

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 IND. CODE § 8-1-2.5-6 FOR (1))
AUTHORITY TO MODIFY ITS RATES AND)
CHARGES FOR ELECTRIC UTILITY)
SERVICE THROUGH A PHASE IN OF)
RATES; (2) APPROVAL OF NEW) CAUSE NO. 45159
SCHEDULES OF RATES AND CHARGES,)
GENERAL RULES AND REGULATIONS,)
AND RIDERS; (3) APPROVAL OF REVISED)
COMMON AND ELECTRIC DEPRECIATION)
RATES APPLICABLE TO ITS ELECTRIC)
PLANT IN SERVICE; (4) APPROVAL OF)
NECESSARY AND APPROPRIATE)
ACCOUNTING RELIEF; AND (5) APPROVAL)
OF A NEW SERVICE STRUCTURE FOR)
INDUSTRIAL RATES.)

PETITIONER'S NOTICE OF SUBSTITUTION OF WITNESS

Northern Indiana Public Service Company LLC, by counsel, hereby gives notice that Kimberly K. Cartella is being substituted for and is adopting the direct testimony and attachments previously prefiled by Christopher D. Smith. Mr. Smith is no longer employed by NIPSCO and is not available to sponsor or defend his testimony at the evidentiary hearing in this Cause.

For purposes of convenience, attached hereto are (1) a redline version of the Introduction section of Ms. Cartella's direct testimony showing the changes from the previously prefiled version of Mr. Smith's direct testimony, and (2) a clean copy of Ms. Cartella's direct testimony. There were no changes made to the attachments (Attachments 11-A through 11-D). At the evidentiary hearing in this Cause, the clean version of Ms. Cartella's direct testimony (along with the attachments) will be offered into evidence.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Claudia J. Earls", is written over a horizontal line.

Claudia J. Earls (No. 8468-49)
NiSource Corporate Services – Legal
150 West Market Street, Suite 600
Indianapolis, IN 46204
Telephone: (317) 684-4923
Facsimile: (317) 684-4918
cjearls@nisource.com

Attorney for Petitioner
Northern Indiana Public Service Company LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was served upon the following via electronic transmission this 26th day of June, 2019 to:

OUC

Randall C. Helmen
Jeffrey M. Reed
Office of Utility Consumer Counselor
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
rhelmen@oucc.in.gov
jreed@oucc.in.gov
infomgt@oucc.in.gov

US STEEL

Nikki G. Shoultz
Kristina Kern Wheeler
Jeffery A. Earl
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
nshoultz@boselaw.com
kwheeler@boselaw.com
jearl@boselaw.com

NLMK INDIANA

Anne E. Becker
Lewis & Kappes, P.C.
One American Square, Suite 2500
Indianapolis, Indiana 46282
abecker@lewis-kappes.com

NIPSCO INDUSTRIAL GROUP

Bette J. Dodd
Todd A. Richardson
Joseph P. Rompala
Lewis & Kappes, P.C.
One American Square, Suite 2500
Indianapolis, Indiana 46282
bdodd@lewis-kappes.com
trichardson@lewis-kappes.com
jrompala@lewis-kappes.com

INDIANA MUNICIPAL UTILITY GROUP

Robert M. Glennon
Robert Glennon & Assoc., P.C.
3697 N. Co. Rd. 500 E
Danville, Indiana 46122
robertglennonlaw@gmail.com

NLMK INDIANA

James W. Brew
Stone Mattheis Xenopoulos & Brew
1025 Thomas Jefferson St., NW,
9th Floor, West, Tower,
Washington, DC 20007
jbrew@smxblaw.com

CITIZENS ACTION COALITION

Jennifer A. Washburn
Margo L. Tucker
Citizens Action Coalition
1915 West 18th Street, Suite C
Indianapolis, Indiana 46202
jwashburn@citact.org
mtucker@citact.org

Cassandra McCrae
Raghu Murthy
Earthjustice
1617 John F. Kennedy Blvd., Suite
1130
Philadelphia, Pennsylvania 19103
cmccrae@earthjustice.org
rmurthy@earthjustice.org

Thomas Cmar
Earthjustice
1010 Lake Street, Suite 200
Oak Park, Illinois 60301
tcmar@earthjustice.org

WALMART

Eric E. Kinder
Spilman Thomas & Battle, PLLC
300 Kanawha Boulevard, East
P.O. Box 273
Charleston, West Virginia 25321
ekinder@spilmanlaw.com

Barry A. Naum
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, Pennsylvania 17050
bnaum@spilmanlaw.com

SIERRA CLUB

Kathryn A. Watson
Cantrell Strenski & Mehringer, LLP
150 West Market Street, Suite 800
Indianapolis, Indiana 46204
kwatson@csmlawfirm.com

Tony Mendoza
Sierra Club
2101 Webster St., 13th Floor
Oakland, California 94612
Tony.mendoza@sierraclub.org

Casey Roberts
Sierra Club
1536 Wynkoop St., Suite 312
Denver, Colorado 80202
Casey.roberts@sierraclub.org

INDIANA COAL COUNCIL

Robert L. Hartley
Carly J. Tebelman
Frost Brown Todd LLC
201 N. Illinois Street, Suite 1900
P.O. Box 44961
Indianapolis, Indiana 46244-0961
rhartley@fbtlaw.com
ctebelman@fbtlaw.com

PEABODY COALSALES, LLC

Joshua A. Claybourn
Chad Sullivan
Jackson Kelly PLLC
221 NW Fifth Street
P.O. Box 1507
Evansville, Indiana 47706
jclaybourn@jacksonkelly.com
cjsullivan@jacksonkelly.com

ICARE

Meghan E. Griffiths
Jennifer A. Ferri
Jackson Walker LLP
100 Congress Ave., Suite 1100
Austin, Texas 78701
mgriffiths@jw.com
jferri@jw.com

Robert L. Hartley
Frost Brown Todd LLC
201 N. Illinois Street, Suite 1900
Indianapolis, Indiana 46244
rhartley@fbtlaw.com

RACKERS

Dennis Rackers
275 E. 125th Pl
Crown Point, IN 46307
dsrasdf@gmail.com

MODERN FORGE

Alan M. Hux
Taft Stettinius & Hollister, LLP
One Indiana Square, Suite 3500
Indianapolis, Indiana 46204
ahux@taftlaw.com

LAPORTE COUNTY

Shaw R. Friedman
Friedman & Associates, P.C.
705 Lincolnway
LaPorte, Indiana 46350
sfriedman.associates@frontier.com

Keith L. Beall
Beall & Beall
13238 Snow Owl Dr., Ste. A
Carmel, Indiana 46033
kbeall@indy.rr.com

UNITED STEELWORKERS

Anthony Alfano
United Steelworkers
1301 Texas St., 2nd Floor
Gary, Indiana 46402
aalfano@usw.org

NICTD

L. Charles Lukmann, III
Connor H. Nolan
Harris Welsh & Lukmann
107 Broadway
Chesterton, Indiana 46304
clukmann@hwllaw.com
cnolan@hwllaw.com

James A.L. Buddenbaum
Aleasha J. Boling
Parr Richey Frandsen Patterson Kruse LLP
251 N. Illinois Street, Suite 1800
Indianapolis, Indiana 46204
jbuddenbaum@parrlaw.com
aboling@parrlaw.com



Claudia J. Earls

Petitioner's Exhibit No. 11
Northern Indiana Public Service Company LLC
Page 1

VERIFIED DIRECT TESTIMONY OF KIMBERLY K. CARTELLA

Deleted: CHRISTOPHER D. SMITH

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

A1. My name is Kimberly K. Cartella. My business address is 3101 N. Ridge Rd., Lorain, Ohio 44055. I am employed by NiSource Corporate Services Company ("NCSC") as Director of Compensation.

Deleted: Christopher D. Smith

Deleted: 801 E. 86th Avenue, Merrillville, Indiana 46410

Deleted: Vice President of Human Resources

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

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

Q3. Please describe your educational and employment background.

A3. I received a Bachelor of Science degree in Financial Planning from Purdue University in 1992. I am a certified Professional in Human Resources ("PHR") and a Certified Compensation Professional ("CCP"). I have worked for NiSource in a human resources capacity since 1999. I have held the position of Director Compensation at NiSource since January 2019. Prior to that, I was a Manager Compensation, Senior Compensation Analyst, Senior Human Resource Consultant, and College Recruiter.

Deleted: I received a Bachelor of Arts Degree from Indiana University in 2002. In 2003, I received a Human Resources Certificate from Cornell University. In 2014, I obtained a Master in Business Administration from the University of Notre Dame. I joined NiSource Inc. ("NiSource") in 2009 as Human Resource Director. Prior to joining NiSource, I was the Human Resources Director for The Pepsi Bottling Group ("Pepsi") where I had Human Resources and Labor Relations responsibility for 13 distribution and production facilities across Virginia and Tennessee and preceding that role I was the Human Resources Manager for Pepsi's Las Vegas facility. Before joining Pepsi, I worked for Bristol-Myers Squibb Pharmaceuticals (Infant Formula division, previously known as Mead Johnson Nutritionals) in roles of increasing responsibility to include Human Resources Intern, Human Resources Specialist, and Associate Human Resources Manager. Prior to working for Bristol-Myers Squibb, I was a Human Resources Intern with Kimball International.

Petitioner's Exhibit No. 11
Northern Indiana Public Service Company LLC
Page 2

1 Q4. What are your responsibilities as Director of Compensation?

Deleted: Vice President of Human Resources

2 A4. As Director of Compensation, I am responsible for executing all aspects of
3 compensation across all NiSource subsidiaries including NIPSCO. This
4 includes establishing reasonable and competitive levels of salaries and
5 incentive compensation.

Deleted: Vice President of Human Resources, I am responsible for executing all aspects of human resources for the seven NiSource Operating Companies including NIPSCO, which includes recruiting and retention, employee relations, performance management, organizational effectiveness, and leadership development. Although NCSC has subject matter experts for compensation, labor, benefits, and recruiting, I oversee the field Human Resources Generalists that link those subjects/subject matter experts to our employees.

6 Q5. Have you previously testified before this or any other regulatory
7 commission?

8 A5. I have not testified before the Indiana Utility Regulatory Commission. I
9 have submitted testimony on behalf of Columbia Gas of Maryland in its
10 2016 rate case proceeding – Case No. 9417 and 2017 rate case proceeding –
11 Case No. 9447. I also testified before the Massachusetts Department of
12 Public Utilities on behalf of Columbia Gas of Massachusetts (“CMA”) in
13 Docket No. DPU 13-75, and submitted written testimony on behalf of CMA
14 in Docket No. DPU 15-50. In all four cases, my testimony concerned
15 employee compensation and benefits. I also submitted rebuttal testimony
16 before the Pennsylvania Public Utility Commission on behalf of Columbia
17 Gas of Pennsylvania, Inc. in Docket No. R-2015-2468056 and Docket No. R-
18 2016-2529660. My testimony in Pennsylvania concerned profit sharing and
19 long-term incentive compensation.

Formatted: Font: Palatino Linotype

Formatted: Font: Palatino Linotype

Deleted: Yes. I previously submitted testimony before this Commission in support of NIPSCO's most recent gas rate case in Cause No. 44988 and in NIPSCO's last electric rate case in Cause No. 44688.

VERIFICATION

I, Kimberly K. Cartella, Director of Compensation of NiSource
Corporate Service Company, affirm under penalties of perjury that the
foregoing representations are true and correct to the best of my knowledge,
information and belief.

Deleted: Christopher D. Smith, Vice President, Human
Resources

Kimberly K. Cartella

Deleted: Christopher D. Smith

Date: June 26, 2019

Deleted: October 31, 2018

VERIFIED DIRECT TESTIMONY OF KIMBERLY K. CARTELLA

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

2 A1. My name is Kimberly K. Cartella. My business address is 3101 N. Ridge
3 Rd., Lorain, Ohio 44055. I am employed by NiSource Corporate Services
4 Company ("NCSC") as Director of Compensation.

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

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

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

9 A3. I received a Bachelor of Science degree in Financial Planning from Purdue
10 University in 1992. I am a certified Professional in Human Resources
11 ("PHR") and a Certified Compensation Professional ("CCP"). I have
12 worked for NiSource in a human resources capacity since 1999. I have held
13 the position of Director Compensation at NiSource since January 2019.
14 Prior to that, I was a Manager Compensation, Senior Compensation
15 Analyst, Senior Human Resource Consultant, and College Recruiter.

1 **Q4. What are your responsibilities as Director of Compensation?**

2 A4. As Director of Compensation, I am responsible for executing all aspects of
3 compensation across all NiSource subsidiaries including NIPSCO. This
4 includes establishing reasonable and competitive levels of salaries and
5 incentive compensation.

6 **Q5. Have you previously testified before this or any other regulatory**
7 **commission?**

8 A5. I have not testified before the Indiana Utility Regulatory Commission. I
9 have submitted testimony on behalf of Columbia Gas of Maryland in its
10 2016 rate case proceeding – Case No. 9417 and 2017 rate case proceeding –
11 Case No. 9447. I also testified before the Massachusetts Department of
12 Public Utilities on behalf of Columbia Gas of Massachusetts (“CMA”) in
13 Docket No. DPU 13-75, and submitted written testimony on behalf of CMA
14 in Docket No. DPU 15-50. In all four cases, my testimony concerned
15 employee compensation and benefits. I also submitted rebuttal testimony
16 before the Pennsylvania Public Utility Commission on behalf of Columbia
17 Gas of Pennsylvania, Inc. in Docket No. R-2015-2468056 and Docket No. R-
18 2016-2529660. My testimony in Pennsylvania concerned profit sharing and
19 long-term incentive compensation.

1 **Q6. Are you sponsoring any attachments to your testimony in this Cause?**

2 A6. Yes. I am sponsoring Attachment 11-A through Attachment 11-D, all of
3 which were prepared by me or under my direction and supervision.

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

5 A7. The purpose of my testimony is to describe and support the reasonableness
6 and competitiveness of NIPSCO wages and salaries, incentive
7 compensation, and benefits provided to employees. I also support the pro
8 forma adjustment to test-year expenses relating to incentive compensation.

9 **Employee Compensation**

10 **Q8. Please describe NiSource's compensation philosophy.**

11 A8. NiSource's "total rewards" compensation philosophy aims to compensate
12 employees competitively in comparison to the utility industry, as well as
13 general industry employers, to attract, retain and motivate employees who
14 are qualified to perform the needed functions of the particular position.
15 This compensation philosophy enables NIPSCO to meet its obligation to
16 provide safe, reliable, and cost-effective service to its customers. This
17 compensation philosophy is consistent across the NiSource companies.

18 **Q9. What are the components of NIPSCO's total compensation and benefits?**

1 A9. NIPSCO's total rewards program includes (a) market-driven base
2 compensation (rewarding employees in a manner that is competitive with
3 the external job market), (b) market-driven performance
4 adjustments/merits, (c) long- and short-term incentives, (d) profit sharing,
5 and (e) health and welfare benefits. The mix of these elements differs for
6 various levels in the organization. For purposes of my testimony, I will
7 focus on merit increases, long-term incentives, short-term incentives, and
8 profit sharing, which are all components of the total rewards program.

9 **Q10. Does NiSource employ a compensation and benefits consultant to assist**
10 **in determining the manner in which it should compensate employees**
11 **across the NiSource Operating Companies, including NIPSCO?**

12 A10. Yes. For compensation and certain health and welfare benefits, NiSource
13 regularly relies on the advice and guidance provided by Mercer LLC, a
14 global consulting leader in talent, health, retirement, and investments.
15 Mercer assists NiSource in setting competitive salary ranges and evaluating
16 and recommending changes to employee health and welfare benefit plans.
17 Mercer supports NiSource's policy of compensating employees within a
18 range determined for base pay and total compensation and benefits when
19 compared to other employers. Mercer also supports the NiSource base pay

1 management program that is designed to maintain reasonable market
2 based pay on an ongoing basis across the NiSource Operating Companies.
3 In addition, Aon Hewitt Associates ("Aon"), a global human resources
4 consulting firm, assists NiSource in pension plan and post-retirement
5 medical actuarial analysis, and Alight Solutions assists with administration
6 of pension and health and welfare benefits.

7 **Q11. Are compensation and benefit levels at NIPSCO reasonable and**
8 **competitive in your opinion?**

9 A11. Yes. As I explain below, I believe NIPSCO provides reasonable and
10 competitive compensation and benefits to its employees.

11 **Base Compensation**

12 **Q12. Is NIPSCO required to provide any increases in compensation as a result**
13 **of labor contracts?**

14 A12. Yes. NIPSCO has two collective bargaining agreements that provide for
15 annual increases through the terms of the agreements, which are from June
16 1, 2014 through May 31, 2019.

17 **Q13. When do increases under the collective bargaining agreements take effect**
18 **for each of NIPSCO's bargaining units?**

1 A13. The scheduled wage increases are shown in Attachment 11-A attached
2 hereto. Both agreements provide for a 3.25% base wage increase on January
3 1, 2017, a 3.5% base wage increase on January 1, 2018, and a 3.5% base wage
4 increase on January 1, 2019. These scheduled wage increases are key inputs
5 in NIPSCO's merit adjustment, which is designated as Adjustments OM 1-
6 18 and OM 1-19 on Petitioner's Exhibit No. 4, Attachment 4-C-S2, OM 1.

7 **Q14. How is base pay determined for NIPSCO employees who are not covered**
8 **by a collective bargaining agreement?**

9 A14. To ensure that each job was valued correctly, NiSource, on behalf of
10 NIPSCO, in conjunction with Mercer, evaluated the compensation paid by
11 other employers within the energy/utility industry and outside the industry
12 for the same or similar type of work. NiSource established a pay range for
13 each job based on 75% to 125% of the median values derived during this
14 process. NiSource's objective is to pay employees within this range. An
15 employee's placement within the applicable range is determined by factors
16 such as general business conditions and the employee's skill set, experience,
17 and performance. This policy results in compensation levels that are
18 reasonable but also competitive enough to attract, retain and motivate
19 qualified employees.

1 **Q15. Does NIPSCO generally provide annual base pay increases, based on**
2 **merit, to its employees who are not covered by a collective bargaining**
3 **agreement?**

4 A15. Yes. Annual base pay increases are a critical component to attracting,
5 retaining and motivating a high quality workforce. NIPSCO's employees
6 who are not covered by a collective bargaining agreement, therefore, also
7 receive annual base pay increases effective June 1 of each year. NIPSCO
8 has regularly awarded annual pay increases to its employees as shown in
9 Attachment 11-A attached hereto. Effective June 1, 2017 and June 1, 2018,
10 NIPSCO provided a 3.00% performance pay pool for distribution to exempt
11 and non-exempt, non-union employees. As reflected in Attachment 11-A,
12 NIPSCO anticipates a 3.00% performance adjustment for distribution to
13 exempt and non-exempt, non-union employees effective June 1, 2019 as
14 well.

15 For 2017 and 2018, leaders were expected to differentiate the amount of
16 increase provided to individual employees based upon the individual
17 employee's performance and contribution, as well as the employee's
18 relative placement in the salary range for the position. Thus, while
19 individual increases were more or less than 3.00%, the average increase for

1 all employees was 3.00%. These increases are important to recognize
2 employees' contributions and necessary to allow NIPSCO to remain
3 competitive. These anticipated wage increases are key inputs in NIPSCO's
4 merit adjustment, which is designated as Adjustment OM-1 on Petitioner's
5 Exhibit No. 4, Attachment 4-C-S2, OM 1.

6 **Annual Incentive Plan**

7 **Q16. Does NIPSCO provide employees an opportunity to receive annual**
8 **incentive pay?**

9 A16. Yes. For 2017 and 2018, Corporate Incentive Plan goals were set for both
10 overall NiSource and NIPSCO. If these Corporate Incentive Plan goals are
11 met, an incentive pool is created for distribution to NIPSCO employees. For
12 employees covered by a collective bargaining agreement and for other non-
13 exempt employees, their incentive pay is determined arithmetically by
14 multiplying their incentive payout percentage times their eligible earnings.
15 For all other employees, one-third of their incentive pay is determined
16 arithmetically by multiplying their incentive payout percentage times one-
17 third of their eligible earnings. The other two-thirds of their incentive pay
18 is determined by assessing how well that employee has met individual
19 performance objectives that are focused on customer-oriented goals such as

1 safety, customer service, quality of service, and containment of costs.
2 Employees are accountable for these goals and take action to reinforce them
3 to achieve incentive rewards.

4 The discretionary portion of the incentive program is based on performance
5 management linked to goals, including customer service, reliability, safety,
6 employee, process/capability, and financial goals for NIPSCO.
7 Performance management is executed through the annual evaluation
8 process embodied in the Performance Management Worksheet ("PMW").

9 The PMW contains annual performance objectives and articulates the
10 means of measuring the employee's progress in relation to the established
11 objectives. Each employee is actively involved in the development of his or
12 her PMW, with input from his or her supervisor. The employee's progress
13 is reviewed and discussed with the employee periodically throughout the
14 year. The PMW process is also used as an aid in determining the amount
15 of a merit increase for an employee.

16 Use of the PMW process to establish goals against which to measure
17 employees' performance is important in reinforcing the proper focus on key
18 initiatives and goals designed to improve safety, customer service, quality

1 of service, and containment of costs.

2 **Q17. Is the potential to earn incentive pay needed for NIPSCO to be effective**
3 **in recruiting, retaining and motivating its employees?**

4 A17. Yes. Incentive compensation is an element of competitive total
5 compensation in the labor market both within the utility industry and
6 within the broader employer base. Therefore, in order for NIPSCO to
7 remain competitive in the labor market, it is important to provide incentive
8 compensation as part of total compensation. If NIPSCO maintains a
9 competitive base compensation, but does not provide incentive
10 compensation, total compensation will lag behind the competition, and
11 employees will have larger, more attractive total compensation
12 opportunities at other employers providing competitive compensation
13 inclusive of incentives.

14 The importance of incentive compensation is evidenced by a recent survey
15 conducted by Aon Hewitt. The following is an excerpt from the Highlights
16 and Trends section of The Aon Hewitt 2017 Variable Compensation
17 Measurement ("VCM") Report-U.S. Edition (at 4-6):

18 Even with the changing economic environment, variable
19 pay budgets have continued to remain significantly higher

1 than amounts budgeted for salary increases. While salary
2 increases have hovered at or around 3% for the past six
3 years, variable pay budgets have consistently been in
4 double digits.

5 Highlights and Trends

6 Variable pay plans continue to be a critical component of
7 most VCM participants' total compensation offerings. The
8 Aon Hewitt VCM report continues to support the trend that
9 organizations are increasingly turning to variable pay as a
10 means to attract, retain, and reward performance while
11 traditional merit increase budgets remain at record low
12 levels. In 2017, a median 98% of total U.S. employees who
13 were eligible for at least one type of variable pay award
14 actually received an award.

15 Prevalence of Variable Compensation

16 The frequency of companies with at least one broad-based
17 variable pay plan continued to increase since 1994 when we
18 first started recording this information. According to Aon
19 Hewitt's Salary Increase Survey in 1995, 59% of U.S.
20 organizations indicated they had at least one broad-based
21 variable pay plan in place. By 2017, 88% of U.S.
22 organizations had implemented a broad-based variable pay
23 plan.

24 Not only have more U.S. organizations in the database
25 introduced broad-based variable compensation in recent
26 years, organizations also have changed the look of their
27 variable pay plans.

28 The incentive plan is designed to drive and reinforce PMW goals for exempt
29 employees. These goals are divided into 5 key categories, including: safety,
30 customer, financial, execution, and engagement. These goals and the
31 Performance Management processes are critical in reinforcing key NIPSCO

1 initiatives, including safety, customer service, and reliability improvement.

2 **Q18. How are NIPSCO incentive levels and incentive ranges determined?**

3 A18. Each employee is placed in a job scope level, which is based generally on
4 their responsibility level within the organization. Each job scope level has
5 an associated incentive opportunity range, beginning at a threshold or
6 "trigger" level, which provides an incentive of 50% of a "target." The
7 incentive opportunity range increases through the "target" level up to the
8 "stretch" level, which provides an incentive of 150% of the "target." For
9 example, first line supervisors are in a job scope level that provides a target
10 incentive of 10% of base pay. The trigger and stretch levels are 50% below
11 and above the target percentage, respectively. Therefore, the incentive
12 range for a first line supervisor is:

13	5%	10%	15%
14	Trigger	Target	Stretch

15 **Q19. What incentive level is included in the Forward Test Year?**

16 A19. The Forward Test Year is based on a target level payout. The 2017 actual
17 payout was above target. Adjustments OM 7-17 and OM 12-17 on
18 Petitioner's Exhibit No. 4, Attachment 4-C-S2, OM 7 and OM 12,
19 respectively, normalizes 2017 corporate incentive compensation expenses

1 to reflect a payout consistent with the target levels included in the Forward
2 Test Year to align the 2017 actuals with the target level payouts included in
3 2018 and 2019 Budget Years.

4 **Q20. When is incentive compensation awarded?**

5 A20. If the measures for the incentive compensation plan are met, incentive
6 compensation is provided annually in the end of February paycheck for
7 monthly paid employees and in the first paycheck in March for bi-weekly
8 paid employees.

9 **Detail of Comparative Compensation Analysis**

10 **Q21. Have you performed a comparative analysis to determine the**
11 **reasonableness of NIPSCO's total cash compensation?**

12 A21. Yes. As previously mentioned, NCSC, in conjunction with Mercer, has
13 prepared analyses that compare total cash compensation provided by
14 NCSC and NIPSCO relative to other utilities and to general industry
15 companies. Mercer provides NCSC with robust external compensation data
16 that is utilized for comparison purposes. The analyses look at base
17 compensation and "total cash compensation." "Total cash compensation"
18 is the total of base pay and incentive pay. These analyses demonstrate that
19 the base pay and total cash compensation provided by NCSC and NIPSCO

1 are reasonable when compared with other utilities and general industry
2 employers. The comparative analyses are attached hereto as Attachment
3 11-B and Attachment 11-C. Attachment 11-B compares base and total cash
4 compensation for NCSC positions with at least 15 or more incumbents in
5 both utility and general industry from a variety of functions and levels
6 relative to the industry nationally. Attachment 11-C compares NIPSCO
7 non-union positions with at least 15 incumbents relative to the industry
8 nationally.

9 As Attachment 11-B shows, the NCSC base salary and total cash
10 compensation are reasonable and competitive. Specifically, NCSC is 7.1%
11 below the market comparison data in base pay and 4.0 % below the market
12 comparison data in total cash compensation for these positions compared
13 nationally.

14 **Q22. Please describe Attachment 11-C.**

15 A22. Attachment 11-C analyzes the salaries for non-union NIPSCO positions as
16 compared to base salaries and total cash compensation to the average utility
17 salaries nationally.

18 **Q23. What conclusions do you draw from Attachment 11-C?**

1 A23. NIPSCO base salary and total cash compensation are reasonable and
2 competitive. Overall, nationally, NIPSCO base salaries were below market
3 by 5.5%, and NIPSCO total cash compensation was below market by 2.2%.

4 **Annual Base Pay Increases**

5 **Q24. How do annual base pay increases at NIPSCO compare to those provided**
6 **by other employers?**

7 A24. Attachment 11-D provides a comparison between NCSC and NIPSCO's
8 base pay increases (as a percent of base pay) for employees who are not
9 covered by a collective bargaining agreement and those for other utilities
10 and general industry employers. The data in Attachment 11-D is
11 categorized nationally, by the energy segment, and regionally, the
12 Chicagoland area. This analysis draws from Mercer data covering a large
13 number of companies within the general industry, the Energy industry, and
14 industries located in the Chicagoland area. Attachment 11-D demonstrates
15 that the Company's annual increases in 2018 and projected for 2019 of (non-
16 exempt) and (exempt), which are 3%, were the same as the average
17 increases of other companies nationally, within the Energy segment, and
18 regionally.

1 **Employee Benefits**

2 **Q25. What are the benefits offered by NIPSCO to attract, retain and motivate**
3 **qualified employees?**

4 A25. NIPSCO's benefit plans basically correspond to the plans offered
5 throughout NiSource, including health and welfare plans (medical and
6 prescription drug coverage, dental coverage, vision care, term life
7 insurance, spouse and child term life, and disability insurance), a defined
8 benefit pension plan (for certain employees), a 401(k) savings plan, and
9 paid time off (vacation, holiday and sick pay). Benefits are an important
10 component of any compensation structure and are necessary to ensure
11 NIPSCO is able to attract and retain qualified employees.

12 **Q26. Please describe each of the major employee benefit plans.**

13 A26. The major benefit plans are as follows:

14 Pension Plan:

15 Pension benefits are provided to NIPSCO employees and certain NCSC
16 employees pursuant to the provisions of the NiSource Inc. and Northern
17 Indiana Public Service Company Pension Plan Provisions Pertaining to
18 Salaried and Non-Exempt Employees and NiSource Inc. and Northern
19 Indiana Public Service Company Pension Plan Provisions Pertaining to

1 Bargaining Unit Employees ("Pension Plan"). The Pension Plan consists of
2 three different pension offerings. The particular pension offering in which
3 an individual participates is determined by several factors, such as whether
4 the employee is in a bargaining unit or is non-union, the date of the
5 employee's hire, or individual choice.

6 The three different pension offerings are: (1) the Account Balance II
7 formula; (2) the Account Balance I formula; and (3) the bargaining unit Final
8 Average Pay formula. The manner in which the pension benefit is
9 calculated varies according to the pension offering. Under the Account
10 Balance II Formula, pay credits are allocated to an employee's balance in an
11 amount equal to a percentage of the employee's eligible pay. The
12 employee's annual pay credit percentage is determined by the total age and
13 service points the employee accumulates each year, as measured on
14 December 31. The pay credit percentage ranges from 4% to 6% of eligible
15 pay. In addition, an employee receives an additional pay credit of 1% on
16 their eligible pay that exceeds one-half of the Social Security Wage Base in
17 effect that year. In addition to the pay credit, employees receive an interest
18 credit to their account each year on December 31. Under the Account
19 Balance I Formula, pay credits are allocated to an employee's balance in an

1 amount equal to a percentage of the employee's eligible pay. The
2 employee's annual pay credit percentage is determined by the total age and
3 service points the employee accumulates each year, as measured on
4 December 31. The pay credit percentage ranges from 5% to 10% of eligible
5 pay. In addition, an employee receives an additional pay credit of 2% on
6 their eligible pay that exceeds one-half of the Social Security Wage Base in
7 effect that year. In addition to the pay credit, employees receive an interest
8 credit to their account each year on December 31. Under the bargaining
9 unit Final Average Pay formula, an employee receives a pension benefit
10 that is based upon: 0.575% of final average pay times years of credited
11 services up to 30; plus, years of credited service times an amount based on
12 the employee's benefit class for the last 60 months.

13 A pension benefit is no longer offered effective on or after January 1, 2010
14 for exempt new hires and on or after January 1, 2013 for non-exempt, non-
15 union new hires.

16 The annual expense of the Pension Plan is based upon calculations
17 performed by Aon Hewitt consulting actuaries. The annual expense is
18 determined by factors including the discount rate, return on assets, and

1 various actuarial assumptions. Aon Hewitt also makes an annual
2 evaluation of the Pension Plan as to liabilities, assets and the required
3 funding level.

4 Under the NiSource Inc. Retirement Savings Plan employees can contribute
5 between 1% to 50% of eligible compensation on a pre-tax basis and up to
6 25% on an after-tax basis, subject to IRS limitations. NIPSCO matches a
7 portion of the pre-tax or after-tax contributions each pay period. The
8 amount of NIPSCO's match varies based upon the pension plan offering in
9 which the employee participates or on the non-union employees' hire date.

10 Medical Coverage:

11 NIPSCO provides medical coverage to its employees through the following
12 self-insured plans: Preferred Provider Organization ("PPO") and two High
13 Deductible PPOs. NIPSCO continues to review plan coverage and search
14 for more efficient ways to offer and administer plan coverage. NIPSCO self-
15 insures its PPO and High Deductible PPO offerings, which reduces
16 underwriting margins. Plans that offer coverage through provider
17 networks are used to take advantage of provider discounts. NIPSCO also
18 provides access to medical coverage for retirees who meet certain hire date,

1 age, and service requirements. The amount of subsidy NIPSCO provides
2 to retirees varies depending upon factors, such as: whether the employee is
3 a member of a bargaining unit, the number of years of service, the level of
4 coverage, choice of plan, and when an employee retired. Post-retirement
5 medical is no longer offered effective on or after January 1, 2010 for exempt
6 new hires and on or after January 1, 2013 for non-exempt, non-union new
7 hires.

8 Dental Coverage:

9 NIPSCO offers three dental coverage options: (1) Preventative Dental
10 (salaried/non-exempt only), (2) Basic Dental, and (3) Dental Plus. All dental
11 plans use a network of providers. The process of procuring dental coverage
12 for NIPSCO employees corresponds with the process for procuring health
13 care described previously.

14 Vision Coverage:

15 NIPSCO provides Vision coverage to its employees. The plan utilizes a
16 network of doctors and covers certain costs associated with exams and
17 correction.

18 Group Life:

1 NIPSCO provides three forms of life insurance: Basic Group Life,
2 Accidental Death and Disbursement ("AD&D"), and Retiree Life Insurance.

3 Group Life and AD&D are based upon covered base compensation for
4 salaried and non-exempt employees and years of service for bargaining
5 unit employees. Retiree Life is a fixed amount. Retiree Life is no longer
6 offered effective on or after January 1, 2010 for exempt new hires and on or
7 after January 1, 2013 for non-exempt, non-union new hires. As with all of
8 NIPSCO's insured plans, the premiums are based upon actual claims
9 experience because this is a fully experience-rated plan.

10 Long Term Disability ("LTD"):

11 The cost of LTD is based on an employee's base compensation. The LTD
12 plan is also fully experience-rated, and, therefore, the premium reflects
13 NIPSCO's claims experience, plus administrative expenses. For bargaining
14 unit employees, the applicable disability plan and coverage level depends
15 on date of hire or choice of plan.

16 Employee Assistance Program ("EAP"):

17 EAP provides short-term counseling for employees and their dependents
18 to assist with personal, family and work-related concerns.

1 **Health Care and Dental Plan Costs**

2 **Q27. How does NIPSCO obtain health care coverage for its employees?**

3 A27. NCSC provides a number of health care coverage options for NIPSCO
4 employees and retirees. Applicable benefit plan coverage is competitively
5 bid through a request for proposal process. Proposals are solicited from
6 insurance carriers and/or third party administrators. These proposals are
7 reviewed, and finalists are selected based upon the financial stability of the
8 carrier or third-party administrator, the breadth of its provider network,
9 network provider discounts, administrative capabilities, and price.
10 Finalists are interviewed, and further negotiations take place regarding
11 pricing for the services offered. Carriers and third-party administrators are
12 selected based upon their ability to provide quality service in the most cost-
13 efficient manner.

14 **Q28. What steps has NIPSCO taken to manage its health care costs?**

15 A28. NCSC, on behalf of NIPSCO, undertakes many initiatives to manage the
16 cost of providing health care to NIPSCO employees. NCSC continues to
17 review plan coverage and search for more efficient ways to offer and
18 administer plan coverage. The primary health care plans are self-insured,
19 which reduces underwriting margins. Plans that offer coverage through

1 provider networks are used as often as possible to take advantage of
2 provider discounts. Opt-out credits are paid to those employees who have
3 alternate health care coverage and elect not to participate in the plans.
4 These credits are offered at a fraction of the cost that would otherwise be
5 required to provide coverage for the employees who opt-out. As with other
6 parts of its business, NIPSCO utilizes purchasing power to ensure
7 competitive rates from its carriers because of its affiliation with NiSource.
8 In addition, corporate-wide programs offer a larger pool of covered
9 participants, which provides for a larger spread of risk. The larger risk pool
10 helps manage health care costs.

11 **Q29. Are NIPSCO employees subject to increases commensurate with those**
12 **imposed on NIPSCO?**

13 A29. Yes. Because employees share on a percentage-of-cost basis in the cost of
14 the health plans that NIPSCO makes available to them, employees have
15 experienced increases in their contributions toward health coverage. The
16 percentage of cost employees share is 25% for non-exempt non-union
17 employees. Exempt employees pay 30% of the cost. For employees in the
18 bargaining units, their percentage cost share is 25% and is subject to
19 collective bargaining.

1 **Q30. How does NIPSCO procure dental coverage for its employees?**

2 A30. The process of procuring dental coverage for NIPSCO employees
3 corresponds with the process for procuring health care described
4 previously.

5 **Retiree Benefits**

6 **Q31. Please describe the post-retirement benefits other than pensions that**
7 **NIPSCO provides to its retirees.**

8 A31. NIPSCO provides access to medical coverage for retirees who meet certain
9 hire date, age, and service requirements. The amount of subsidy NIPSCO
10 provides to retirees varies depending upon factors such as: whether the
11 employee is a member of a bargaining unit, the number of years of service,
12 the level of coverage, and when an employee retired. NIPSCO also
13 provides life insurance to its retirees based on date of hire. The amount of
14 life insurance coverage is fixed at \$10,000 for exempt employees and \$25,000
15 for non-exempt non-union employees.

16 **Competitive Benefits**

17 **Q32. Does NIPSCO assess how its employee benefit plans compare to other**
18 **companies?**

1 A32. Yes. On behalf of NIPSCO, NCSC periodically performs studies to compare
2 benefits at a program level and as a package against the benefit programs
3 of a market basket of similar offerings at other employers. The standard
4 NIPSCO benefit offerings are compared to the benefits offered at other
5 energy companies, including investor-owned utilities, and separately
6 against offerings at companies in general industry. The total value and the
7 employer-paid portion of the benefits are rated on a standardized value
8 scale that reflects the deviation of the NIPSCO standard benefit offerings
9 against the average of the selected cohort. In addition to the studies,
10 employees within the NCSC Human Resources department, along with
11 Aon Hewitt, Mercer and its other benefits vendors, conduct ongoing
12 evaluations regarding benefits trends that are observed in the marketplace,
13 as well as alternative means of reducing the cost of providing the necessary
14 benefits.

15 **Q33. What were the results of the latest Aon Hewitt study performed**
16 **regarding NIPSCO's benefits offerings?**

17 A33. The results of the study performed by Aon Hewitt in August of 2016 show
18 that the overall employer-paid value of NIPSCO's benefits plans is 3.1%
19 lower than the average of a comparator group of eleven national utility

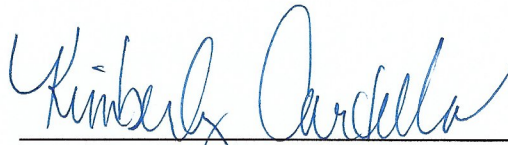
1 companies. Based on these results, I conclude that NIPSCO's benefits are
2 competitive and reasonable as compared with the offerings from other
3 comparable utility companies in the labor market.

4 **Q34. Does this conclude your prefiled direct testimony?**

5 A34. Yes.

VERIFICATION

I, Kimberly K. Cartella, Director of Compensation of NiSource Corporate Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Kimberly K. Cartella

Date: June 26, 2019