VERIFIED DIRECT TESTIMONY OF EMILY J. BYTNAR

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

A1. My name is Emily J. Bytnar. My business address is 801 E. 86th Avenue, Merrillville, Indiana 46410. I am Manager of Rate Case Execution for NiSource Corporate Services Company ("NCSC").

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 graduated from Butler University in 2007 with a Bachelor of Science Degree majoring in Accounting. Prior to joining NiSource I was employed as a senior level analyst in the pharmaceutical industry and senior level analyst with progression to manager in the insurance industry. I joined NiSource in August 2019 as Senior Regulatory Analyst. On October 9, 2022, I accepted my current position as Manager of Rate Case Execution.

Q4. What are your responsibilities as Manager of Rate Case Execution?

A4. As Manager of Rate Case Execution, I am responsible for providing regulatory support for NIPSCO gas and electric rate cases. My responsibilities include planning, preparing, and oversight of revenue requirement and cost of service for base rates proceedings.

Q5. Have you previously testified before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory commission?

A5. No.

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

A6. The purpose of my direct testimony is to sponsor and present NIPSCO's forecasted rate base as of May 31, 2025 (Step 1) and December 31, 2025 (Step 2), which reflects the Forward Test Year investment level that is utilized within the revenue requirement sponsored by NIPSCO Witness Weatherford. I also describe NIPSCO's proposal to implement its proposed revenue increase in at least two steps – one upon issuance of an Order in this Cause, the final after the close of the test year, and up to two potential additional steps as generation projects are placed in service.

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

A7. Yes. I am sponsoring Rate Base amounts included in Attachment 3-A-S1 through Attachment 3-C-S1, Attachment 3-A-S2 through Attachment 3-C-S2, attached to the Verified Direct Testimony of Richard D. Weatherford, which were prepared by me or under my direction and supervision. I also sponsor a portion of the workpapers included in Petitioner's Confidential Exhibit No. 18-XX (S1, S2).

Net Original Cost Rate Base

Q8. Please explain the Rate Base amounts included in Attachment 3-B-X (S1, S2), RB Module.

A8. Petitioner's Exhibit No. 3, Attachment 3-B-XX (S1, S2), RB Module, is a summary statement of rate base. As shown in this Attachment, NIPSCO's forecasted net original cost rate base for ratemaking purposes in this case is $9,229,813,441 as of December 31, 2025. Petitioner's Exhibit No. 3, Attachment 3-C-XX (S1, S2), shows the reconciliation to each of the Rate Base subcomponents for each of the adjustments I sponsor (RB-1 through RB-14) that are included in Attachment 3-B-XX (S1, S2), RB Module, Columns D, F, and H. Petitioner's Confidential Exhibit No. 18-XX (S1, S2) includes the workpapers supporting each adjustment as presented in Attachment 3-B-XX (S1, S2) and described or referenced herein. This is the most detailed level of summarized information supporting the calculation of rate base. As explained below, Petitioner's Confidential Exhibit No. 18-S1 sets forth the rate base as of May 31, 2025 (the Step 1 general rate base cutoff) with the assumption that the Fairbanks and Gibson Solar Generation Stations ("Fairbanks" and "Gibson" respectively) are either in service by that time or are placed in service prior to the time NIPSCO makes its compliance filing implementing Step 1 rates and included in Step 1 rates as requested.

Q9. How are amounts included in Attachment 3-C-XX (S1, S2), RB-1 calculated?

A9. The amounts in RB-1 represent the forecasted utility plant balances for electric assets. The 2024 and 2025 values are calculated based on a series of assumptions including forecasted capital expenditures, in-service timing, and retirements monthly by FERC Account. Electric Utility Plant balances begin with the electric utility plant in service ("UPIS") balances as of December 31, 2023. The 2024 and 2025 annual forecasted capital expenditures are included in the monthly construction work in process ("CWIP") activity. The CWIP activity drives the growth in electric utility plant balances by applying a monthly timing curve or known date for discrete projects by month. The capital forecast from which this CWIP activity is drawn is set forth in NIPSCO's response to 170 IAC 1-5-7(6) and (7) filed September 12, 2024. Retirement amounts also reduce the account activity monthly. I discuss how those forecasted expenditures relate to the total forecasted utility plant in service below.

Q10. How are amounts included in Attachment 3-C-XX (S1, S2), RB-2 calculated?

A10. The amounts in RB-2 represent the forecasted non-jurisdictional electric utility plant balances. NIPSCO owns and operates certain transmission facilities treated as non-jurisdictional assets as approved by the Commission in Cause Nos. 44156-RTO-1, 13, 19, and 24. These transmission facilities consist of four Multi Value Projects ("MVP"), four Targeted Market Efficiency Projects ("TMEP"), and one Interregional Market Efficiency Project ("IMEP") as defined by MISO and further described in the RTO proceedings listed above. The 2024 and 2025 values are calculated based on a series of assumptions including forecasted capital expenditures, in-service timing, and retirements. In accordance with the Commission orders in Cause No. 44156-RTO proceedings, these amounts are excluded from rate base as non-jurisdictional for purposes of this proceeding.

Q11. How are the amounts included in <u>Attachment 3-C-XX (S1, S2)</u>, RB-3 calculated?

A11. The amounts in RB-3 represent the forecasted utility common allocated plant balances for electric assets. NIPSCO Witness Weatherford explains how common costs are allocated between NIPSCO Gas and NIPSCO Electric. The 2024 and 2025 values are calculated based on a series of assumptions including forecasted capital expenditures, in-service timing, and retirements monthly by FERC Account. Common balances allocated to electric balances begins with the allocated electric in-service balances as of December 31, 2023. The 2024 and 2025 annual forecasted capital expenditures are included in the monthly CWIP activity. The CWIP activity drives the growth in common allocated to electric balances by applying a monthly timing curve or known date for discrete projects by month. Again, the CWIP activity is drawn from NIPSCO's response to 170 IAC 1-5-7(6) and (7). Retirement amounts also reduce the account activity monthly. Similar to RB-1, I discuss how these forecasted expenditures relate to the total forecasted utility plant in service below.

Q12. Are the utility plant amounts forecasted in <u>Attachment 3-C-XX (S1, S2)</u>, RB-1 and RB-3 used and useful in providing electric service to NIPSCO's

customers?

A12. Yes. The amounts are expected to be used and useful for the Step 2 cutoff date. The amounts are expected to be used and useful for the Step 1 general rate base cutoff date - with the exception of Gibson, which is expected to be in service by the time NIPSCO implements Step 1 rates. NIPSCO will only include actual assets used and useful for the Step 1 and Step 2 rate base implementations.

Q13. You mentioned the compliance filing to implement rates. Are you familiar with FERC Order 898 and will it have any impact on what will be contained in the compliance filings in this case?

A13. I am somewhat familiar with FERC Order 898. FERC Order 898 revises the FERC Uniform System of Accounts ("USoA") by adding functional detail concerning treatment of certain renewable and storage technologies and creating certain new accounts. These changes become effective January 1, 2025. These changes will have no impact on the revenue requirement or the rates in this case; however, the Company's compliance filings in this case will be after these changes in accounts have been made. As such, the compliance filings will have some different accounts that are not in use when this case has been filed.

Q14. How is NIPSCO proposing to phase in rates following the issuance of an Order in this Cause?

A14. As set out above, base rates would be implemented in at least two steps, with the first step following Order issuance and based upon the actual rate base and capital structure using a general rate base cutoff of May 31, 2025. The second step would take place following the close of the Forward Test Year, based upon actual rate base and capital structure as of December 31, 2025.

NIPSCO is also proposing to implement up to two additional interim steps as needed for two significant generation projects – Fairbanks and Gibson – to the extent those projects are not in service as of May 31, 2025 (the Step 1 general rate base cutoff).[1] Both Gibson and Fairbanks have an estimated cost of more than one percent of NIPSCO's total proposed rate base and meet the definition of "major project" under 170 IAC 1-5-1(l).

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[1] Fairbanks (originally approved in Cause No. 45511, modification approving wholly owned structure in Cause No. 46028) has an aggregate nameplate capacity of approximately 250 MW. NIPSCO anticipates receiving power by May 31, 2025 and is included in rate base in this proceeding. Gibson (originally approved in Cause No. 45926, modification approving wholly owned structure in Cause No. 46032) has an aggregate nameplate capacity of approximately 200 MW. NIPSCO anticipates receiving power by July 31, 2025 and is included in rate base in this proceeding.

Q15. Please describe these additional potential interim steps.

A15. It is possible that one or both of the generation projects will not be fully in service as of May 31, 2025. If either is not, NIPSCO proposes an additional step before the end of the Forward Test Year (December 31, 2025) and based solely on the addition to rate base and depreciation expense for Fairbanks or Gibson (as the case may be) upon the filing of a certification that it is in service. NIPSCO would make a compliance filing to update rates with the certification that Fairbanks or Gibson is in service that would only include the increase to rate base (and associated depreciation) reflected by the placement in service of Fairbanks or Gibson, using the capital structure as of May 31, 2025 and approved depreciation from Cause Nos. 46028 and 46032.

Q16. Why are these additional steps being proposed?

A16. NIPSCO was issued a certificate of public convenience and necessity for Fairbanks Solar in the Commission's June 29, 2021 Order in Cause No. 45511. In the Commission's August 14, 2024 Order in Cause No. 46028, NIPSCO received approval for the initial annual depreciation rate of 3.3% and the deferral of depreciation and post in-service carrying charges ("PISCC") to a regulatory asset. Each month after Fairbanks is placed in service and not reflected in NIPSCO's base rates, NIPSCO will continue to defer approximately $3 million of depreciation and PISCC to a regulatory asset. The increase to the regulatory asset will be included in net original cost rate base when final rates are implemented.

NIPSCO was issued a certificate of public convenience and necessity for Gibson Solar in the Commission's November 22, 2023 Order in Cause No. 45926. In the Commission's August 21, 2024 Order in Cause No. 46032, NIPSCO received approval for the initial annual depreciation rate of 3.3% and the deferral of depreciation and PISCC to a regulatory asset. Each month after Gibson is placed in service and not reflected in NIPSCO's base rates, NIPSCO will continue to defer approximately $3 million of depreciation and PISCC to a regulatory asset. The increase to the regulatory asset will be included in net original cost rate base when final rates are implemented.

Thus, if Fairbanks or Gibson are not fully in service by May 31, 2025, and reflection in rates for these assets await the implementation of rates at the end of the test year, rates will be higher at Step 2 than they otherwise would have been. An interim step to add Fairbanks or Gibson will ultimately produce lower rates at the implementation of Step 2 Rates if they are not in service to include in Step 1 rates. The sooner rates can be in place for Fairbanks and Gibson, the sooner post in service carrying charges and deferred depreciation will cease.

Q17. Is it possible that interim steps will not be needed?

A17. Yes. Fairbanks is presently expected to be in service by May 31, 2025. If it is in service by the Step 1 general rate base cutoff, then it will be included in Step 1 rates along with all other rate base items in service as of the cutoff. It is also possible that one or both of these projects could be placed in service after May 31, 2025 but before the submission of NIPSCO's compliance filing for the implementation of Step 1 rates. To the extent that occurs, NIPSCO proposes to combine the Step 1 increase (using the May 31, 2025 cutoff) with the additional interim step associated with the project in question so as to avoid another interim rate change for that project. Combining the Step 1 increase with the interim step into a single increase in that event would look similar in the compliance filing to how major projects are handled with a historic test year.

Q18. Please explain what you mean that the proposal is similar to what would

be seen with a major project with an historic test year.

A18. The MSFRs were originally promulgated before the enactment of Ind. Code §8-1-2-42.7 and the authorization of a forward looking test year. The historic test year MSFR concept allowed an adjustment to an historic rate base for a "major project" if the asset was placed in service before the final evidentiary hearing. The mechanics of making the adjustment were similar to what I am proposing for Fairbanks and Gibson (to the extent necessary). Adapting this concept of the MSFRs to a forward looking test year would support a similar adjustment for assets that meet the definition of a major project, that are placed in service before the end of the forward looking test year, and that are not placed in service as of the Step 1 general rate base cutoff.

Q19. Is NIPSCO requesting any waiver from the requirements of the MSFRs as they might apply to Fairbanks or Gibson?

A19. Yes. The MSFRs allow a utility to request a waiver of compliance of requirements of the MSFRs pursuant to 170 IAC 1-5-4(b). To the extent the rules applicable to major projects are deemed to apply to NIPSCO's request for additional phase-ins (or inclusion in Step 1 rates if in service by time of implementation), NIPSCO would request a waiver of the monthly investment update reporting requirement in 170 IAC 1-5-5(5)(D). NIPSCO has already been granted a CPCN for both of these projects. In addition, NIPSCO is not constructing the projects but is instead purchasing them pursuant to approved Build Transfer Agreements. In other words, there will not be anything to update on a monthly basis concerning NIPSCO's investment. As such, this particular requirement would not seem to have application to these two projects.

Q20. How are amounts included in <u>Attachment 3-C-XX (S1, S2)</u>, RB-4 calculated?

A20. The amounts in RB-4 represent the forecasted electric utility plant accumulated depreciation and amortization. Electric Plant Accumulated Depreciation and Amortization balances begins with the Electric Plant accumulated depreciation and amortization amounts as of December 31, 2023. The 2024 and 2025 values are calculated based on current depreciation rates through the end of the test year and a series of assumptions including forecasted capital expenditures, in-service timing, forecasted retirements, and cost of removal monthly by FERC Account.

Q21. How are amounts included in Attachment 3-C-XX (S1, S2), RB-5

calculated?

A21. The amounts in RB-5 represent the forecasted MVP, TMEP, and IMEP non-jurisdictional electric utility plant accumulated depreciation and amortization. Non-jurisdictional electric utility plant accumulated depreciation balances begins with the accumulated depreciation and amortization amounts as of December 31, 2023. The 2024 and 2025 values are calculated based on current depreciation rates through the end of the test year and a series of assumptions including forecasted capital expenditures, forecasted retirements, and cost of removal monthly by FERC Account. In accordance with the Commission orders in the RTO proceedings listed above, these amounts are excluded from rate base for purposes of this proceeding.

Q22. How are amounts included in <u>Attachment 3-C-XX (S1, S2)</u>, RB-6 calculated?

A22. The amounts in RB-6 represent the forecasted utility common allocated electric accumulated depreciation from NIPSCO's common assets. Electric Common Accumulated Depreciation and Amortization balances begin with the electric common accumulated depreciation and amortization as of December 31, 2023. The 2024 and 2025 values are calculated based on current depreciation rates through the end of the test year and a series of assumptions including forecasted capital expenditures, in-service timing, forecasted retirements, and cost of removal monthly by FERC Account.

Forecasted Capital Expenditures

Q23. Please describe the NIPSCO electric utility's capital planning process.

A23. NIPSCO electric utility's capital planning process is a collaborative process among the NIPSCO President, other members of the leadership team, Finance, Operations, Engineering & Planning. The leadership team along with Operations, Engineering & Planning are primarily responsible for identifying the capital investment needs for public safety and reliability, compliance requirements, and customer service levels, and for identifying capital plan recommendations, which are reviewed with Financial Planning. NIPSCO Witness Cocking plays a key role in prioritizing and identifying these capital plan recommendations.

Q24. Please explain how the capital budget is used to produce the forecasted UPIS for electric plant, non-jurisdictional electric plant, and common plant that is produced by Adjustments RB-1, RB-2 and RB-3.

A24. This can best be seen in the Petitioner's Confidential Exhibit No. 18-XX (S1, S2), Workpapers RB-1, RB-2, and RB-3. The forecasted balance of Electric

Utility Plant, Non-jurisdictional Electric Utility Plant, and Common Utility Plant, all as of the beginning and the end of the Forward Test Year, is drawn from the monthly balances, by FERC Account. This projection of the monthly account balances is drawn from the capital investments and priorities identified in the capital planning process just described, which then is itemized by category in NIPSCO's response to 170 IAC 1-5-7(6) and (7).

Q25. Does the capital budgeting methodology described in this testimony result in an accurate estimate of capital to be expended during 2024 and 2025?

A25. Yes. This same methodology was applied in NIPSCO's last electric rate case in Cause No. 45772 to calculate forecasted UPIS for electric plant, non-jurisdictional electric plant, and common plant. The total gross electric utility plant was forecasted to be $8.6 billion. In the Step 2 compliance filing made on January 31, 2024 in that Cause, the actual total gross electric utility plant was $8.5 billion. This represents a variance of $0.1 billion or 1.5%. This demonstrates a high level of capital budgeting accuracy by NIPSCO's electric utility and, therefore, provides confidence as to the accuracy of the capital expenses included in this proceeding.

Q26. What were the major components used in the development of the forecasted 2024 and 2025 capital expenditures?

A26. The major components used in the development of the forecasted 2024 and 2025 capital expenditures are Generation Transition, Growth, TDSIC Tracker, Maintenance, and Shared Services. A brief description of each is shown below:

<u>Generation Transition Category</u>

> Spend in this category primarily relates to current and planned renewable energy joint venture investments for which NIPSCO has received Orders granting certificates of public convenience and necessity.

<u>Growth Category (also referred to as "New Business")</u>

> Spend in this category is typically used for any facilities that are required to serve new customers. This category is also used for "Growth Betterment," which are capital investments made in conjunction with a Growth project to serve specific new customers and/or existing customers who are adding load in order to provide increased system capacity to serve other currently unspecified existing or future customer loads.

<u>TDSIC Tracker Category</u>

> Spend in this category is undertaken for purposes of safety, reliability, system modernization, or economic development. The spend is recovered using the TDSIC regulatory tracker mechanism.

<u>Maintenance Category</u>

> <u>*Betterment ("Capacity" or "Compliance")*</u>

This category is used for any facilities that are required to improve system reliability or provide additional capacity for existing customers. Projects to address long-term market growth are also included in this category.

This category is also used for any projects needed to remain compliant with internal or external policies that are not "age and condition" related (e.g., new substations, line extensions). This is referred to as "Compliance Betterment."

Replacement (also referred to as "Age and Condition")

Spend in this category is used for any facilities that must be replaced (planned or emergency) due to damage or physical deterioration in situations where repair is not cost effective. Most projects in this category address aging infrastructure.

Public Improvement (also referred to as "Mandatory Relocation")

Spend in this category is used for any facilities that must be relocated (moved, rerouted, or transitioned from overhead to underground) to meet the requirements of municipal and state roadway reconstruction projects. Certain relocation projects that are done to accommodate requests from existing customers or private entities are also included in this category.

Shared Services Category

Spend in this category includes Information Technology, Facilities, Real Estate, and Security.

Table 1 shows the growth in capital expenditures itemized by these categories for 2024 and 2025.

Table 1
Forecast Capital Expenditures for 2024 and 2025 by Major Category

Plan Descriptor	2024	2025
NonJurisdictional	$ 24,469,398	$ 72,100,473
TDSIC	424,862,025	323,161,957
Growth	112,310,789	138,852,110
Generation	41,503,204	46,966,004
Transmission	34,923,325	42,961,298
Distribution	74,430,741	69,143,609
Public Improvement	16,240,111	15,857,643
Generation Strategy	551,430,050	1,352,524,443
Other	7,304,761	4,977,223
Shared Services	114,568,607	137,343,429
Total	**$ 1,402,043,012**	**$ 2,203,888,189**

Q27. Do the amounts in Table 1 show the growth in Net Utility Plant?

A27. No. As I explained previously, this is merely capital expenditures during this time frame. Not all of these expenditures will be in service by the end of the Forward Test Year, plus there will have been CWIP as of January 1, 2024 that will have been placed in service.

Q28. With a focus on Net Utility Plant in Service, how much of the net utility plant growth is attributable to pre-approved projects such as TDSIC and renewable generation facilities?

A28. The forecasted net utility plant (rate base) growth for TDSIC from January 1, 2024 to the end of the Forward Test Year is $769.5 million. This is approximately 25% of total Net Utility Plant growth during this period. These amounts include pre-approved in-service TDSIC investments from the last electric rate case rate base cutoff of December 31, 2023 through December 31, 2025, the end of the Forward Test Year in this Cause. The forecasted net utility plant (rate base) growth for the renewable generation facilities from January 1, 2024 to the end of the Forward Test Year is $2.0 billion. This is approximately 68% of total Net Utility Plant growth during this period.

Q29. What were the major assumptions used in the development of the forecasted 2024 and 2025 capital expenditures?

A29. The major assumptions used in the development of the forecasted 2024 and 2025 capital expenditures were focused on the generation transition and four pre-approved wholly owned solar farms discussed below, TDSIC work, maintenance for transmission and distribution not part of TDSIC, growth/new business, shared services (including IT programs), and indirect costs. Finally, indirect costs include overheads and allowance for funds used during construction ("AFUDC") and are forecasted based on recent trends in actual costs.

Q30. Are any regulatory assets included in rate base?

A30. Yes. As shown in Attachment 3-C-XX (S1, S2), NIPSCO has included the following regulatory assets in rate base:

- RB-7 for the ongoing amortization of the October 2021 retirement balance of Schahfer Units 14 and 15 and the forecasted retirement balance of Schahfer Units 17 and 18 on December 31, 2025;
- RB-8 for deferred costs related to the implementation of the Work Asset Management ("WAM") program;
- RB-9 for the unamortized regulatory asset for renewable energy joint venture investment from Cause No. 45772;
- RB-10 for unamortized regulatory asset balances from NIPSCO's two previous electric rate cases – Cause Nos. 45159 and 45772;
- RB-11 for 20% deferred electric TDSIC costs deferred after the cut-off of the last electric rate case; and
- RB-12 for deferred costs related to the wholly owned solar facilities.

These amounts reflect forecasted deferred amounts as of December 31, 2025.

Q31. Please explain the Schahfer Retirement regulatory asset adjustments as shown on Attachment 3-C-XX (S1, S2), RB-7.

A31. In October 2021, NIPSCO retired Schahfer Units 14 and 15 from service. The Commission's Order in NIPSCO's prior electric rate case (Cause No. 45159) authorized NIPSCO to create a regulatory asset equal to the remaining net book value, excluding cost of removal, of its Schahfer and Michigan City units at the date of each unit's retirement to be amortized through December 31, 2032. The Commission's Order in NIPSCO's last electric rate case (Cause No. 45772) authorized NIPSCO to amortize the regulatory asset through June 30, 2034. Adjustment RB 7-24 in the amount of $56,435,153 decreases this regulatory asset to reflect ongoing amortization from the date of retirement of Schahfer Units 14 and 15. Adjustment RB 7-25 in the amount of $125,073,291 increases this regulatory asset balance to reflect the forecasted remaining net book value, excluding cost of removal ("COR"), for the retirement of Schahfer Units 17 and 18 expected to occur on December 31, 2025 of $181,499,810, which is offset by the annual ongoing amortization from the date of retirement of Schahfer Units 14 and 15 of $56,426,519 approved in Cause No. 45772. NIPSCO Witness Weatherford explains the filing of the revenue credit associated with the retirement of these units.

Q32. How are costs of removal associated with coal fired generation being addressed?

A32. Costs of removal is being addressed consistent with the process approved in Cause No. 45772. In Cause No. 45772, the Commission approved a

Stipulation and Settlement Agreement that set forth the mechanism for COR going forward, which was described in NIPSCO Witness Shikany's direct testimony. The Commission then quoted the pertinent part of her testimony as follows:

> Specifically, Ms. Shikany testified as follows:
>
> Q. With cost of removal removed from the regulatory asset, how are the closure costs of Schahfer being accounted for?
>
> A. The estimated costs of removal associated with the retired units will be collected through depreciation rates applicable to the same coal-fired generation FERC assets remaining in service at Schahfer and Michigan City. As costs are incurred, NIPSCO will debit FERC Account 108, Accumulated Depreciation, for those actual costs, consistent with the FERC Uniform System of Accounts. Subsequent depreciation studies will continue to include cost of removal costs for all coal-fired generation assets until all coal units are retired.
>
> Q. What happens if the incurred cost of removal is different than the amounts previously collected through depreciation rates once all coal-fired generation assets are retired?
>
> A. Under normal circumstances, the estimated cost of removal collected remains in the same FERC account as the asset while the asset was used and useful. With NIPSCO's planned retirement of the entire coal-fired generation fleet by 2028, not all demolition and closure activities will be completed by the retirement date, meaning once retired, there will be no assets left in the coal-fired generation FERC accounts.
>
> FERC Account 108 states:

> at the time of retirement of depreciable electric utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, costs of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder.

In the future and through the completion of all coal-fired generation closure costs, all coal-fired generation retirement activity is planned to be recorded to the related coal-fired generation FERC accounts as a debit to FERC Account 108. This practice will remain in effect as long as a coal-fired generation assets remain in service.

At the point in which the final coal-fired generation assets are retired, the net book value of those final assets will be reclassified to a regulatory asset as described in Cause No. 45159. The effect of this movement will leave a residual FERC Account 108 balance representing either collections of cost of removal in excess of retirement activity or a balance representing retirement spend in excess of cost of removal collected. FERC Account 108 balances are normally associated with a corresponding FERC Plant-in Service account. As there will no longer be a FERC Plant-in-Service account for coal-fired generation, NIPSCO proposes to reclassify the balance to a regulatory liability in the instance demolition and remediation activities remain or a regulatory asset if demolition and remediation activities exceed cost of removal collected.

NIPSCO will continue to collect cost of removal until an ensuing rate case through the approved depreciation rates, and NIPSCO will continue to record demolition and remediation activities to this new regulatory liability or asset in place of the FERC Account 108. The regulatory liability or asset will be included in a future base rate proceeding and amounts will be passed back or collected from customers. This will maintain the consistency of the mechanism with OUCC Witness Blakley's stated goal not

> to deny NIPSCO recovery of any return "of' or "on" its investment in the coal fired generating stations.

Cause No. 45772 Order, pp. 14-16. Consistent with this mechanism, all ongoing COR at coal-fired generation is and will continue to be recorded to Account 108. NIPSCO has also included in the calculation of depreciation accrual rates the projected COR at coal-fired generation. As NIPSCO Witness Weatherford explains, NIPSCO will continue to exclude the COR component of Account 108 from the Generation Retirement Credit. Upon the retirement of Michigan City Unit 12, all of this COR activity will be moved from Account 108 to a regulatory asset or liability as the case may be.

Q33. Please explain the Work Asset Management ("WAM") program regulatory asset adjustments as shown on Attachment 3-C-XX (S1, S2), RB-8.

A33. On August 21, 2024, NIPSCO filed an Unopposed Proposed Order in Cause No. 46025 requesting authorization to defer, as a regulatory asset in Account 182.3, Other Regulatory Assets, monthly PISCC on in-service WAM assets, deferred depreciation and amortization, and one-time WAM program expenses until such time as it can be included for recovery in base rates. NIPSCO and the OUCC requested that an order be issued on or before September 29, 2024, or as soon as possible thereafter.

Adjustment RB 8-24 in the amount of $18,479,443 and RB 8-25 in the amount of $9,757,564 increase the amount of the regulatory asset to reflect the forecasted amounts as set out in the unopposed proposed order in Cause No. 46025. Should an update be required to reflect changes from the proposed versus approved order, NIPSCO will include those changes in its rebuttal filing in this Cause.

Q34. Please explain the Renewable Energy Joint Venture Investments regulatory asset adjustments as shown on <u>Attachment 3-C-XX (S1, S2)</u>, RB-9.

A34. NIPSCO continues to amortize deferred regulatory asset balances approved for recovery in Cause No. 45772 over the previously approved period. In addition, NIPSCO has received several Orders granting certificates of public convenience and necessity for current and planned investments in renewable energy joint ventures, including but not limited to, Rosewater Wind Generation LLC (Cause No. 45194), Indiana Crossroads Wind Generation LLC (Cause No. 45310), Indiana Crossroads Solar

Generation LLC (Cause No. 45524), and Dunn's Bridge I Solar Generation LLC (Cause No. 45462). These Orders authorize NIPSCO to record the costs to invest in the joint ventures as a regulatory asset in Account 182.3 to be included in the NIPSCO's net original cost rate base for ratemaking purposes, and to amortize the associated costs over the 30-year life of the respective solar or wind project. Consistent with these Orders, NIPSCO expects the life of these assets to be reviewed in future depreciation studies. As such, Adjustment RB 9-24 in the amount of $27,924,381 and Adjustment RB 9-25 in the amount of $28,019,333 decrease this regulatory asset balance to reflect amortization of these previously approved renewable energy joint ventures.

Q35. Please explain the Cause Nos. 45159 and 45772 Remainder regulatory asset adjustments as shown on <u>Attachment 3-C-XX (S1, S2)</u>, RB-10.

A35. NIPSCO continues to amortize deferred regulatory asset balances approved for recovery in Cause Nos. 45159 and 45772 over the previously approved periods. NIPSCO is not proposing a change in the amortization period of these assets in this proceeding. The 2024 and 2025 forecasted amounts are calculated by adjusting the December 31, 2023 actual balance. Adjustment RB 10-24 in the amount of $11,379,240 and Adjustment RB 10-

25 in the amount of $11,477,838 decrease the regulatory asset balance for ongoing approved amortization. The remaining balance of $24,524,961 for Cause Nos. 45159 and 45772 regulatory asset reflects the forecasted unamortized balance as of December 31, 2025.

Q36. Please explain the Electric TDSIC regulatory asset adjustments as shown on <u>Attachment 3-C-XX (S1, S2)</u>, RB-11.

A36. These adjustments roll forward normalized Historic Base Period deferrals to those forecasted as of December 31, 2025. In accordance with the Commission's Orders in Cause Nos. 44733 and 45557, NIPSCO is authorized to defer, as a regulatory asset, 20% of the TDSIC costs incurred in connection with its designated eligible improvements and recover those deferred costs in its next general rate case as allowed by Ind. Code § 8-1-39-9(c). The 2024 and 2025 forecasted amounts are calculated by adjusting the December 31, 2023 actual balance for forecasted changes based on a series of assumptions including forecasted capital expenditures and related capital returns (including post in service carrying charges), and planned in-service timing, which drives deferred depreciation and property taxes. Adjustment RB 11-24 in the amount of $6,795,716 and Adjustment RB 11-25 in the amount of $11,883,680 increase the regulatory asset balance to reflect ongoing TDSIC deferrals.

Q37. Please explain the Wholly Owned Solar Farm regulatory asset adjustments as shown on Attachment 3-C-XX (S1, S2), RB 12.

A37. NIPSCO has received several Orders granting certificates of public convenience and necessity for current and planned investments in renewable energy wholly owned solar farms, including Cavalry Solar Generation LLC (Cause No. 45936), Dunn's Bridge II Solar Generation LLC (Cause No. 45936), Fairbanks (Cause No. 46028), and Gibson (Cause No. 46032), authorizing the deferral of costs associated with the solar projects in a regulatory asset for recovery in a future rate case. Adjustment RB 23 in the amount of $463,828,697 decreases the regulatory asset for milestone payments and AFUDC that will either be included in Utility Plant at the in-service date of the project and removes costs that are recoverable through cost of service. Adjustment RB 12-24 in the amount of $20,177,069 and RB 12-25 in the amount of $79,662,691 increase the regulatory asset balance to reflect forecasted deferrals of PISCC and depreciation/amortization as approved in the previously noted orders.

Q38. Please explain the Materials and Supplies adjustment as shown on <u>Attachment 3-C-XX (S1, S2)</u>, RB-13.

A38. This adjustment rolls forward the normalized Historic Base Period balance of Materials and Supplies to those forecasted as of December 31, 2025. Adjustment RB 13-25 in the amount of $13,617,008 decreases the materials and supplies balance to reflect the future forecasted balance based on the historical amount adjusted for a reduction related to the retirement of Schahfer Units 17 and 18 expected to occur at the end of 2025.

Q39. What is the Company's proposal with respect to the Schahfer Materials and Supplies Inventory that is on hand at retirement of Units 17 and 18?

A39. It is expected that there will be unused inventory on hand at retirement. The Company proposes to record all end-of-life Materials and Supplies Inventory (both at Schahfer and later at Michigan City Unit 12) to a regulatory asset to be recovered in a future general rate case. The regulatory asset would not be included in rate base. This is similar to the treatment approved for Duke Energy Indiana in Cause No. 45253.[2]

Q40. Please explain the Production Fuel adjustments as shown on <u>Attachment</u>

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[2] Duke Energy Indiana, Cause No. 45253 (IURC 6/29/2020), p. 91.

<u>3-C-XX (S1, S2)</u>, RB-14.

A40. This adjustment rolls forward the normalized Historic Base Period balance of Production Fuel to that forecasted as of December 31, 2025. Forecasted Production Fuel balances are based on PROMOD inputs utilized to determine the volumes generated at each station as well as cost assumptions. Adjustments RB 14-24 in the amount of $7,511,457 and RB 14-25 in the amount of $42,087,**684** decrease the Production Fuel balance. These decreases in the 2024 and 2025 forecasted Production Fuel balances relate to the retirement of Schahfer Units 17 and 18 expected to occur at the end of 2025.

Q41. Does this conclude your prefiled direct testimony?

A41. Yes.

VERIFICATION

I, Emily J. Bytnar, Manager of Rate Case Execution 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.

Emily J. Bytnar

Emily J. Bytnar

Date: September 12, 2024