

Northern Indiana Public Service Company LLC

Cause No. 45967

FILED
October 25, 2023
**INDIANA UTILITY
REGULATORY COMMISSION**

VERIFIED DIRECT TESTIMONY OF ROSALVA ROBLES

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

2 A1. My name is Rosalva Robles. I am the Manager of Planning – Regulatory
3 Support for Northern Indiana Public Service Company LLC (“NIPSCO” or
4 “Company”). My business address is 1500 165th Street, Hammond,
5 Indiana 46320.

6 **Q2. Please describe your educational and employment background.**

7 A2. I graduated from Purdue University Calumet with a Bachelor of Science in
8 Accounting and minor in International Business (2004), along with a
9 Master of Business Administration with an Accounting Concentration
10 (2006). In addition, in 2016, I began doctorate course work with Indiana
11 Wesleyan University toward earning my Ph.D. in Organizational
12 Leadership. I began my employment with NIPSCO in 2012 as a Senior
13 Budget Analyst overseeing the capital budgets and accruals of various
14 NIPSCO departments. In 2014, I transitioned to the role of Senior
15 Operations Analyst and was later named Lead Operations Analyst, where
16 I was responsible for the electric generation forecast modeling among

1 other month-end close and regulatory support reporting duties. In June
2 2019, I was promoted to my current managerial role. Prior to joining
3 NIPSCO, I worked in the steel and food manufacturing industries, where I
4 performed tax, procurement, and accounting functions. As part of my
5 previous role in the steel industry with supporting state and local taxes, I
6 became a Level I and Level II Assessor Appraiser certified with the State
7 of Indiana through the Department of Local Government Finance. My
8 certification is not active at this time.

9 **Q3. What are your responsibilities as Manager of Planning – Regulatory**
10 **Support?**

11 A3. As Manager of Planning – Regulatory Support, I am responsible for
12 various planning, analytical, and support functions for both NIPSCO's
13 electric and gas portfolios and NIPSCO's Fuel Adjustment Clause
14 ("FAC"), Gas Cost Adjustment (GCA), Regional Transmission
15 Organization (RTO), and Resource Adequacy (RA). This includes
16 oversight responsibilities with generation forecasting and reporting for
17 NIPSCO's electric assets, coordinating the reporting and forecasting for
18 both internal and external parties and entities, and market support
19 functions for NIPSCO's market forecasting models.

1 **Q4. Have you previously testified before the Indiana Utility Regulatory**
2 **Commission ("Commission") or any other regulatory commission?**

3 A4. Yes. Most recently, I submitted testimony in NIPSCO's request for
4 approval and associated cost recovery of a (1) Solar Energy Purchase
5 Agreement between NIPSCO and Appleseed Solar, LLC dated January 24,
6 2023, and (2) Wind Energy Purchase Agreement between NIPSCO and
7 Templeton Wind Energy Center, LLC dated February 13, 2023, both in
8 Cause No. 45887, and (3) Wind Energy Purchase Agreement between
9 NIPSCO and Carpenter Wind Farm LLC dated April 13, 2023 in Cause
10 No. 45908. I also routinely testify before the Commission in NIPSCO's
11 FAC quarterly filings in Cause No. 38706-FAC-XXX (beginning in FAC-
12 126) and previously testified in NIPSCO's RA semi-annual adjustment
13 filings in Cause No. 44155-RA-XX (RA 16 through RA 20).

14 **Q5. Are you sponsoring any attachments to your direct testimony in this**
15 **Cause?**

16 A5. No. However, I do sponsor a portion of the workpapers included in
17 Petitioner's Confidential Exhibit No. 19-S2.

18 **Q6. What is the purpose of your testimony?**

1 A6. The purpose of my direct testimony is to describe NIPSCO's gas
2 infrastructure and explain how the quality of that system supports the
3 safe delivery of natural gas. I also describe proposed changes to
4 NIPSCO's Rates 228 and 238 in its Current Tariff. In addition, I discuss
5 the planning assumptions that support NIPSCO's forecasted cost of gas
6 sold, forecasted gas in storage, and forecasted on-system storage activity.
7 Finally, I provide support for the adjustment to the Company's test year
8 revenues to remove forecasted off-system displacement revenues.

9 **NIPSCO GAS DISTRIBUTION SYSTEM**

10 **Q7. Please describe NIPSCO's gas distribution system.**

11 A7. NIPSCO's gas distribution system is a dispersed/multiple city-gate,
12 integrated transmission/distribution and multiple-pressure-based system
13 providing gas service to approximately 859,000 customers. At the end of
14 2022, the Company had approximately 17,850 miles of distribution line
15 and approximately 690 miles of high pressure transmission line.

16 **Q8. Has NIPSCO's gas distribution system been adequately maintained in**
17 **good operating condition?**

18 A8. Yes. NIPSCO invests in its gas distribution system and is committed to
19 providing a safe and reliable supply of gas to its customers. In addition to

1 regular maintenance and inspection programs, recent and planned
2 investments to NIPSCO's gas system approved in Cause No. 45330 as part
3 of its Transmission Distribution Storage System Improvement Charge
4 ("TDSIC") Plan are intended to increase long term reliability by replacing
5 infrastructure and allowing access to gas in more rural areas. In
6 particular, NIPSCO's investment in its gas distribution system has
7 resulted in a very low percentage of bare steel pipe (106 miles or 0.59% of
8 total system).

9 **Q9. What benefits do NIPSCO and its customers realize from a low**
10 **percentage of bare steel pipe?**

11 A9. Bare steel pipe is all gas main that was installed without coating and is not
12 cathodically protected (*i.e.*, not protected from corrosion). Bare steel pipe
13 is more likely to develop leaks that require repair and lead to higher
14 unaccounted for gas costs.¹ Reducing a gas utility's bare steel pipe
15 percentage increases safety and reliability of the system. A low bare steel

¹ The American Gas Association ("AGA") defines unaccounted for gas as: The difference between the total gas available from all sources, and the total gas accounted for as sales, net interchange, and company use. This difference includes leakage or other actual losses, discrepancies due to meter inaccuracies, variations of temperature and/or pressure, and other variants, particularly due to measurements being made at different times. In cycle billings, UAFG would be considered an amount of gas supply used but not billed as of the end of a period.

1 pipe percentage also minimizes repair costs because of the much lower
2 likelihood of developing leaks. Gas companies aspire to a low percentage
3 of bare steel pipe to achieve these benefits.

4 **SYSTEM DESIGN**

5 **Q10. How does NIPSCO evaluate system needs?**

6 A10. NIPSCO uses a third-party gas network hydraulic simulation model for
7 new design applications. The model considers two primary variables: (1)
8 the maximum quantity of gas that will be needed to meet demand and (2)
9 the minimum pressure needed at the delivery point. Because the
10 maximum demand on the system generally occurs on the coldest day,
11 NIPSCO has established Design Day Peak conditions based on extreme
12 weather probability for use in its hydraulic simulation model.

13 **Q11. How does NIPSCO determine its Design Day?**

14 A11. As further described by NIPSCO Witness Bartos, NIPSCO evaluates
15 historical weather to determine the design temperature that is used to
16 project system load in the hydraulic simulation model. NIPSCO applies a
17 one in thirty-three-year probability factor to determine the Design Day
18 temperature. This one in thirty-three probability indicates there is a 3%
19 probability that any winter may have at least one day equal to or colder

1 than the Design Day temperature. Based on this analysis, NIPSCO's
2 Design Day represents a daily average of -15 degrees Fahrenheit (or 80
3 heating degree days ("HDDs")). NIPSCO then evaluates the gas usage of
4 all of its stations during the Design Day to determine the amount of gas
5 that will be used and to design the system to ensure that adequate
6 supplies of gas are available. This model also is used to evaluate whether
7 new customers or growing usage will require infrastructure
8 improvements.²

9 **Q12. Why is it necessary to design NIPSCO's system for a Design Day it has**
10 **not experienced?**

11 A12. The consequences of failing to meet Design Day peak demand are
12 significant because of the basic operation of a gas system. If usage exceeds
13 the design capacity, gas pressure may degrade to a point where gas flow
14 will cease for customers located furthest away from the supply source.
15 Appliances using gas will shut down because there is no flowing gas
16 supply. Because gas is not being burned, appliances that rely on a pilot
17 light may allow small amounts of gas to leak into the premises when

² Additional details regarding the planning requirements for Design Day conditions can be found in the filings and Commission Order in Cause No. 37306-GCA-39-S1.

1 service pressure resumes. NIPSCO must send personnel out to these
2 customers' meters to shut-off the gas supply to avoid this danger and then
3 turn the meter back on when gas is available.

4 **Q13. Does NIPSCO have any other tools to avoid such a scenario?**

5 A13. Yes. NIPSCO's current and proposed tariff affords the ability to interrupt
6 services and issue curtailments of gas flow. NIPSCO's Rule 13 and Rates
7 228 and 238 (proposed 328 and 338) provide a concise and transparent
8 approach to the implementation of curtailments and potential penalties
9 associated with non-compliance.

10 **NIPSCO INTERCONNECTIONS**

11 **Q14. Please describe NIPSCO's gas delivery system.**

12 A14. The NIPSCO gas delivery system has 38 interconnects with seven
13 interstate gas pipelines. The transmission system that NIPSCO operates
14 allows for flexibility in the amount of gas needed through the 38 delivery
15 points. This flexibility helps ensure safe, reliable, and cost-effective
16 service and allows for a more efficient operation of the system.

17 **Q15. Are any segments of NIPSCO's gas delivery system particularly**
18 **significant?**

1 A15. Yes. NIPSCO has a group of high demand, high non-weather conforming
2 load factor customers located in the northwest corner of the system. The
3 primary feed to these customers is through NIPSCO's 483 and 600 PSI
4 systems. In the summer months, these systems handle approximately
5 two-thirds of the entire NIPSCO system sendout. NIPSCO's 600 PSI high
6 pressure loop extends from the Illinois state line to the Fort Wayne area
7 and branches north near South Bend and south through Royal Center. All
8 of the seven interstate pipelines connected to the NIPSCO system have
9 one, or more, station(s) that delivers gas into this loop. The capacity in
10 this system allows flexibility between delivery points and thus between
11 deliveries by the seven interstate pipelines, offering more choice of supply
12 to all NIPSCO customers. This flexibility also helps prevent system
13 collapse should any single delivering pipeline fail.

14 **Q16. Are there limitations in the capacity of the 600 PSI high pressure loop?**

15 A16. Yes. Although the 600 PSI high pressure loop offers a great deal of
16 flexibility, it still has limitations. For this reason, it is necessary for
17 NIPSCO to define three transportation zones. They are commonly
18 referred to as the Northwest Zone A, Southeast Zone B, and East Zone E.
19 The connection point between the Southeast Zone and the Northwest

1 Zone is the State Road 114 station, located on the 20" feed in Whitley
2 County.

3 **Q17. What interstate pipelines deliver into each transportation zone?**

4 A17. The table below details the NIPSCO transportation zone, and the
5 interstate pipeline(s) that interconnects and delivers gas into each zone:

NIPSCO Transportation Zone	Upstream Pipeline
Northwest Zone A	ANR Pipeline Crossroads Pipeline Natural Gas Pipeline Company of America Northern Border Trunkline Gas Company Vector Pipeline
Southeast Zone B	ANR Pipeline Panhandle Eastern Pipeline Company
East Zone E	Crossroads Pipeline

6

7 **Q18. Do transportation customers have other restrictions in the delivery of**
8 **gas into the NIPSCO system?**

9 A18. Yes. To retain system integrity, it is important to have rules describing the
10 limits of daily delivery for transportation customers. One rule is that
11 these customers are daily balanced; in other words, there are rules to
12 ensure that the volumes delivered into the NIPSCO system each day are

1 close to the amount of gas being consumed by the customer.

2 **NIPSCO STORAGE FACILITIES, GAS IN STORAGE, AND COST OF GAS SOLD**

3 **Q19. Does NIPSCO own and operate any type of on-system storage**
4 **operations?**

5 A19. Yes. As discussed by NIPSCO Witness Cocking, NIPSCO owns and
6 operates two on-system storage operations: an Underground Gas Storage
7 facility headquartered in Royal Center, Indiana ("Royal Center") and a
8 Liquified Natural Gas ("LNG") facility. In addition, NIPSCO utilizes the
9 operating pressure range of its system ("line pack") for short duration
10 storage.

11 **Q20. How do customers benefit from the Royal Center and LNG facilities**
12 **and from line pack capability?**

13 A20. Customers benefit from NIPSCO's on-system storage options because
14 access to storage facilities enhances cost effectiveness and reliability of
15 service. While storage is available from third-party providers, there are
16 pre-planning requirements and other management issues that may inhibit
17 the ability to use the stored gas when it is necessary. NIPSCO is able to
18 call on its on-system storage facilities during the course of normal
19 operations as well as to supply gas when unexpected events occur. For

1 example, on a day when the temperature is much lower than projected,
2 NIPSCO can call on its own storage facilities rather than acquire gas on
3 the market during peak periods or rely on third-party storage and
4 transportation options that may not be sufficiently flexible to ensure gas is
5 available when needed.

6 **Q21. Please describe NIPSCO's Royal Center operation.**

7 A21. NIPSCO's Royal Center facility is an aquifer storage field that is
8 commonly referred to as Trenton or Royal Center.³ Trenton has a working
9 capacity of 4 billion cubic feet of gas system storage capacity. The
10 working capacity is the amount of gas that can be injected and withdrawn
11 in one annual cycle. The forecasted average daily injection and
12 withdrawal during the Forward Test Year is 35,556 thousand cubic feet
13 ("MCF"). These injection and withdrawal averages were determined
14 using a typical injection and withdrawal process for the facility and are in
15 alignment with historical practices. This historical activity is reviewed
16 annually and subsequently incorporated into NIPSCO's gas in storage

³ An aquifer storage facility is comprised of a porous rock formation capped by a non-porous rock formation. A series of wells are drilled through the non-porous rock and gas is pumped into the porous rock formation, displacing water present in the porous rock. The pressure of the displaced water allows the gas to be recovered when needed.

1 plan on a normalized basis.

2 **Q22. Please describe NIPSCO's LNG operation.**

3 A22. NIPSCO's LNG facility takes natural gas and refrigerates it to its boiling
4 point of -260° Fahrenheit. When full to capacity, the LNG facility has ten
5 days of deliverability at its maximum daily vaporization capability. The
6 LNG facility is utilized to supplement system supply on "critical" winter
7 days of high customer demand. Operationally, the peaking resource is
8 held in reserve for these critical days, as the liquefaction capability of the
9 facility requires about 40 days to replenish the amount of LNG consumed
10 on a single maximum vaporization day.

11 **Q23. What is boil-off?**

12 A23. The LNG in the tank is stored at its boiling point. Because of this, there is
13 always a certain amount of liquid constantly changing into a gas. This gas
14 is called boil-off. The boil-off gas is taken, compressed and put back into
15 the NIPSCO system for use. On a planning basis, NIPSCO projects
16 replacement of boil-off as a part of its annual storage plan and cost of gas
17 sold.

18 **Q24. What is the average annual quantity of boil off that NIPSCO projects it**

1 **must replace?**

2 A24. The forecasted average annual boil-off at NIPSCO's LNG facility is 585,600
3 MCF. It takes approximately 60 to 70 days of liquefaction to replace this
4 boil-off gas. This historical activity is reviewed annually and
5 subsequently incorporated into NIPSCO's gas in storage plan on a
6 normalized basis.

7 **Q25. Aside from naturally occurring boil-off gas, does NIPSCO project to**
8 **vaporize gas during the Forward Test Year?**

9 A25. No. For purposes of the cost of gas sold in the Forward Test Year,
10 NIPSCO does not plan to vaporize LNG. In the event vaporization occurs,
11 NIPSCO's typical practice is to replace the amount vaporized, in addition
12 to the boil-off, during the subsequent injection season.

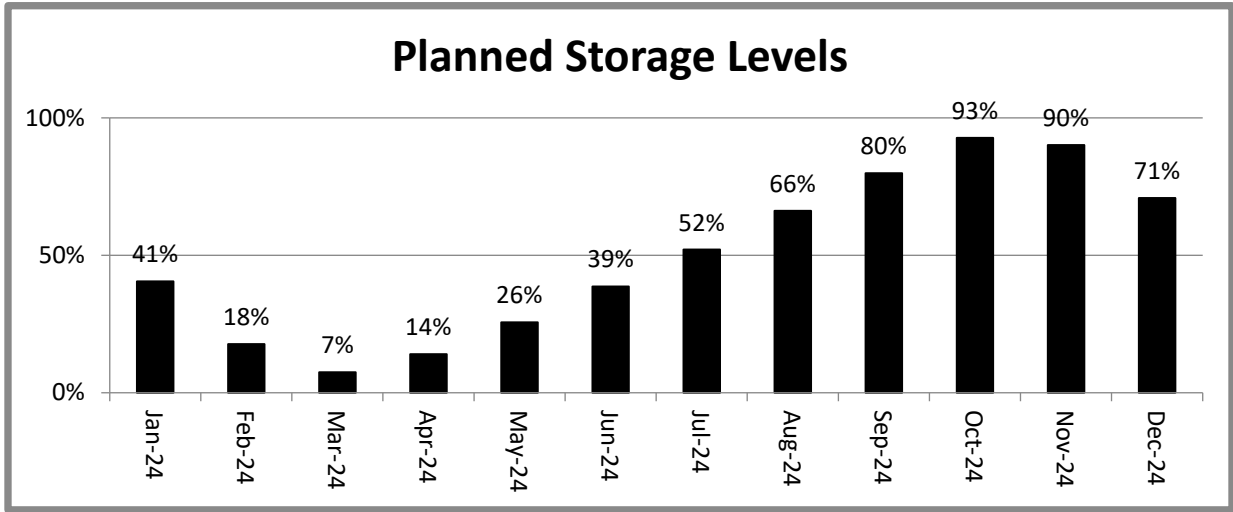
13 **Q26. You previously stated that NIPSCO's customers benefit from line pack.**
14 **Please describe line pack.**

15 A26. When more gas enters the system from the interstate pipelines than is
16 delivered to the customers, the gas is stored in the pipelines and the
17 pressure in the pipelines increases. When more gas leaves than enters the
18 system, gas stored in the pipeline is used and the pressure in the pipeline

1 decreases. Line pack is the amount of gas stored in the high pressure loop
2 as the pressure ranges between 350 and 540 PSI. One significant limitation
3 in line pack is its extreme short term availability. While the availability of
4 stored gas from Royal Center and LNG can be planned weeks ahead, the
5 availability of line pack is dependent on the pressure in the line at that
6 moment in time and thus cannot be relied upon as a firm source of
7 storage. Line pack is unique in that since pressure changes in the system
8 are managed by the pressures supplied by the interstate pipelines, line
9 pack is a no cost benefit NIPSCO is able to provide to its customers.

10 **Q27. How did NIPSCO determine its forecasted gas in storage for the**
11 **purposes of the proceeding?**

12 A27. Firm storage service contracts with Natural Gas Pipeline Company of
13 America, Panhandle, ANR Pipeline Company, Washington 10 Storage
14 Corporation, and Egan Hub Partners, L.P. provide an annual peak
15 working storage capability of approximately 31,560,000 Dth, with
16 maximum daily withdrawal capability of approximately 547,000 Dth to
17 meet winter peaks, after allocations to the Choice Suppliers. The
18 forecasted gas in storage for the contracted storage facilities during the
19 Forward Test Year is detailed in the graph below.



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NIPSCO develops a storage plan that includes both planned injection and withdrawal activity required to meet the customers' needs based upon projected annual billing determinants provided by NIPSCO Witness Bartos. NIPSCO's overall philosophy for injecting and withdrawing from storage is a ratable, but weighted approach whereby NIPSCO seeks to maintain maximum flexibility for monthly and daily system balancing. All forecasted gas in storage levels are determined using forecasted demand and are targeted to achieve approximately 93% of contracted off-system storage and on-system storage volumes at the start of the winter season. The dollar value associated with the forecasted gas in storage is determined through this plan and is priced using the forward price NYMEX curve based on the projected purchases made and injected into storage in a given month to determine a total cost of gas. The total cost of gas is then utilized to

1 determine a Weighted Average Cost of Gas ("WACOG").

2 NIPSCO Witness Dousias included gas in storage as a component of rate
3 base. As shown in Petitioner's Exhibit No. 3, Attachment 3-C-S2, RB 9
4 (Current Account 164) and RB-10 (Non-current Account 117), a 13-month
5 average for the Forward Test Year is calculated using the monthly projected
6 gas in storage inventory volumes and costs that resulted from the planning
7 process described above.

8 **Q28. How did NIPSCO determine its forecasted cost of gas sold for purposes**
9 **of this proceeding?**

10 A28. The bulk of NIPSCO's demand is supported through its storage activity.
11 Therefore, NIPSCO utilizes the total gas cost and WACOG determined in
12 its forecasted gas in storage for its cost of gas sold in order to align with
13 the forecasted plan utilized in this proceeding. The gas cost itself is
14 forecasted and reconciled on a quarterly basis through NIPSCO's GCA
15 tracker proceedings (Cause No. 43629-GCA-XX). See Petitioner's Exhibit
16 No. 3, Attachment 3-C, COGS 1 for the costs of gas included in this
17 proceeding.

1 PROPOSED CHANGES TO RATES 228 AND 238

2 **Q29. Please describe current Rates 228 and 238.**

3 A29. Rate 228 is available to large customers that have gas requirements during
4 the most recent calendar year averaging at least 200 Dth per day. Rate 238
5 is available to customers that have gas requirements during the most
6 recent calendar year averaging at least 100 Dth per day.

7 **Q30. Please describe NIPSCO's proposed changes to Rates 228 and 238 in this**
8 **proceeding.**

9 A30. NIPSCO is proposing to update the Balance Account Capacity Charge
10 ("Bank Capacity Charge") to \$0.1992 per Therm of capacity per month.
11 NIPSCO Witnesses Sears and Taylor discuss NIPSCO's proposed rate
12 design in this proceeding.

13 **Q31. Please explain NIPSCO's bank capacity service.**

14 A31. Bank capacity is an optional service offered by NIPSCO that is available to
15 customers under Rate 228 (Large Transportation and Balancing Service)
16 and Rate 238 (General Transportation and Balancing Service). Contracting
17 for bank capacity allows customers or pool operators receiving service
18 under Rate 228 or Rate 238 to manage daily imbalances. Daily imbalances
19 occur when there is a difference between customers' nominated and

1 actual usage. The bank capacity service also allows for nomination and
2 no-notice injections and withdrawals. The Bank Capacity Charge is
3 credited back to NIPSCO's GCA customers. The current rate charged to
4 Rate 228 and Rate 238 customers or pool operators electing to utilize the
5 bank capacity service (the "Bank Capacity Charge") is a settled rate of
6 \$0.406 Dth-mo.

7 **Q32. How did NIPSCO determine its proposed Bank Capacity Charge?**

8 A32. NIPSCO utilized a volume weighted average of its current off-system
9 storage portfolio that captures the cost difference between baseload
10 storage and no-notice / high-turn storage services to arrive at its proposed
11 \$0.1992 per Therm of capacity per month. In its last two gas rate case
12 proceedings (Cause Nos. 44988 (2018) and 45621 (2022)), NIPSCO
13 proposed a Bank Capacity Charge within its Case-in-Chief using this same
14 methodology and arrived at a \$0.167 per Therm of capacity per month in
15 Cause No. 44988 and \$0.2021 per Therm of capacity per month in Cause
16 No. 45621. This progression shows the cost to offer this service has
17 increased since 2018 as storage and pipeline companies continue to have
18 their own rate proceedings that seek to raise the rates NIPSCO pays for
19 off-system storage and no-notice services.

1

Figure 1

Support for Proposed Bank Capacity Rate

Storage	MDWQ *	\$/Dth-mo of MDWQ	Nominated		No-Notice	
A	150,000	\$2.8763	70,000	\$ 2.8763		
B	80,000	\$3.0000			80,000	\$ 5.8763
C	50,000	\$3.6667	35,000	\$ 3.6667		
D	15,000	\$7.1012			15,000	\$ 10.7679
E	65,000	\$3.7212	65,000	\$ 3.7212		
F	130,000	\$5.1700			130,000	\$ 5.1700
H	35,000	\$2.7900	35,000	\$ 2.7900		
I	35,000	\$1.6250	35,000	\$ 1.6250		
J	86,791	\$6.1638	86,791	\$ 6.1638		
K	15,000	\$2.3055	15,000	\$ 2.3055		
L	40,000	\$3.9063	40,000	\$ 3.9063		
	606,791		381,791	\$ 3.8028	225,000	\$ 5.7943
					Difference	\$ 1.992

* Based on current winter MDWQ

2 **Q33. Please explain the basis for the proposed Bank Capacity Charge.**

3 A33. Figure 1 above demonstrates that the proposed charge of \$1.992 Dth-mo is
 4 based on the actual cost of the nominated and no-notice storage services.
 5 Because these costs flow through the GCA, the GCA bears the difference
 6 between contracted nominated and no-notice storage services. When the
 7 Charge is misaligned with the costs to provide banking service, GCA
 8 customers make up that difference. As such, as a matter of fairness and
 9 equity, the Bank Capacity Charge should be commensurate with the
 10 actual cost structure as depicted in Figure 1 above.

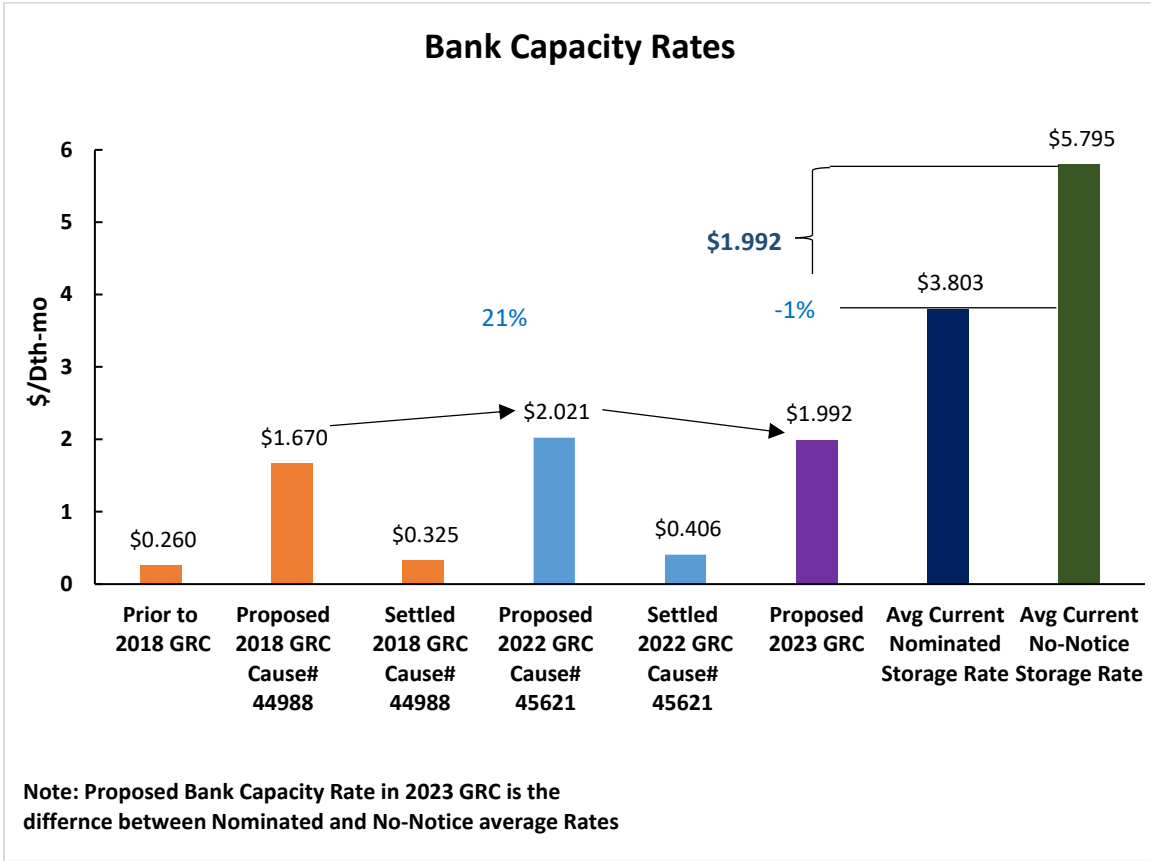
11 **Q34. Why does NIPSCO believe it is important to update the Bank Capacity**

1 **Charge in this proceeding?**

2 A34. Figure 2 below shows the legacy charge for bank capacity services was
3 only \$0.260 (per Dth), which dates back to at least the early 1990s before
4 gas deregulation and transport rates were available to customers. The
5 legacy rate represents a discount to comparable services in the open
6 market and it has increasingly moved out of alignment since. Therefore, it
7 is essential that the Bank Capacity Charge is brought more in line with
8 market-based offerings and in alignment with current actual costs.
9 NIPSCO understands the proposed Bank Capacity Charge represents
10 value to Rates 228 and 238 customers relative to the costs of incurring
11 daily balancing charges, etc. Figure 2 below also shows NIPSCO's
12 proposed Bank Capacity Charges in its last two rate cases as well as the
13 rate that was settled on each Cause. While the settled rates in those rate
14 cases served to increase the Bank Capacity Charge from its legacy,
15 discounted rate, continuing to allow such a substantial under-recovery of
16 costs would be unreasonable. As compared to the \$1.670 Dth-mo charge
17 proposed in Cause No. 44988, NIPSCO's current proposal results in a 20%
18 increase. But when compared to the \$2.021 Dth-mo charge proposed in
19 Cause No. 45621, NIPSCO's current proposal results in a 1% *decrease*.

1 NIPSCO's proposal in this Cause is even-handed and data-driven.

2 **Figure 2**



3

4 **Q35. Is NIPSCO's proposed Bank Capacity Charge reasonable and**
 5 **appropriate?**

6 **A35.** Yes. As explained above, and as illustrated in Figure 1, the current rate
 7 paid for banking services is not adequate to cover the costs to facilitate the
 8 services. In fact, the costs of both notice and nominated storage services
 9 continues to increase and GCA customers are continuing to make up the
 10 difference of this ever-growing divide. Figure 2 also shows that the Bank

1 Capacity Charge proposed in this case is well below any comparable
2 services offered in the open market today even on solely a nominated
3 storage basis.

4 **OFF-SYSTEM DISPLACEMENT REVENUE ADJUSTMENT**

5 **Q36. What are off-system displacement revenues?**

6 A36. In general, off-system displacement revenues are the result of locational
7 exchanges. Locational exchanges are off-system transactions that involve
8 a locational exchange of gas whereby NIPSCO delivers gas to one side of
9 the NIPSCO system and the counterparty delivers an equal volume to
10 another side of the NIPSCO system. These transactions involve the
11 exchange of a commodity at a point in time with no additional costs
12 incurred by NIPSCO's customers. Because there are no additional costs
13 incurred to NIPSCO customers and the gas is replaced equally, in volume
14 and price between the points, NIPSCO retains the fee paid by the
15 counterparty and books that fee as off-system displacement revenue.

16 **Q37. Please describe Petitioner's Exhibit No. 3, Attachment 3-C-S2,**
17 **Adjustment REV 7 and the resulting impact on the Forward Test Year.**

18 A37. Adjustment REV 7-23 increases off-system displacement revenues by
19 \$95,943 for the 2023 Forecast Period (the period beginning January 1, 2023

1 and ending December 31, 2023) resulting in a 2023 Forecast Period amount
2 of \$98,543. Adjustment REV 7-24R decreases Forward Test Year operating
3 revenues by \$98,543 to remove forecasted off-system displacement
4 revenues. If this adjustment is not included, Forward Test Year operating
5 revenues would be understated.⁴

6 **CONCLUSION**

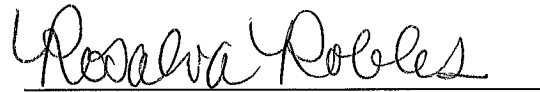
7 **Q38. Does this complete your prefiled direct testimony?**

8 A38. Yes.

⁴ NIPSCO's shareholders assume all risks associated with off-system displacement transactions and these transactions involve assets that are not included in rate base. Accordingly, these transactions traditionally have been excluded from NIPSCO's GCA revenues.

VERIFICATION

I, Rosalva Robles, Manager of Planning – Regulatory Support for Northern Indiana Public Service Company LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in cursive script that reads "Rosalva Robles". The signature is written in black ink and is positioned above a horizontal line.

Rosalva Robles

Dated: October 25, 2023