Page 1 and 2.
10	Funds from Operations (FFO)	$	1,003,689,254				Sum of Line 4 and Lines 6 through 9.
11	Imputed Interest Expense	$	-				Response to IG 2-010, Attachment MPG-3.
12	EBITDA	$	1,334,006,449				Sum of Lines 5 through 7 and Line 11.
13	Adjusted Debt*	$	4,013,713,500				Page 3, Line 4, Col. 1 x EL Gas Allocator.
14	Total Adjusted Debt Ratio		41.7%				Page 3, Line 4, Col 2.
15	Debt to EBITDA		3.0x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x	Line 13 / Line 12.
16	FFO to Total Debt		25%	23% - 35%	13% - 23%	9% - 13%	Line 10 / Line 13.
17	Indicative Credit Rating			**A**	**A-**	**BBB**	S&P Methodology, November 19, 2013.

Sources:
Standard & Poor's: "Criteria: Corporate Methodology," November 19, 2013.
*The allocation factor was obtained from the proposed electric rate base and the approved gas rate base in Ca-45967.

Note:
Based on the August 2024 S&P report, NIPSCO has a "BBB+" credit rating, an "Excellent" business profile, an "Intermediate" financial profile, and falls under the 'Medial Volatility' matrix.

S&P Business/Financial Risk Profile Matrix			
Business Risk Profile	**Financial Risk Profile**		
	3 (intermediate)	4 (significant)	5 (aggressive)
1 (excellent)	a+/a	a-	bbb
2 (strong)	a-/bbb+	bbb	bb+
3 (satisfactory)	bbb/bbb-	bbb-/bb+	bb

Northern Indiana Public Service Company LLC

Pre-Tax Rate of Return

Line	Description[1]	Amount (1)	Weight (2)	Cost (3)	Weighted Cost (4)	Pre-Tax Weighted Cost (5)
1	Long-Term Debt	$ 5,468,979,284	36.63%	5.20%	1.90%	1.90%
2	Common Equity	$ 7,718,129,223	51.69%	**9.15%**	4.73%	6.33%
3	Customer Deposits	$ 59,885,295	0.40%	5.76%	0.02%	0.02%
4	Deferred Income Tax	$ 1,691,723,532	11.33%	0.00%	0.00%	0.00%
5	Post Retirement Liability	$ (7,491,885)	-0.05%	0.00%	0.00%	0.00%
6	Post-1970 ITC	$ 174,612	0.00%	7.51%	0.00%	0.00%
7	Prepaid Pension*	$ -	0.00%	0.00%	0.00%	0.00%
8	Total	$ 14,931,400,061	100.00%		6.66%	8.26%
9	Long-Term Debt	$ 5,468,979,284	41.47%	5.20%	2.16%	2.16%
10	Common Equity	$ 7,718,129,223	58.53%	**9.15%**	5.36%	7.17%
11	Total	$ 13,187,108,507	100.00%		7.51%	9.33%
12	Tax Conversion Factor[2]					1.339172

Sources:
[1]Attachment MPG-1.
[2]Attachment 3-A-S2, Page 5.
*The prepaid pension asset was removed from NIPSCO's proposed capital structure.

Northern Indiana Public Service Company LLC

Standard & Poor's Credit Metrics
(Financial Capital Structure)

Line	Description	Amount (1)	Weight (2)
1	Long-Term Debt	$ 5,468,979,284	41.28%
2	Short-Term Debt*	$ 60,152,616	0.45%
3	Off-Balance Sheet Debt**	$ -	0.00%
4	Total Long-Term Debt	$ 5,529,131,900	41.74%
5	Common Equity	$ 7,718,129,223	58.26%
6	**Total**	**$ 13,247,261,123**	**100.0%**

Sources:
Attachment 3-A-S2, Page 3.
*Response to IG 2-008, Attachment A.xlsx; Attachment MPG-3.
**In Response to IG 2-10, Attachment MPG-3, NIPSCO stated that it did not have any off-balance sheet debt equivalents.

Northern Indiana Public Service Company LLC

S&P Adjusted Debt Ratio
Value Line Utility Industry - Operating Subsidiaries
(Electric, Gas, and Water)

		% Distribution of 3-Year Average (2021-2023)				Utilities
Rating	Median	<45	45 to 50	50 to 55	>55	Per Category
AA-	42.4%	100%	0%	0%	0%	1
A+	51.0%	14%	14%	57%	14%	3
A	48.2%	28%	33%	22%	17%	9
A-	49.2%	23%	30%	41%	6%	28
BBB+	50.7%	5%	23%	62%	9%	37
BBB	53.3%	0%	33%	33%	33%	6

Source:
S&P Capital IQ, downloaded July 18, 2024.

Northern Indiana Public Service Company LLC

Rea's Adjusted Multi-Stage Growth DCF Model

		13-Week AVG	Annualized	Yahoo	Zacks	First Stage	Second Stage Growth					Third Stage	Multi-Stage
Line	Company	Stock Price[1]	Dividend[2]	Growth[3]	Growth[4]	Growth[5]	Year 6	Year 7	Year 8	Year 9	Year 10	Growth[6]	Growth DCF
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Electric												
1	Alliant Energy Corporation	$50.89	$1.92	7.70%	6.10%	6.90%	6.43%	5.97%	5.50%	5.03%	4.57%	4.10%	8.77%
2	Ameren Corporation	$72.23	$2.68	5.50%	6.20%	5.85%	5.56%	5.27%	4.98%	4.68%	4.39%	4.10%	8.41%
3	American Electric Power Company, Inc.	$88.16	$3.60	6.40%	6.10%	6.25%	5.89%	5.53%	5.18%	4.82%	4.46%	4.10%	8.95%
4	CMS Energy Corporation	$60.36	$2.06	7.60%	7.60%	7.60%	7.02%	6.43%	5.85%	5.27%	4.68%	4.10%	8.52%
5	Entergy Corporation	$107.58	$4.52	6.80%	7.30%	7.05%	6.56%	6.07%	5.58%	5.08%	4.59%	4.10%	9.34%
6	Evergy, Inc.	$53.35	$2.61	6.00%	5.00%	5.50%	5.27%	5.03%	4.80%	4.57%	4.33%	4.10%	9.64%
7	MGE Energy, Inc.	$77.67	$1.71	5.40%	n/a	5.40%	5.18%	4.97%	4.75%	4.53%	4.32%	4.10%	6.58%
8	OGE Energy Corp.	$35.44	$1.69	-12.30%	5.00%	- 3.65%	- 2.36%	- 1.07%	0.23%	1.52%	2.81%	4.10%	7.05%
9	WEC Energy Group, Inc.	$80.36	$3.34	7.20%	8.00%	7.60%	7.02%	6.43%	5.85%	5.27%	4.68%	4.10%	9.45%
10	**Average**	**$69.56**	**$2.68**	**4.48%**	**6.41%**	**5.39%**	**5.17%**	**4.96%**	**4.74%**	**4.53%**	**4.31%**	**4.10%**	**8.52%**
11	**Median**	**$72.23**	**$2.61**	**6.40%**	**6.15%**	**6.25%**	**5.89%**	**5.53%**	**5.18%**	**4.82%**	**4.46%**	**4.10%**	**8.77%**
	Gas												
12	Atmos Energy Corporation	$116.91	$3.40	7.40%	7.00%	7.20%	6.68%	6.17%	5.65%	5.13%	4.62%	4.10%	7.79%
13	New Jersey Resources Corporation	$43.15	$1.70	6.00%	n/a	6.00%	5.68%	5.37%	5.05%	4.73%	4.42%	4.10%	8.71%
14	NiSource Inc.	$28.54	$1.08	7.50%	6.00%	6.75%	6.31%	5.87%	5.43%	4.98%	4.54%	4.10%	8.74%
15	Northwest Natural Holding Company	$36.71	$1.95	2.80%	n/a	2.80%	3.02%	3.23%	3.45%	3.67%	3.88%	4.10%	9.20%
16	ONE Gas, Inc.	$62.87	$2.66	5.00%	5.00%	5.00%	4.85%	4.70%	4.55%	4.40%	4.25%	4.10%	8.76%
17	Spire Inc.	$60.47	$3.09	6.40%	5.00%	5.70%	5.43%	5.17%	4.90%	4.63%	4.37%	4.10%	9.96%
18	**Average**	**$58.11**	**$2.31**	**5.85%**	**5.75%**	**5.58%**	**5.33%**	**5.08%**	**4.84%**	**4.59%**	**4.35%**	**4.10%**	**8.86%**
19	**Median**	**$51.81**	**$2.31**	**6.20%**	**5.50%**	**5.85%**	**5.56%**	**5.27%**	**4.98%**	**4.68%**	**4.39%**	**4.10%**	**8.75%**

Sources:
[1] Rea Attachment 13-A, Schedule 4 and Schedule 5, Page 3, Column a.
[2] Rea Attachment 13-A, Schedule 4 and Schedule 5, Page 3, Column b.
[3] Rea Attachment 13-A, Schedule 4 and Schedule 5, Page 1, Column 2.
[4] Rea Attachment 13-A, Schedule 4 and Schedule 5, Page 1, Column 3.
[5] (Col. (3) + Col. (4))/2.
[6] *Blue ChipEconomic Indicators* , October 10, 2024 at page 14.