VERIFIED DIRECT TESTIMONY OF JAMES F. RACHER

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

A1. My name is James F. Racher. My business address is 290 W. Nationwide Blvd., Columbus, Ohio 43215. I am employed by NiSource Corporate Services Company ("NCSC") and my current position is Director of Regulatory.

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 in Business Administration degree, majoring in Finance, in 1987 from The Ohio State University. I also received a Master of Business Administration degree from Franklin University in 2002. I began my career with Columbia Gas distribution companies in 1988 in the Eastern Rate department as a Rate Analyst. I held various positions of increasing responsibility in the Rate and Regulatory department from 1988 to 1996, when I was promoted to the position of Team Leader of Regulatory for the Finance and Regulatory department in the Shared Services Center of the Columbia Energy Group distribution companies. I was promoted to Director of Regulatory Accounting in 2000, and I held that position until leaving the company in November, 2002. In May 2007, I accepted the position of Director, Demand Forecast and Regulatory Services in NCSC's Rate and Regulatory Services department. In September 2017, I was appointed to my current position in the Regulatory department.

Q4. What are your responsibilities as Director of Regulatory?

A4. I am responsible for the preparation and coordination of NIPSCO's Gas Demand Side Management filings, Gas Cost Adjustment filings, Federally Mandated Cost Adjustment filings, and the Gas Transmission, Distribution and Storage System Improvement Charge ("TDSIC") filings, which is the subject of this testimony. I am also responsible for preparation and coordination of NIPSCO's gas earnings test schedules. Additionally, I am responsible for the preparation and coordination of various rate, tracker, and compliance filings for Columbia Gas of Kentucky, Inc. and Bay State Gas Company d/b/a Columbia Gas of Massachusetts.

Q5. Have you previously testified before the Indiana Utility Regulatory Commission or any other regulatory commissions?

A5. Yes. Most recently, I filed testimony supporting NIPSCO's request for approval of its gas TDSIC plan for eligible transmission, distribution, and storage system improvements currently pending in Cause No. 45330. I also submitted testimony before the Indiana Utility Regulatory Commission ("Commission") in NIPSCO's most recent gas TDSIC tracker filings in Cause No. 44403-TDSIC-X (beginning in TDSIC-8). I have also testified before the Kentucky Public Service Commission, the Virginia State Corporation Commission, and the Pennsylvania Public Utility Commission.

Q6. What is the purpose of your direct testimony in this proceeding?

A6. The purpose of my testimony is to support NIPSCO's proposed ratemaking treatment for TDSIC factors to be applicable and made effective for bills rendered by NIPSCO for the months of July through December 2020, or until replaced by different factors that are approved in a subsequent proceeding, to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs incurred in connection with NIPSCO's eligible transmission, distribution, and storage system improvements. I also provide a discussion of how NIPSCO's currently-pending request for approval of NIPSCO's 2020-2025 Gas Plan for the period January 2020 through December 2025 currently pending approval in Cause No. 45330 (the "2020-2025 Gas Plan") impacts this and future tracker filings.

Q7. Are you sponsoring any attachments to your direct testimony?

A7. Yes. NIPSCO's Verified Petition initiating this Cause is designated as Petitioner's Exhibit No. 1, Attachment 1-A sponsored by NIPSCO Witness Becker. I am sponsoring the following attachments to NIPSCO's Verified Petition, all of which were prepared by me or under my direction and supervision: (1) Attachment 1, Schedule 1 (Columns E, F, K, and L), and Schedules 2 through 11, which show the calculations underlying the proposed capital and expense revenue requirement related to eligible TDSIC costs incurred through December 31, 2019; (2) Attachment 2, Schedules 1 through 6, which represent additional underlying support used in the calculation of the revenue requirement in Attachment 1; and (3) Attachment 3, which contains a clean and redlined version of NIPSCO's revised tariff sheet reflecting the TDSIC factors to become effective for bills rendered by NIPSCO during the months of July through December 2020, or until replaced by different factors that are approved in a subsequent proceeding.

Q8. Were any changes made to the schedules included in Attachments 1 and 2 in this filing as a result of the Commission's order in NIPSCO's gas rate case in Cause No. 44988?

A8. Yes. The Commission issued its order in NIPSCO's gas rate case in Cause No. 44988 on September 19, 2018 (the "Rate Case Order"). The Step 1 rates became effective on October 1, 2018 with a rate base cutoff of June 30, 2018. On February 22, 2019, NIPSCO made its compliance filing to implement Step 2 rates (the "Step 2 Compliance Filing"). Step 2 rates became effective on March 1, 2019 with a rate base cutoff of December 31, 2018. On December 9, 2019, NIPSCO made its compliance filing to implement Step 3 rates (the "Step 3 Compliance Filing"). Step 3 rates became effective on January 1, 2020.[1] As a result of the Rate Case Order, there are no longer any operations and maintenance ("O&M") expenses associated with the

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[1] The Step 3 Compliance Filing was made to pass back unprotected excess Accumulated Deferred Income Taxes to customers beginning January 1, 2020, over a 12-year amortization period.

Eligible TDSIC Assets related to the System Integrity Data Integration Project included in this filing. Attachment 1, Schedule 4 has been changed to remove references to O&M expenses. There are also no property taxes included in this filing because the remaining 2019 amounts were included in the Step 2 rates.

Q9. Please describe any changes to the billing or timing of the TDSIC-11 filing.

A9. The billing period used for this filing reflects the six (6) month period July through December 2020. NIPSCO delayed this tracker filing to use actual costs as of December 31, 2019. Based on this delay, the current TDSIC-10 factors are expected to be billed for the month of June 2020 with the rates requested in this filing to be effective July 2020.

Q10. Please describe the 2020-2025 Gas Plan and how that plan will impact future tracker filings.

A10. As further described by NIPSCO Witness Carr, NIPSCO's 7-Year Gas TDSIC Plan for the period January 2014 through December 2020 ("Gas TDSIC Plan") was set to expire December 31, 2020. In accordance with Ind. Code § 8-1-39-10(d), NIPSCO provided the Commission with a notice on

October 30, 2019 that its Gas TDSIC Plan would terminate on December 31, 2019.[2] On December 31, 2019, NIPSCO filed its request for approval of its 2020-2025 Gas Plan, which is currently pending in Cause No. 45330. Since the Gas TDSIC Plan expired December 31, 2019, this tracker filing reflects $66,042,144 of Capital Expenditures Current Balance (as of 12/31/2019) as shown in Attachment 1, Schedule 1, Page 4, Column J, Line 12. In future tracker filings, this same amount of capital (as of 12/31/2019) will be presented in a separate column on Attachment 1, Schedule 1, Page 4. In future filings, the amounts for accumulated depreciation, PISCC, property tax and depreciation expense, and carrying charges will include both the Gas TDSIC Plan and the 2020-2025 Gas Plan. These amounts will continue to be shown as they are in this TDSIC-11 filing.

REVENUE REQUIREMENT FOR APPROVED CAPITAL EXPENDITURES AND TDSIC COSTS

Q11. What is the total net amount of investment in transmission, distribution, and storage system improvements upon which the Company seeks to

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[2] Ind. Code Ch. 8-1-39 (Transmission, Distribution, and Storage System Improvement Charges and Deferrals) was enacted as part of Senate Enrolled Act 560 and became effective on April 30, 2013, which was amended in House Enrolled Act No. 1470 and became effective on April 24, 2019 (the "TDSIC Statute").

earn a return in this proceeding?

A11. Attachment 1, Schedule 2 shows that the total cost of the eligible transmission, distribution, and storage system improvements ("Eligible TDSIC Assets") incurred through December 31, 2019, upon which NIPSCO requests authority to earn a return, is $65,728,565 as shown in Attachment 1, Schedule 1 (Page 4). This total includes an allowance for funds used during construction ("AFUDC"), other indirect costs, and is net of accumulated depreciation.

Q12. Please provide an overview of indirect capital costs.

A12. Indirect capital costs are associated with capital projects and must be capitalized in order to comply with Generally Accepted Accounting Principles ("GAAP"). However, these often cannot be charged directly to a specific capital project work order as they cannot be directly linked to one particular project. These capital costs tend to be incurred away from the job site. NIPSCO groups these indirect capital costs into three categories: (1) overheads, (2) stores, freight and handling, and (3) AFUDC.

The overheads component of indirect capital includes items such as:

1. Portions of benefits such as vacation and holiday pay;

2. Portions of charges incurred for outside services that support NIPSCO's capital project processes; and

3. Portions of payroll for NIPSCO employees involved in supporting capital projects in either a project management function (i.e., project engineering, operations) or an administrative and general function (i.e., fixed asset accounting, financial planning).

Stores, freight, and handling charges are also indirect capital costs that must be capitalized for GAAP purposes. This component of indirect capital represents costs that NIPSCO incurs to procure materials and equipment. Generally, this represents the payroll for NIPSCO's supply chain and procurement functions. It also includes labor costs and other warehousing expenses associated with NIPSCO's warehousing function for inventoried materials and supplies.

The last component of NIPSCO's indirect capital is AFUDC. NIPSCO computes AFUDC amounts and relevant AFUDC rates for Eligible TDSIC projects in accordance with the FERC Uniform System of Accounts. NIPSCO's calculation of AFUDC is also consistent with GAAP. NIPSCO also has a process to ensure that AFUDC is no longer recorded after such costs are given construction work in progress ("CWIP") ratemaking treatment, are otherwise reflected in base gas rates, or the project is placed in service, whichever occurs first.

All three of the indirect capital components must be capitalized in order to conform with GAAP for public utilities. NIPSCO has consistently followed this approach internally for both direct and indirect capital costs for years, including during the test year in its last general rate proceeding in Cause No. 44988.

Q13. Please explain how the AFUDC amount on Attachment 1, Schedule 1 was calculated.

A13. As discussed above, the AFUDC related to TDSIC projects was calculated in accordance with the instructions of the FERC Uniform System of Accounts. NIPSCO's calculation of AFUDC is also consistent with GAAP.

Q14. If the Commission approves the proposed ratemaking treatment for costs of Eligible TDSIC Assets incurred through December 31, 2019 shown on Attachment 1, Schedule 1, will the Company cease accruing AFUDC on those costs?

A14. Yes. NIPSCO will cease accruing AFUDC on construction costs once the incurred costs receive CWIP ratemaking treatment, are otherwise reflected in base gas rates, or the project is placed in service, whichever occurs first. As discussed below, after the in-service date, NIPSCO will calculate and include for recovery post in-service carrying charges ("PISCC") on costs which have been placed into service and are not receiving ratemaking treatment until such costs receive CWIP ratemaking treatment, or are otherwise reflected in base gas rates.

Q15. Please explain how the accumulated depreciation amount on Attachment 1, Schedule 1 was calculated.

A15. NIPSCO has calculated the depreciation expense related to TDSIC capital expenditures according to each asset's designated FERC account classification. Each asset, upon being placed in service, is depreciated by NIPSCO according to the associated FERC account composite remaining life approved by the Rate Case Order.

Q16. Please explain the calculation of the "return on" portion of NIPSCO's revenue requirement related to costs of Eligible TDSIC Assets incurred through December 31, 2019.

A16. The calculation of NIPSCO's "return on" portion of the revenue requirement for costs of Eligible TDSIC Assets incurred through December 31, 2019 is shown on Attachment 1, Schedule 2. The annual revenue requirement for the return on investment is calculated by multiplying the December 31, 2019 net book value of all TDSIC projects by the debt and equity components of NIPSCO's weighted average cost of capital. The product of this calculation is then multiplied by 7/12 to calculate a 7 month revenue requirement for this filing. This amount is then multiplied by 20% to calculate the deferred amount. The 80% portion is then adjusted for taxes. The Return on Investment amount is then shown on Attachment 1, Schedule 5 to be recovered for bills rendered during the months of July through December 2020, not to exceed an average aggregate increase in NIPSCO's total retail revenues of more than two percent (2%) in a twelve (12) month period.

Q17. Please explain why NIPSCO's calculation of the "return on" portion of the revenue requirement is for a seven (7) month period when the proposed billing period is for a six (6) month period.

A17. The calculation of NIPSCO's "return on" portion of the revenue requirement was calculated for the 7-month period of June through December 2020. While NIPSCO is not proposing to begin billing the TDSIC-11 factors until July 2020, the current TDSIC-10 factors and the associated revenue requirement with TDSIC-10 only include a "return on" through May 2020. As such, the TDSIC-11 revenue requirement as calculated includes the month of June 2020, while also utilizing a 7-month sales forecast which includes June 2020, as reflected on Attachment 1, Schedule 8, for the calculation of the TDSIC-11 factors. NIPSCO anticipates that the month of June 2020 will be billed at the current TDSIC-10 factors, but the recovery will be reconciled as part of the TDSIC-11 reconciliation process as further described below.

Q18. Please explain how the post-in-service carrying charges amount on Attachment 1, Schedule 3 was calculated.

A18. Attachment 1, Schedule 3 shows post-in-service carrying costs associated with Eligible TDSIC Assets that were placed into service prior to December 31, 2019. The total PISCC by function is shown on Attachment 1, Schedule 3, Column D and multiplied by 20% to calculate the deferred amount. The

80% portion is then adjusted for taxes. The resulting PISCC amount is then shown on Attachment 1, Schedule 5 to determine the proposed revenue requirement to be recovered for bills rendered during the months of July through December 2020. In this filing, NIPSCO is proposing recovery of all eligible PISCC incurred for the period May through December 2019, as shown on Schedule 3, provided that the result does not exceed an average aggregate increase in NIPSCO's total retail revenues of more than two percent (2%) in a twelve (12) month period.

In the TDSIC-1 Order,[3] the Commission authorized NIPSCO to record and recover PISCC at the effective weighted average cost of capital rate ("WACC") over the respective PISCC time period. PISCC is calculated by multiplying the value of costs which have been placed in service and are not receiving CWIP ratemaking by NIPSCO's effective WACC rate for the period in which the costs are in-service. Ongoing carrying charges on the PISCC are calculated until such balances are recovered through rates.

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[3] The Commission's Order dated January 28, 2015 in Cause No. 44403-TDSIC-1 is referred to herein as the "TDSIC-1 Order."

Q19. Please explain the revenue conversion factor used to compute the Company's pre-tax revenue requirement for Eligible TDSIC Assets shown on Attachment 1, Schedule 2 and Schedule 3 and calculated in Attachment 2, Schedule 2.

A19. Attachment 2, Schedule 2 shows the computation of the revenue conversion factor used to compute the Company's pre-tax revenue requirement. The revenue conversion factor is calculated for debt and equity in order to properly synchronize interest for the purpose of calculating the revenue requirement as reflected on Attachment 1, Schedule 2 and Schedule 3. The state income tax rate used in this computation was determined in accordance with Ind. Code § 6-3-2-1.

DEPRECIATION AND PROPERTY TAX EXPENSES

Q20. What is the time period relating to depreciation and property taxes that NIPSCO is including as part of this filing?

A20. Attachment 1, Schedule 4 includes depreciation expense and property taxes for the period May through December 2019.

Q21. Please explain the calculation of the depreciation expense associated with Eligible TDSIC Assets shown on Attachment 1, Schedule 4.

A21. The total depreciation expense associated with the Eligible TDSIC Assets shown on Attachment 1, Schedule 4, Column B represents actual depreciation expense incurred from May through December 2019. The total actual depreciation expense incurred is reduced by 20% to calculate the 80% revenue requirement and then adjusted for taxes as shown on Attachment 1, Schedule 4. The 80% revenue requirement amount is then included on Attachment 1, Schedule 5 to determine the proposed total semi-annual revenue requirement to be recovered for bills rendered during the months of July through December2020, provided that the result does not exceed an average aggregate increase in NIPSCO's total retail revenues of more than two percent (2%) in a twelve (12) month period.

Q22. Please explain the calculation of property tax expenses associated with Eligible TDSIC Assets shown on Attachment 1, Schedule 4.

A22. The property tax expense associated with the Eligible TDSIC Assets shown on Attachment 1, Schedule 4, Column C represents actual property tax expenses incurred for the period May through December 2019. The total actual property tax expenses incurred is reduced by 20% to calculate the 80% revenue requirement and then adjusted for taxes as shown on

Attachment 1, Schedule 4. The 80% revenue requirement amount is then included on Attachment 1, Schedule 5 to determine the proposed revenue requirement to be recovered for bills rendered during the months of July through December 2020, provided that the result does not exceed an average aggregate increase in NIPSCO's total retail revenues of more than two percent (2%) in a twelve (12) month period.

Q23. Please describe the Rural Extension Margin Credit shown on Attachment 1, Schedule 5.

A23. The TDSIC-1 Order approved NIPSCO's proposal to provide an 80% credit to the TDSIC tracker for actual margins received from all new customers added under the Rural Extensions projects. These amounts are calculated on Attachment 2, Schedule 5 and are computed by obtaining the related customer usage values and billing rate information to compute the total margin billed for the period May through December 2019.

RECONCILIATION

Q24. Is a reconciliation of revenues included in this filing?

A24. Yes. The January through June 2019 revenue requirement calculated in NIPSCO's TDSIC-9 filing is being reconciled against the actual revenues billed to customers for the period January through October 2019 as shown on Attachment 1, Schedule 6. The TDSIC-9 revenue requirement is then used within Schedule 6, Pages 1 through 3, to calculate the previous billing period reconciliation covering the period January through October 2019. The reconciliation resulted in a net over-collection (Attachment 1, Schedule 8, Column O) because the actual billed therms for January through October 2019 were at a higher rate. This was due to the effect of monthly cycle billing and the fact that volumes billed included 10 months compared to the TDSIC-9 6 months of estimated therms for January through June 2019 that were used to calculate the TDSIC billing factors in the TDSIC-9 Steps 1 and 2 Compliance Filings. Attachment 1, Schedule 6, pages 1 through 3 also shows the components of the total reconciliation of revenue by capital, expense, and function. The resulting over-recovery of $3,741,533 is shown on Attachment 1, Schedule 8, Column O, including the allocation by rate class.

Q25. Does NIPSCO provide a reconciliation of the customer refunds for disallowed multiple-unit projects, bare steel replacement projects, and cost overruns from previous TDSIC filings and the base rate refund

resulting from the Tax Cuts and Jobs Act that was included in TDSIC-9? If so, please explain how NIPSCO proposes to treat the variance.

A25. Yes. NIPSCO is including a new one-time Attachment 1, Schedule 6, Page 4, showing the reconciliation of these refunds against the actual amounts billed for the period of January through October 2019. The resulting over-recovery of $533,009 (Column L) is carried forward to Attachment 1, Schedule 8, Column Q, including the allocation by rate class.

Q26. Please explain how NIPSCO proposes to reconcile this TDSIC-11 filing, which has a six month billing period, with a seven month return-on calculation included in the revenue requirement.

A26. NIPSCO proposes to reconcile the revenue requirement for TDSIC-11 in a future filing utilizing the revenue from June 2020 (billed at the TDSIC-10 rate) as well as the revenue from TDSIC-11 (July through December 2020).

<u>Cost Allocation</u>

Q27. Please describe the allocation factors NIPSCO used to allocate approved capital expenditures and TDSIC costs.

A27. In its TDSIC-3 Order, the Commission found the allocation factors to be used in NIPSCO's TDSIC Rider shall be the customer class revenue allocation factors based on firm load that were approved in NIPSCO's most recent gas retail base rate case. Attachment 2, Schedule 4 provides the allocation factors as approved in the Rate Case Order which NIPSCO used to allocate the related transmission, distribution and storage revenue requirements in this proceeding as shown on Attachment 1, Schedule 7.

CALCULATION OF TDSIC FACTORS AND REVISED TARIFF

Q28. Please explain the calculation of the TDSIC factors shown on Attachment 1, Schedule 8.

A28. Attachment 1, Schedule 8, shows the calculation of the TDSIC factors by rate code based on the previously calculated revenue requirements. The amounts in Columns B, F, and J show the revenue requirement by function from Attachment 1, Schedule 7. Columns C, G, and K show the reconciliation of revenues by function from Attachment 1, Schedule 6. The amounts in Columns D, H, and L show the revenue requirement adjusted for prior period variances by function. The amounts in Columns N, O, and P show the total of Transmission, Distribution, and Storage function revenue requirements. As noted previously, Column Q shows the reconciliation of refund revenues from Schedule 6, Page 4. Column R reflects the Total Revenue Requirement. The factors are calculated by dividing the Total Revenue Requirement in Column R by the estimated therm sales in Column S to compute a billing factor in Column T for bills rendered by NIPSCO for the months of July through December2020.

Q29. Did NIPSCO calculate the average aggregate increase in its total retail revenue attributable to the TDSIC to determine whether the TDSIC will result in an average aggregate increase of more than 2% in a twelve month period consistent with the methodology affirmed by the Indiana Court of Appeals in Cause Nos. 44370 and 44371?

A29. Yes.

Q30. Will the proposed TDSIC factors result in an average aggregate increase in NIPSCO's total retail revenue of more than 2% in a twelve month period?

A30. No. As shown on Attachment 1, Schedule 9, there is no amount in excess of 2% of retail revenues for the past 12 months. NIPSCO has calculated the 2% cap by comparing the increase in TDSIC revenues in a given year with the total retail revenues for the past 12 months. The retail revenues used in this calculation represent the revenues related to the 12 months ending December 31, 2019.

Q31. Please explain Attachment 3.

A31. Attachment 3 is a clean and redlined version of NIPSCO's revised Appendix F – Transmission, Distribution and Storage System Improvement Charge (Fifth Revised Sheet No. 137) showing the TDSIC factors proposed to be applicable for bills rendered during the months of July through December 2020, or until replaced by different factors that are approved in a subsequent proceeding.

PROJECTED EFFECT OF THE 7-YEAR PLAN ON RETAIL RATES AND CHARGES

Q32. Please identify the projected effect of NIPSCO's Plan Update-10 and Plan Update-11 on retail rates and charges as it relates to the revenue requirement derived by the Plan.

A32. Attachment 2, Schedule 6 (Page 1), identifies the projected effect of NIPSCO's Plan Update-10 on retail rates and charges. Attachment 2, Schedule 6 (Page 2), identifies the projected effect of NIPSCO's Plan Update-11 on retail rates and charges. This schedule also provides the total estimated revenue requirement for each rate class from 2014 to 2020.

MONTHLY BILL IMPACT

Q33. What effect will the proposed TDSIC Factors have on an average residential customer?

A33. The estimated average monthly bill impact for a typical residential customer using 69 therms per month[4] is a credit $0.53. This represents a decrease of $0.60 from the factor currently in effect.

DEFERRED TDSIC COSTS

Q34. Please explain NIPSCO's request to defer, until recovery through the TDSIC, 80% of the post in service TDSIC costs of the TDSIC projects including carrying costs, depreciation and taxes.

A34. NIPSCO proposes to defer and recover 80% of the post in service costs, including carrying costs and pretax returns, depreciation and taxes associated with its approved TDSIC projects, through the TDSIC adjustment factor. NIPSCO proposes to defer such costs as a regulatory asset until such costs are recognized for ratemaking purposes through NIPSCO's proposed TDSIC adjustment factor or included for recovery in NIPSCO's base rates consistent with Ind. Code § 8-1-39-9(c).

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[4] The average therm per month usage level in Cause No. 44988.

Q35. How does NIPSCO propose to treat the remaining 20% of TDSIC capital expenditures and costs that are not included for recovery through the TDSIC adjustment factor?

A35. Ind. Code § 8-1-39-9(c) provides that twenty percent (20%) of the approved capital expenditures and TDSIC costs, including depreciation, pretax returns, AFUDC, and PISCC, and property taxes shall be deferred and recovered by the public utility as part of the next general rate case filed by the public utility with the Commission.

Accordingly, NIPSCO requests approval to defer, as a regulatory asset, 20% of such costs and requests to recover those costs as part of NIPSCO's base rates consistent with Ind. Code § 8-1-39-9(c). NIPSCO also requests approval to record ongoing carrying charges based on NIPSCO's weighted cost of capital on these costs until the costs are included for recovery in NIPSCO's base rates consistent with Ind. Code § 8-1-39-9(c).

Q36. Please explain the deferred TDSIC costs shown on Attachment 1, Schedule 10.

A36. In the TDSIC-1 Order (at 30), the Commission authorized NIPSCO to defer 20% of the TDSIC costs incurred in connection with approved eligible transmission, distribution, and storage system improvements, including ongoing carrying charges based on the current overall WACC, and recover those deferred costs in its base rates consistent with Ind. Code § 8-1-39-9(c). Consistent with this authority, NIPSCO has deferred as a regulatory asset 20% of all TDSIC costs as a result of the deferral of 20% of all TDSIC costs for recovery in its base rates consistent with Ind. Code § 8-1-39-9(c).

Attachment 1, Schedule 10 serves as a record of the deferred TDSIC costs as well as the ongoing carrying charges on all deferred TDSIC costs, excluding tax gross up, until such time as the costs can be recovered as part of NIPSCO's base rates consistent with Ind. Code § 8-1-39-9(c). This calculation has no impact on current or proposed rates in this proceeding.

Q37. Does this conclude your prefiled direct testimony?

A37. Yes.

VERIFICATION

I, James F. Racher, Director of Regulatory of NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

James F. Racher

James F. Racher

Dated: February 25, 2020