

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY LLC FOR (1) AUTHORITY TO)
MODIFY ITS RATES AND CHARGES FOR GAS)
UTILITY SERVICE THROUGH A PHASE IN OF)
RATES; (2) APPROVAL OF NEW SCHEDULES OF)
RATES AND CHARGES, GENERAL RULES AND)
REGULATIONS, AND RIDERS; (3) APPROVAL OF)
REVISED DEPRECIATION RATES APPLICABLE TO)
ITS GAS PLANT IN SERVICE; (4) APPROVAL OF)
MECHANISM TO MODIFY RATES PROSPECTIVELY)
FOR CHANGES IN FEDERAL OR STATE INCOME)
TAX RATES, UTILITY RECEIPTS TAX RATES, AND)
PUBLIC UTILITY FEE RATES; (5) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF; AND (6) AUTHORITY TO IMPLEMENT)
TEMPORARY RATES CONSISTENT WITH THE)
PROVISIONS OF IND. CODE § 8-1-2-42.7.)

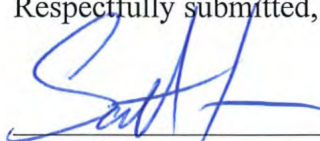
CAUSE NO. 45621

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 1 – TESTIMONY OF OUCC WITNESS
MARK H. GROSSKOPF

January 20, 2022

Respectfully submitted,



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**NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC
CAUSE NO. 45621
TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF**

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 a Senior Utility Analyst. For a summary of my educational and professional
7 experience and my preparation for this case, please see Appendix MHG-1 attached
8 to my testimony.

9 **Q: What is the purpose of your testimony?**

10 A: I address certain elements of Northern Indiana Public Service Company LLC's
11 ("NIPSCO" or "Petitioner") request for a rate increase through a phase-in of rates
12 utilizing a forward-looking test year. I sponsor and discuss NIPSCO's revenue
13 requirements, rate base, depreciation expense, various amortization expenses,
14 Transmission, Distribution, and Storage System Improvement Charge ("TDSIC")
15 regulatory asset, Federally Mandated Cost Adjustment ("FMCA") regulatory asset,
16 taxes other than income tax, and state and federal income taxes. I discuss NIPSCO's
17 proposed Step 1 and Step 2 rate phase-in process.

18 I also sponsor accounting schedules to support the OUCC's recommended
19 pro forma adjustments; these schedules incorporate recommendations and pro
20 forma adjustments of other OUCC witnesses and implement the OUCC's

1 recommended cost of equity and capital structure. The accounting schedules I
2 prepared incorporate all adjustments used to calculate the OUCC's recommended
3 total pro forma revenue requirements and the resulting recommended rate increase.

4 The OUCC's Index of Issues is attached to my testimony as Appendix MHG-2.

5 **Q: Do you address other issues in this Cause?**

6 A: Yes. I address Petitioner's proposed mechanism to modify rates prospectively for
7 changes in federal or state income tax rates, utility receipts tax rates, and public
8 utility fee rates. I also discuss the Indiana General Assembly's policy recognizing
9 utility service affordability through Indiana Code § 8-1-2-.05 as it relates to this
10 Cause.

11 **Q: What are your recommendations in this Cause?**

12 A: I recommend a reduction in NIPSCO's proposed rate increase. I recommend
13 adjustments to the period over which NIPSCO amortizes its regulatory assets. I
14 recommend denial of NIPSCO's proposal for capturing future tax rate changes. I
15 recommend NIPSCO's rate base update at December 31, 2022 not exceed the rate
16 base forecast set forth in its case-in-chief. I further recommend the Commission
17 approve only the necessary and reasonable requests for NIPSCO's provision of
18 quality gas service at reasonable prices and take steps to moderate rate increases
19 over time.

20 **Q: To the extent you do not address a specific item or adjustment in this Cause,**
21 **should that be construed to mean you agree with Petitioner's proposal?**

22 A: No. Not addressing a specific item or adjustment NIPSCO proposes does not
23 indicate my agreement or approval. Rather, the scope of my testimony is limited to
24 the specific items addressed herein.

II. OUCC WITNESS INTRODUCTION

1 **Q: Please introduce the other OUCC witnesses who are testifying in this case.**

2 A: The following OUCC witnesses reviewed and analyzed NIPSCO's case-in-chief
3 testimony and are testifying on various elements of this rate case:

4 **Mr. Scott Viefhaus** analyzed NIPSCO's gas sales revenues, other gas and
5 miscellaneous revenues, cost of goods sold, corporate services, uncollectible
6 accounts expense, NIPSCO's credit card fee transaction program, and the Universal
7 Service Program ("USP"). He recommends changes to NIPSCO's pro forma
8 revenue, uncollectible accounts expense, corporate service expense, modifications
9 to the USP, and the credit card fee transaction program.

10 **Ms. Heather Poole** analyzed various O&M expense adjustments, including labor
11 and employee benefits, payroll taxes, corporate insurance, rents and leases, non-
12 recoverable expenses, COVID regulatory assets, and rate case expense. She
13 recommends changes to incentive compensation, rate case amortization, and
14 COVID regulatory expense allocation. She also recommends a change to
15 NIPSCO's Unaccounted for Gas cap included in the Gas Cost Adjustment
16 mechanism.

17 **Ms. Barbara Smith** analyzed gas operations, pipeline safety, and environmental
18 expenses. She recommends a reduction to damage prevention expenses.

19 **Mr. Leja Courter** analyzed NIPSCO's proposed 10.50% cost of equity to be used
20 in the weighted cost of capital calculation and reviewed other components of the
21 capital structure. Mr. Courter recommends the Commission adopt the OUCC's
22 proposed cost of equity of 9.30% based on his Distributed Cash Flow ("DCF") and
23 Capital Asset Pricing Model ("CAPM") analyses, to be used in the weighted cost
24 of capital calculation. Mr. Courter also addresses NIPSCO's rate case expense and
25 customer bill transparency.

26 **Mr. David Garrett** offers his analysis and assessment of NIPSCO's depreciation
27 study, and the resulting depreciation rates. He recommends depreciation rates
28 calculated using the average life group procedure and changes to service life
29 parameters for some transmission and distribution accounts.

30 **Mr. Brien Krieger** discusses his analysis of NIPSCO's cost of service study and
31 rate design, including NIPSCO's proposed increased fixed monthly customer
32 charges. He also reviews various proposed tariff changes.

III. REVENUE REQUIREMENT SCHEDULES

1 **Q: Does the OUCC agree with NIPSCO's proposed pro forma increase in revenue**
2 **from existing rates?**

3 A: No. NIPSCO requests a rate increase of 23.55% over total revenues net of gas costs,
4 to increase its annual revenue by \$109,691,969. This equates to an increase in gross
5 revenues, including gas costs, of 13.47%. The OUCC's review supports an increase
6 in NIPSCO's pro forma revenue requirement of \$41,569,457, resulting in an
7 increase in gross revenues of 12.11%. This equates to an increase in gross revenues,
8 including gas costs, of 6.93%.

9 **Q: What attachments and schedules do you sponsor showing the pertinent**
10 **calculations related to your testimony?**

11 A: I sponsor the following attachments and schedules:

12 Attachment MHG-1: OUCC Revenue Requirement Schedules

- 13 • Schedule 1: Comparison of Petitioner's and the OUCC's Revenue
14 Requirements, Gross Revenue Conversion Factor, and Comparison of the
15 Statement of Operating Income Adjustments.
- 16 • Schedule 2: NIPSCO's Income Statement.
- 17 • Schedule 3: NIPSCO's Consolidated Balance Sheet.
- 18 • Schedule 4: OUCC's Pro Forma Net Operating Income Statement.
- 19 • Schedule 5: OUCC's Pro Forma Revenue Adjustments.
- 20 • Schedule 6: OUCC's Pro Forma Expense Adjustments.
- 21 • Schedule 7: OUCC's Calculation of Pro Forma Rate Base on December 31,
22 2022.
- 23 • Schedule 8: OUCC's Pro Forma Capital Structure on December 31, 2022.
- 24 • Schedule 9: Current and Proposed Monthly Service Charges.

1 **Q: Do your revenue requirement schedules reflect NIPSCO's use of a forward-**
2 **looking test year?**

3 A: Yes. NIPSCO's forward-looking test year begins January 1, 2022 and ends
4 December 31, 2022. NIPSCO used actual amounts for rate base and capital
5 structure items for the base period ending December 31, 2020, and applied
6 adjustments for the 2021 and 2022 budget periods. For revenues and expenses,
7 NIPSCO also used the twelve months ending December 31, 2020 as the base period
8 adjusted for budgeted years ending December 31, 2021 and 2022. The forward test
9 year ending December 31, 2022 is reflected as the "Test Year Unadjusted" in the
10 first numerical column of my Attachment MHG-1, Schedule 4, Pro Forma Net
11 Operating Income Statement. Pro forma adjustments are applied to the Test Year
12 Unadjusted income statement, for the period ending December 31, 2022, to derive
13 pro forma operating revenue, expenses, and net income at present rates.

14 **Q: Please describe the schedules in Attachment MHG-1.**

15 A: Page 1 of Schedule 1 summarizes the main components of the revenue
16 requirements, incorporating the OUCC's adjustments to NIPSCO's proposed
17 revenue requirements, resulting in the calculation of the OUCC's recommended
18 revenue increase. Pages 2 and 3 of Schedule 1 compare each parties' calculation of
19 the revenue conversion factor, and a comparison of NIPSCO's and the OUCC's
20 proposed operating income adjustments at present rates. Page 2 of Schedule 1 also
21 includes a calculation to gross up bad debt, Indiana Utility Regulatory Commission
22 ("IURC") fees, and taxes based on the OUCC's proposed revenue increase.
23 Schedule 2 is NIPSCO's consolidated balance sheet for the test year ending
24 December 31, 2020. Schedule 3 is NIPSCO's income statement, for the test year

1 ending December 31, 2020. Schedule 4 is the Pro Forma Net Operating Income
2 Statement reflecting a summary of all pro forma revenue and expense adjustments
3 proposed by the OUCC. The OUCC's proposed adjustments yield revised pro
4 forma revenue, operating expenses, and net operating income, resulting in a revised
5 proposed rate adjustment. Schedule 5 shows the OUCC's adjustments to NIPSCO's
6 proposed revenues. Schedule 6 shows the OUCC's adjustments to NIPSCO's
7 proposed expenses, including pro forma present rate taxes other than income taxes,
8 and pro forma present rate federal and state income taxes. Schedule 7 shows the
9 OUCC's calculation of NIPSCO's budgeted original cost rate base on December
10 31, 2022. Schedule 8 reflects the OUCC's calculation of NIPSCO's budgeted
11 capital structure on December 31, 2022, including a revised cost of equity. Schedule
12 9 shows a comparison of Petitioner's current and proposed monthly service
13 charges, and the OUCC's proposed monthly service charges.

IV. PROPOSED ADJUSTMENTS TO REVENUE REQUIREMENTS

14 **Q: Are you sponsoring all adjustments shown on Schedule 4 of Attachment**
15 **MHG-1?**

16 **A:** No. Schedule 4 reflects all the OUCC's operating income and expense adjustments.
17 I am sponsoring the depreciation, various asset amortization expenses, IURC fee,
18 taxes other than income, and the state income tax and federal income tax
19 adjustments. Details of my proposed adjustments are shown on Schedule 6. Other
20 operating income and expense adjustments on Schedule 4 reflect the net result of
21 adjustments sponsored by OUCC witnesses Scott Viefhaus, Heather Poole, Barbara
22 Smith, and Leja Courter. The details of Mr. Viefhaus' adjustments are shown on

1 Public's Exhibit No. 2, Attachments SOV-1-4. The details of Ms. Poole's
2 adjustments are shown on Public's Exhibit No. 3, Attachments HRP-1-3. The
3 details of Ms. Smith's adjustments are shown on Public's Exhibit No. 4,
4 Attachments BAS-5-6. The details of the expense adjustments sponsored by Mr.
5 Courter are included with Ms. Poole's adjustments.

6 **Q: Are there any adjustments included in NIPSCO's proposed revenue**
7 **requirements the OUCC is not disputing?**

8 A: Yes. The OUCC is not disputing many of the adjustments to revenue and expenses
9 proposed by NIPSCO. In the schedule reference column of Attachment MHG-1,
10 Schedule 4, a designation of "Pet." indicates the OUCC does not dispute the
11 adjustment proposed by Petitioner, i.e., NIPSCO. Adjustments sponsored by
12 OUCC witnesses show a schedule reference of Schedule 5 or Schedule 6, contained
13 within Attachment MHG-1, Schedule 4.

14 **Q: Please discuss your adjustment to the public utility fee and the Indiana utility**
15 **receipts tax.**

16 A: I do not dispute NIPSCO's methodology in calculating either the public utility fee
17 or the Indiana utility receipts tax. The changes to NIPSCO's public utility fee and
18 Indiana utility receipts tax calculations reflected in my schedules are a result of
19 changes in pro forma revenues sponsored by OUCC witness Viefhaus.

20 **Q: Please discuss your adjustment to state and federal income taxes.**

21 A: I do not dispute NIPSCO's methodology in calculating the pro forma federal and
22 state income tax adjustments based on pro forma present rates. All changes to
23 NIPSCO's federal and state income tax calculations are a result of changes to other
24 pro forma proposed revenue requirements.

V. RATE BASE

1 **Q: Has NIPSCO included a forward-looking test year rate base in its revenue**
2 **requirements?**

3 A: Yes. NIPSCO used its actual rate base as of December 31, 2020 as the basis for its
4 December 31, 2022 forecasted rate base. At this point, the forecasted rate base is
5 an amount derived from budgeted additions and retirements resulting in a forward-
6 looking test year budget estimate. I have reviewed the final balances from
7 NIPSCO's historical base period, and I analyzed the projected additions and
8 retirements.

9 **Q: How will NIPSCO's rate base be updated in this Cause?**

10 A: NIPSCO's proposed rate base in this Cause will ultimately be updated to reflect
11 actual rate base on June 30, 2022, and again at the end of the forward test year,
12 December 31, 2022. The components of NIPSCO's proposed rate base include
13 utility plant in-service and common allocated plant adjusted for accumulated
14 depreciation, the Cause No. 44988 regulatory asset, TDSIC regulatory asset,
15 FMCA regulatory asset, utility materials and supplies, and gas stored underground.

16 **Q: How will NIPSCO's TDSIC and FMCA cost recovery mechanisms affect rate**
17 **base in this Cause?**

18 A: NIPSCO has factored the projected amount of its TDSIC and FMCA asset balances
19 into its proposed rate base total in this Cause. The accumulation of actual
20 investments approved in NIPSCO's TDSIC and FMCA filings in Cause Nos. 45330
21 and 45007, respectively, will be transitioned to NIPSCO's rate base in this Cause
22 through the Step 1 and Step 2 update compliance filings.

23 NIPSCO's TDSIC and FMCA filings have also yielded deferred regulatory

1 assets representing 20% of NIPSCO's approved TDSIC and FMCA project costs.
2 These deferred assets are eligible for recovery in this case, and therefore, rate base
3 will be updated to include the most recently approved deferred assets through
4 NIPSCO's Step 1 and Step 2 update compliance filings.

5 **Q: Do you recommend NIPSCO's December 31, 2022 forecasted rate base**
6 **included with its case-in-chief filing serve as a cap on its Step 2 base rate**
7 **compliance filing?**

8 A: Yes. I reviewed NIPSCO's estimated rate base components and have not made any
9 adjustments to its forecasted rate base. While NIPSCO will update rate base to
10 actual balances through a compliance filing, the December 31, 2022 rate base
11 forecast submitted with NIPSCO's case-in-chief filing should serve as a cap on
12 these actual amounts. This approach is standard practice in forward-looking test
13 year rate cases, including Cause No. 44988, NIPSCO's most recent rate case, in
14 which its projected rate base served as a cap on its Step 2 rate update.

15 The rate base cap will hold NIPSCO accountable to the estimates included
16 in its forecasted rate base and will ensure that NIPSCO's final rates do not exceed
17 the amounts identified in its case-in-chief. If NIPSCO adds more plant than it
18 currently forecasts, it can seek recovery of the excess amount in its next rate case.

19 I recommend NIPSCO's Step 2 rate base update reflect actual balances as of
20 December 31, 2022, with a cap not to exceed the rate base forecast in Petitioner's
21 case-in-chief or the rate base approved by the Commission.

VI. DEPRECIATION EXPENSE

22 **Q: Is the OUCC proposing any changes to the depreciation expense rates**
23 **proposed by NIPSCO?**

1 A: Yes. OUCC witness Garrett conducted an analysis and provides an assessment in
2 his testimony of NIPSCO's depreciation study. Mr. Garrett is recommending a
3 revision to NIPSCO's proposed depreciation rates. These revised rates are used in
4 my depreciation expense calculation shown on my Attachment MHG-2. The
5 resulting depreciation expense reduction of \$22,833,937 is incorporated into my
6 adjustment calculation shown on Schedule 6 of Attachment MHG-1, yielding a
7 total proposed depreciation expense of \$73,561,768.

8 **Q: Is the OUCC's proposed depreciation expense representative of the amounts**
9 **to be included in revenue requirements?**

10 A: Yes, the depreciation expense proposed by the OUCC is representative of the utility
11 plant in service proposed by the OUCC on Schedule 7 of Attachment MHG-1.
12 However, as discussed later in my testimony, depreciation expense will be updated
13 to coincide with the actual utility plant in service balance as of December 31, 2022
14 in Step 2 of NIPSCO's compliance filing.

VII. AMORTIZATION EXPENSE

15 **Q: How does the OUCC propose to modify NIPSCO's proposed amortization**
16 **expense?**

17 A: I propose extending the period over which NIPSCO is amortizing its TDSIC
18 regulatory asset and FMCA regulatory asset. The TDSIC and FMCA regulatory
19 assets have been accumulated through NIPSCO's TDSIC and FMCA tracker
20 filings, representing the 20% revenue requirements deferred in each tracker filing
21 for collection in NIPSCO's next rate case. This current rate case is where NIPSCO
22 is proposing to collect the 20% deferred revenue requirement through an
23 amortization expense. As NIPSCO's witness Newcomb states, "NIPSCO is

1 proposing to amortize this asset over a 4-year period consistent with the period of
2 time over which these amounts were deferred.” (Petitioner’s Exhibit 3, Revised
3 page 50, lines 5-7.)

4 Because there is no rule dictating that a regulatory asset must be amortized
5 over the same period over which it was accumulated, I recommend, for
6 administrative efficiency, amortizing these regulatory assets over the same period
7 rate case expense is amortized. I propose the TDSIC and FMCA regulatory assets
8 be amortized over a 5-year period, the same as rate case expense amortization
9 sponsored by OUCC witness Poole. My adjustments yield an annual amortization
10 expense of \$2,811,024 for the TDSIC regulatory asset and an annual amortization
11 expense of \$3,281,950 for the FMCA regulatory asset. (Attachment MHG-3.) A
12 five-year amortization period also reduces the rate burden on customers while
13 providing NIPSCO with complete recovery of its full investment.

14 If NIPSCO does not file for new rates within five years, amortization
15 expense for these regulatory assets and rate case expense can be removed from rates
16 simultaneously through a compliance filing. If NIPSCO files a rate case sooner than
17 five years, the remaining balance can be incorporated into the new rates and
18 amortized over the remaining amortization period as NIPSCO proposes to do for
19 the Cause No. 44988 regulatory asset in this Cause.

20 **Q: Over what period does NIPSCO propose to amortize the Cause No. 44988**
21 **regulatory asset in this Cause?**

22 A: For this regulatory asset, NIPSCO proposes to continue the 7-year amortization
23 period approved in Cause No. 44988. As of December 31, 2022, the end of the
24 forward-looking test year in this case, 33 months of the 7-year period will remain.

1 I accept this remaining amortization period for the current case. OUCC witness
2 Poole testifies that the COVID regulatory asset should be amortized over the same
3 33-month period. At the end of this 33-month period, for administrative efficiency,
4 NIPSCO can file one compliance filing to remove both of these regulatory asset
5 amortizations from base rates.

VIII. TAXES

6 **Q: Please discuss your conclusions for NIPSCO's adjustments to taxes.**

7 A: The OUCC's Schedule 6 (included in Attachment MHG-1) includes calculations
8 using NIPSCO's methodology to calculate the public utility fee, the Indiana utility
9 receipts tax, and state and federal income taxes. Changes to the amount of these
10 fees and taxes calculated in Schedule 6 are a result of changes in pro forma revenues
11 and expenses sponsored by OUCC witnesses. These fees and taxes will change with
12 a revision to net operating income in NIPSCO's December 31, 2022 Step 2
13 compliance filing.

14 **Q: Does NIPSCO continue to provide a credit in its income tax calculation to pass
15 back Excess Accumulated Deferred Income Taxes ("EADIT") to its
16 customers?**

17 A: Yes. In Cause No. 44988, NIPSCO agreed in settlement to utilize the Average Rate
18 Assumption Method ("ARAM") to pass back EADIT to customers. In this Cause,
19 NIPSCO uses ARAM to amortize protected EADIT and amortizes unprotected
20 EADIT over a period of 12 years. NIPSCO's credit against federal and state income
21 tax expense in this Cause to reflect amortization of EADIT is consistent with the
22 Cause No. 44988 Settlement Agreement.

IX. 2022 PHASE-IN RATE UPDATES

1 **Q: Please explain the phase-in rate process proposed in this Cause.**

2 A: Upon issuance of a Final Order in this Cause, NIPSCO proposes to update its rates
3 in two phases. In Step 1, rates would be updated to include actual rate base and
4 capital structure as of June 30, 2022. In Step 2, NIPSCO proposes to update rates
5 to include actual rate base and capital structure as of the forward test year ending
6 December 31, 2022. As noted above, the OUCC proposes the Step 2 rate base
7 update be capped at the rate base forecast in Petitioner's case-in-chief or the rate
8 base approved by the Commission. Depreciation expense would also be annualized
9 based on December 31, 2022 plant in-service balances, and amortization of
10 regulatory assets will be based on ending balances for these assets as of December
11 31, 2022. Taxes will also be updated because they are tied directly to the change in
12 income generated from updated rate base and the resulting rates. NIPSCO proposes
13 a sixty (60) day period for the OUCC and intervenors to review each compliance
14 filing.

15 **Q: Does the OUCC disagree with NIPSCO's proposed rate phase-in process?**

16 A: No. As proposed, the June 30 and December 31, 2022 update to NIPSCO's revenue
17 requirements should be limited to updating NIPSCO's rate base, capital structure,
18 depreciation and amortization expenses, and taxes. NIPSCO's proposed sixty (60)
19 day review period should be acceptable, provided NIPSCO's compliance filings
20 include detailed schedules and workpapers that support the revised rate update.

X. TAX RATE MODIFICATION MECHANISM

1 **Q: Do you agree with NIPSCO's proposal to update rates for future tax rate**
2 **changes?**

3 A: No, I do not agree with NIPSCO's proposal to automatically adjust its base rates
4 for potential, future changes to the federal income tax rate, Indiana state income tax
5 rate, Utility Receipts Tax ("URT") rate, or Public Utility Fee ("IURC Fee") rate.
6 NIPSCO is requesting authority to automatically update its rates in the event of an
7 income tax rate change before the scope of any future change is known. This is
8 speculative and premature. In the event of a tax rate or fee change, NIPSCO should
9 be required to make a filing setting forth how it proposes to implement that tax rate
10 or fee change, giving the OUCC, other interested parties, and the Commission an
11 opportunity to evaluate the request at the time it is made.

12 **Q: Why else is NIPSCO's proposal to automatically update base rates for future**
13 **tax rate and fee changes inappropriate?**

14 A: The Indiana state income tax rate had been decreasing each year, from 7.0% in 2014
15 to 4.90% in July of 2021. This periodic incremental drop of 2.10% over the last
16 seven years, and average of 0.30% per year, does not equate to the materiality and
17 volatility NIPSCO's witness Harding asserts as support for an automatic base rate
18 change. Moreover, I am not aware of any plans to further reduce the Indiana state
19 income tax rate after 2021.

20 The changes to the URT and IURC fee are even less dramatic. The URT
21 rate increased this year, for the first time in my memory, by .06%, from 1.40% to
22 1.46%. The IURC fee is currently at .127608%, which is an increase of .0002426%
23 from last year. Neither of these fee changes are of a size and scope to justify an

1 automatic base rate change without the opportunity for review and feedback from
2 other parties and the Commission.

3 **Q: Would NIPSCO's proposal to update rates for future tax rate or fee changes**
4 **be administratively efficient?**

5 A: No. The URT rate can change each January, and the IURC fee changes each July.
6 It is unknown when the state income tax rate might change, as well as the federal
7 income tax rate. Given these factors, the utility could file at least two rate updates
8 per year or as many as four in some years. If NIPSCO were authorized to track each
9 change in taxes and fees, it is likely other utilities would request the same
10 authorization. The regulatory cost of tracking these changes for every utility in the
11 state could become excessive. If utilities file for base rate adjustments at appropriate
12 and timely intervals, they should stay sufficiently current on tax and fee rates. If a
13 large tax rate change were to occur, the utility could then file a request to implement
14 that change.

XI. AFFORDABILITY

15 **Q: Does the OUCC have concerns about the affordability of NIPSCO's rate**
16 **request?**

17 A: Yes. Through Indiana Code § 8-1-2-.05, the Indiana General Assembly declared a
18 policy recognizing utility service affordability for present and future generations. It
19 stated affordability should be protected when utilities invest in infrastructure
20 necessary for system operation and maintenance.

1 **Q: How does the issue of affordability tie into NIPSCO's current rate request?**

2 A: NIPSCO implemented an annual base rate revenue increase of \$114,043,055¹ in
3 March 2019 and is now requesting an additional \$109,691,969 annual base rate
4 revenue increase by 2022. NIPSCO's proposal in this Cause will increase the bill
5 of a residential customer using 50 therms of gas by 21%, from \$43.74 to \$53.06, or
6 70 therms by 16%, from \$55.64 to \$64.49. (Petitioner's Exhibit No. 17, Revised
7 Attachment 17-I.) After rates are increased in this Cause, NIPSCO will continue to
8 increase rates bi-annually through its TDSIC and FMCA cost tracking mechanisms.
9 The cumulative economic effect on ratepayers implicates affordability.

10 **Q: How should affordability be considered?**

11 A: In light of the Indiana General Assembly's stated policy, affordability should be a
12 constant consideration for all Indiana jurisdictional utilities, as well as the
13 Commission as it deliberates its decisions. While federal pipeline safety regulations
14 have increased on transmission and distribution systems in the last decade, and
15 federal regulations on gas storage have been added in recent years, affordability is
16 an issue that should be considered in all investment decisions to provide guidance
17 and help set spending parameters.

18 The OUCC understands safe and reliable gas systems are extremely
19 important. However, at the same time customers are faced with increasing utility
20 costs, they must also contend with stagnant or decreasing wages.² In terms of

¹ NIPSCO Cause No. 44988 Compliance Filing – Step 2 filed Feb. 22, 2019 (Attachment A-S3, p.1)

² <https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/>

1 affordability, this combination is unsustainable. These hardships are only worsened
2 during periods of widespread economic turmoil as the country is currently
3 experiencing due to the COVID-19 pandemic. In recognition of the importance of
4 affordability, examining socialization, prioritization, and spreading cost recovery
5 out over longer periods of time could help address the financial impact to the
6 customer.

7 Consistent with the General Assembly's stated policy, the Commission
8 should only approve necessary and reasonable requests for NIPSCO to provide
9 quality gas service at reasonable prices and take steps to moderate the imposition
10 of higher rates over time.

XII. OUCC RECOMMENDATIONS

11 **Q: Please summarize your recommendations related to the revenue requirements**
12 **and resulting revenue increase in this Cause.**

13 A: As shown on Schedule 1 of Attachment MHG-1, the OUCC's adjustments to
14 NIPSCO's revenue, operating expenses, and taxes result in a revenue percentage
15 increase of 12.11% on gross margin, for a total recommended revenue increase of
16 \$41,569,457. The resulting pro forma proposed revenue should be allocated to the
17 various customer rate classes based on the cost-of-service recommendations of
18 OUCC witness Krieger.

19 **Q: Please summarize your recommendations regarding a return on rate base.**

20 A: The OUCC's revenue requirements are based on an original cost rate base of
21 \$2,418,669,135. However, the rate base will ultimately be updated to reflect actual
22 rate base on December 31, 2022, subject to a cap not to exceed the rate base forecast

1 in Petitioner's case-in-chief or the rate base amount approved in the Commission's
2 Final Order. The OUCC recommends the Commission grant the Parties in this
3 Cause a minimum of sixty (60) days to review Petitioner's updated rate base and
4 capital structure in a Compliance filing containing all pertinent documentation
5 supporting the updated rate base. OUCC witness Courter recommends a return on
6 common equity of 9.30%. The resulting return on original cost rate base is
7 \$151,938,376.

8 **Q: What are the OUCC's other recommendations in this Cause?**

9 A: I recommend denial of NIPSCO's proposal to automatically update its base rates to
10 capture potential, future tax rate and fee changes. In the event of a tax rate or fee
11 change, NIPSCO can making a filing explaining how it proposes to implement that
12 change and interested parties can review, comment, and make recommendations
13 for the Commission to consider at that time. I also recommend the Commission
14 consider the state policy of promoting utility investment in infrastructure while
15 protecting affordability of utility service, and only approve necessary and
16 reasonable requests for NIPSCO's provision of quality gas service at reasonable
17 prices, with steps taken to moderate rate increases over time.

18 **Q: Please provide a brief summary of the recommendations from other OUCC**
19 **witnesses in this Cause.**

20 A: The following OUCC witnesses provided recommendations for revenue and
21 expense adjustments supporting the revenue requirements and resulting revenue
22 increase described above. Most witnesses addressed other issues as well. A
23 summary of OUCC witness recommendations is as follows:

24 • Mr. Viefhaus recommends changes to NIPSCO's pro forma revenue, a

1 reduction to corporate service allocation expense, a reduction to
2 uncollectible accounts expense, denial of NIPSCO's proposed fee free
3 transaction program, and an increase in shareholder contribution to the USP
4 Program.

- 5 • Ms. Poole recommends reductions to corporate incentive compensation,
6 and changes to the COVID regulatory asset amortization and rate case
7 expense amortization. She also recommends a change to NIPSCO's
8 Unaccounted for Gas cap in the Gas Cost Adjustment mechanism.

- 9 • Ms. Smith recommends a decrease in NIPSCO's proposed damage
10 prevention organization expenses.

- 11 • Mr. Courter recommends a 9.30% cost of equity. He recommends an equal
12 sharing of rate case expense between utility customers and shareholders. He
13 also recommends customer bill transparency language to be included on
14 NIPSCO's bills.

- 15 • Mr. Garrett recommends calculating depreciation expense under the
16 average life group procedure. He also recommends adjustments to the
17 proposed service lives for some of NIPSCO's transmission and distribution
18 accounts.

- 19 • Mr. Krieger recommends changes to NIPSCO's proposed cost of service
20 study, including changes to allocation methodologies. He proposes a
21 reduction of NIPSCO's proposed residential, multi-family housing, general
22 service small, and general service large monthly customer charges.

23 **Q: Does this conclude your testimony?**

24 **A: Yes.**

APPENDIX MHG-1 TO TESTIMONY OF
OUCW WITNESS MARK H. GROSSKOPF

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of Science
3 degree in business with a major in accounting. I worked in auditing and accounting
4 positions at various companies from 1980 to 1995. I joined the OUCW in April of
5 1995 and have worked as a member of the OUCW's Natural Gas Division since
6 June of 1999. I became a Certified Public Accountant in November of 1998. I also
7 completed both weeks of the National Association of Regulatory Utility
8 Commissioners Annual Regulatory Studies program at Michigan State University.
9 I completed an additional week of the Advanced Regulatory Studies Program
10 hosted by the Institute of Public Utilities Regulatory Research and Education at
11 Michigan State University.

12 **Q: Have you previously testified before the Commission?**

13 A: Yes. I have testified as an accounting witness in various causes involving water,
14 wastewater, electric, and gas utilities, including but not limited to, base rate cases,
15 Transmission, Distribution, and Storage System Improvement Charge ("TDSIC")
16 tracker cases, TDSIC 7-Year Plan approval cases, Federally Mandated Cost
17 Adjustment Mechanism ("FMCA") tracker cases, pipeline safety adjustment cases,
18 energy efficiency and revenue decoupling cases, and Gas Cost Adjustment
19 ("GCA") cases. Also, as it relates to this Cause, I have experience with forward-
20 looking test year rate cases through my analysis, testimony, and review of phase-in

1 rate compliance filings in NIPSCO's Cause No. 44988, Vectren South's Cause No.

2 45447, and Vectren North's Cause No. 45468.

3 **Q: Please describe the review and analysis you conducted to prepare your**
4 **testimony.**

5 A: I analyzed Petitioner's testimony and exhibits, workpapers, and other supporting

6 documentation. I analyzed Petitioner's responses to discovery requests from the

7 OUCC and intervenor groups.

**Indiana Office of Utility Consumer Counselor
Cause No. 45621
Index of Issues, Requests, and Supporting Witnesses¹**

Subject	GENERAL	Supporting Witness
Test Year	Twelve Months Ended December 31, 2022	Public's Exhibit No. 1: Mark Grosskopf
Historical Base Period	Twelve Months Ended December 31, 2020	Public's Exhibit No. 1: Mark Grosskopf

REVENUE REQUIREMENT			
Subject	OUCC Request	Supporting Witness	Workpaper or Exhibit Reference
Overall Revenue Increase/(Decrease)	<ul style="list-style-type: none"> • Total annual increase in revenue of approximately \$56,4256,920, or 12.11% net of gas costs, to be phased in over 2 steps 	<ul style="list-style-type: none"> • Mark Grosskopf 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1
Financial Forecast	<ul style="list-style-type: none"> • Set rates based on the OUCC's adjustments to Petitioner's Test Year financial forecast. • Reflect forecasted revenues, O&M, and capital investments in rates 	<ul style="list-style-type: none"> • Mark Grosskopf (O&M, capital investments) • Scott Viefhaus (Forecasted revenues, O&M) • Heather Poole (O&M) • Barbara Smith (O&M) 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 • Public's Exhibit No. 2, Attachments SOV-1 to SOV-4 • Public's Exhibit No. 3, Attachments HRP-1 • Public's Exhibit No. 4, Attachments BAS-5-6
Return on Equity (ROE)	<ul style="list-style-type: none"> • Authorize 9.30% ROE 	<ul style="list-style-type: none"> • Mark Grosskopf • Leja Courter 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 • Public's Exhibit No. 5
Weighted Average Cost of Capital (WACC)	<ul style="list-style-type: none"> • Authorize WACC of 6.28% applied to forecasted rate base 	<ul style="list-style-type: none"> • Mark Grosskopf 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1

¹ This Index of the OUCC's case-in-chief is intended to highlight issues and is *not an exhaustive list* of the OUCC's requests in this proceeding. A complete account of the OUCC's requested relief can be found in the OUCC's case-in-chief, including but not limited to, its testimony and attachments.

REVENUE REQUIREMENT			
Subject	OUCR Request	Supporting Witness	Workpaper or Exhibit Reference
Depreciation and Amortization	<ul style="list-style-type: none"> • Set new depreciation rates and reflect the resulting depreciation expense in base rates based on the OUCR's changes to Petitioner's depreciation study • Revisions to Petitioner's amortization of regulatory assets and rate case expense 	<ul style="list-style-type: none"> • Mark Grosskopf (Depreciation Expense) • David Garrett (Depreciation Rates and Expense) • Mark Grosskopf (Amortization Expense) • Heather Poole (Amortization Expense) • Leja Courter (Rate Case Expense) 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 to MHG-2 • Public's Exhibit No. 6, Attachment DJG-2 to DJG-10 • Public's Exhibit No. 1, Attachment MHG-3 • Public's Exhibit No. 3, Attachments HRP-2 to HRP-3 • Public's Exhibit No. 5
Taxes	<ul style="list-style-type: none"> • Reflect forecasted test year tax expense in base rates • Apply gross revenue conversion factor (GRCF) 	<ul style="list-style-type: none"> • Mark Grosskopf 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1
Forecasted Rate Base	<ul style="list-style-type: none"> • Reflect forecasted capital projects in rate base 	<ul style="list-style-type: none"> • Mark Grosskopf 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1
Inclusion of Unaccounted For Gas in GCA	<ul style="list-style-type: none"> • Change percentage cap included in the GCA 	<ul style="list-style-type: none"> • Heather Poole 	<ul style="list-style-type: none"> • Public's Exhibit No. 3, Attachment HRP-4

COST OF SERVICE AND RATE DESIGN			
Subject	OUCR Proposal	Supporting Witness	Workpaper or Exhibit Reference
Class Cost of Service Study (COSS)	<ul style="list-style-type: none"> • Changes to Petitioner's proposed cost of service study and allocation methodologies 	<ul style="list-style-type: none"> • Brien Krieger 	<ul style="list-style-type: none"> • Public's Exhibit No. 7
Overall Rate Design	<ul style="list-style-type: none"> • Changes to Petitioner's proposed monthly customer service charge 	<ul style="list-style-type: none"> • Brien Krieger 	<ul style="list-style-type: none"> • Public's Exhibit No. 7

COST OF SERVICE AND RATE DESIGN			
Subject	OUCG Proposal	Supporting Witness	Workpaper or Exhibit Reference
Rider Proposals	<ul style="list-style-type: none">• Modification to Petitioner's Universal Service Program	<ul style="list-style-type: none">• Scott Viehhaus	<ul style="list-style-type: none">• Public's Exhibit No. 2
Terms and Conditions of Service and Tariffs	<ul style="list-style-type: none">• Approval of Petitioner's proposed changes to its tariff	<ul style="list-style-type: none">• Brien Krieger (Changes to tariff as proposed by Petitioner)	<ul style="list-style-type: none">• Public's Exhibit No. 7

**NIPSCO
CAUSE NUMBER 45621**

**Comparison of Applicant's and OUCC's
Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (Less)</u>
Original Cost Rate Base	\$2,418,669,135	\$2,418,669,135	7	\$ -
Times: Weighted Cost of Capital	6.87%	6.28%	8	-0.59%
Net Operating Income Required for Return on Original Cost Rate Base	166,162,570	151,938,376		(14,224,194)
Less: Adjusted Net Operating Income	85,362,654	110,368,919	4	25,006,265
Net Revenue Increase Required	80,799,916	41,569,457		(39,230,459)
Gross Revenue Conversion Factor	135.7575%	135.7413%	1	-0.02%
Recommended Revenue Increase	<u>\$ 109,691,946</u>	<u>\$ 56,426,920</u>		<u>\$ (53,265,026)</u>
Percentage Increase (Net of Gas Cost Revenue)	<u>23.55%</u>	<u>12.11%</u>		<u>-11.44%</u>
Percentage Increase (Including Gas Cost Revenue)	<u>13.47%</u>	<u>6.93%</u>		<u>-6.54%</u>

**NIPSCO
CAUSE NUMBER 45621**

Gross Revenue Conversion Factor

	<u>Per Petitioner</u>	<u>Per OUCC</u>	
1 Gross Revenue Change	100.0000%	100.0000%	\$ 56,426,920
2 Less: Bad Debt Rate	<u>0.291500%</u>	<u>0.284095%</u>	160,306
3 Sub-total	99.7085%	99.7159%	
4 Less: IURC Fee	<u>0.127608%</u>	<u>0.127608%</u>	72,005
5 Income Before State Income Taxes	99.580892%	99.588297%	
6 Less: State Income Tax (4.9% of Line 5)	4.8795%	4.879827%	2,753,536
7 Utility Receipts Tax (1.46% of Line 3)	<u>1.4600%</u>	<u>1.455852%</u>	821,492
8 Income Before Federal Income Taxes	93.241433%	93.252618%	
9 Less: Federal Income Tax (21% of Line 8)	<u>19.580701%</u>	<u>19.583050%</u>	<u>11,050,113</u>
10 Change in Operating Income	<u>73.660732%</u>	<u>73.669568%</u>	<u>\$ 41,569,468</u>
11 Gross Revenue Conversion Factor	<u>135.7575%</u>	<u>135.7413%</u>	

NIPSCO
CAUSE NUMBER 45621

Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	OUCC's Pro Forma Adjustments	Difference Increase/ (Decrease)
Revenue			
Retail Sales	\$ 56,106,948	\$ 56,106,948	-
ARP Revenues	(13,201,984)	(13,201,984)	-
TDSIC Revenues	1,009,328	1,009,328	-
FMCA Revenues	-	-	-
DSM Revenues	(378,880)	(378,880)	-
Transportation Revenues	(6,960,493)	(6,960,493)	-
Off-system Displacements	(152,506)	(152,506)	-
Other Gas Revenues	144,405	144,405	-
Inter-Department Sales	192,320	192,320	-
Forfeited Discounts	255,000	255,000	-
Miscellaneous Service Revenue	-	-	-
Rent from Gas Property	-	24,578	\$ 24,578
Total Revenue	<u>37,014,138</u>	<u>37,038,716</u>	<u>24,578</u>
Cost of Goods Sold			
Retail Sales	52,506,126	52,506,126	-
ARP Gas Cost	(8,109,061)	(8,109,061)	-
Transportation Gas Cost	-	-	-
Inter-Department Sales	178,820	178,820	-
Other	1,768,978	1,768,978	-
Total Stored Gas Expenses	<u>46,344,863</u>	<u>46,344,863</u>	<u>-</u>
Operation and Maintenance Expense			
Labor	-	-	-
Gas Operations	6,937,705	4,388,200	(2,549,505)
Other Departments	(607,451)	(607,451)	-
FMCA	348,000	348,000	-
TDSIC	-	-	-
Non-recoverable Expenses	(978,542)	(978,542)	-
Corporate Service Bill	(702,723)	(1,874,201)	(1,171,478)
Corporate Insurance	1,200,243	1,200,243	-
Rents and Leases	(2,014,476)	(2,014,476)	-
Environmental Reserve	-	-	-
Uncollectibles	(2,637,086)	(2,697,202)	(60,116)
CIP	469,142	(1,992,299)	(2,461,441)
Pension	757,125	757,125	-
OPEB	(439,622)	(439,622)	-
Medical Benefits	(2,902,393)	(2,902,393)	-
Other Benefits	17,643	17,643	-
Other Employee Benefits	164,255	164,255	-
LTIP	31,530	31,530	-
Profit Sharing	(409,963)	(409,963)	-
Benefits Administration	99,524	99,524	-
Fee Free Transaction Program	1,623,486	-	(1,623,486)
Cause No. 44988 Amortization	-	-	-
Total Stored Gas Expenses	<u>956,397</u>	<u>(6,909,629)</u>	<u>(7,866,026)</u>

NIPSCO
CAUSE NUMBER 45621

Reconciliation of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	OUCC's Pro Forma Adjustments	Difference Increase/ (Decrease)
Depreciation Expense			
Gas Plant Asset Depreciation Expense	13,741,136	(9,092,801)	(22,833,937)
Gas Common Depreciation Expense	-	-	-
Total Transmission Expenses	<u>13,741,136</u>	<u>(9,092,801)</u>	<u>(22,833,937)</u>
Amortization Expense			
Gas Plant Asset Amortization Expense	-	-	-
Gas Common Amortization Expense	1,782,420	1,782,420	-
TDSIC Regulatory Asset	3,513,780	2,811,024	(702,756)
FMCA Regulatory Asset	4,102,438	3,281,950	(820,488)
Cause No. 44988 Amortization	414,433	414,433	-
COVID Regulatory Asset	1,368,690	995,411	(373,279)
Gas Rate Case Expense	807,549	155,204	(652,345)
Total Distribution Expenses	<u>11,989,310</u>	<u>9,440,442</u>	<u>(2,548,868)</u>
Taxes Other Than Income Taxes			
Property Taxes	(480,519)	(480,519)	-
Payroll Taxes	342,858	342,858	-
Sales Tax	-	-	-
URT	(3,450,056)	(3,449,192)	864
Public Utility Fee	55,756	55,833	77
Total Taxes Other than Income Taxes	<u>(3,531,961)</u>	<u>(3,531,020)</u>	<u>940</u>
Federal and State Income Tax Expense			
State Income Taxes	14,096,436	15,725,053	1,628,617
Federal Income Taxes	(2,684,597)	3,952,995	6,637,592
Total Federal Income Tax Expense	<u>11,411,839</u>	<u>19,678,048</u>	<u>8,266,209</u>
Total Operating Expense	<u>\$ 80,911,584</u>	<u>\$ 55,929,903</u>	<u>\$ (24,981,682)</u>
Net Operating Income	<u>\$ (43,897,446)</u>	<u>\$ (18,891,187)</u>	<u>\$ 25,006,260</u>

NIPSCO
CAUSE NUMBER 45621

CONSOLIDATED BALANCE SHEET
As of December 31, 2020
(in millions)

ASSETS

Property, Plant, and Equipment:	
Utility Plant	\$10,257.5
Accumulated Depreciation & Amortization	(3,469.3)
	<hr/>
Net Utility Plant in Service	6,788.2
Other Property at cost, less Accumulated Depreciation	1,050.3
	<hr/>
Net Property, Plant, and Equipment	7,838.5
Current Assets:	
Cash and Cash Equivalents	\$1.5
Restricted Cash	8.2
Accounts Receivable, less reserve of \$18.0 M	330.6
Accounts Receivable - affiliated	0.1
Income Tax Receivable	18.4
Gas Inventory	62.8
Materials and Supplies, at average cost	118.5
Electric Production Fuel, at average cost	68.4
Exchange Gas Receivable	2.4
Regulatory Assets	58.9
Prepayments and Other Current Assets	49.3
Total Current Assets	<hr/> 719.1 <hr/>
Other Assets:	
Regulatory Assets	\$733.3
Goodwill	17.8
Deferred Charges and Other Assets	84.5
Total Other Assets	<hr/> 835.6 <hr/>
Total Assets	<hr/> <u>\$9,393.2</u> <hr/>

NIPSCO
CAUSE NUMBER 45621

CONSOLIDATED BALANCE SHEET
As of December 31, 2020
(in millions)

CAPITALIZATION AND LIABILITIES

Capitalization:

Common Stock - without par value - 73,282,258 shares outstanding	\$859.5
Additional Paid-in-Capital	206.7
Retained Earnings	2,108.3

Total NIPSCO Shareholders Equity	3,174.5
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Noncontrolling Interest in Consolidated Subsidiaries:	85.6
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Total Shareholders Equity	3,260.1
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Long-Term Debt, excluding amounts due within one year:	82.0
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Long-Term Debt - affiliated, excluding amounts due within one year:	2,256.0
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Total Capitalization	5,598.1
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Current Liabilities:

Current Portion of Long-Term Debt	\$1.9
Current Portion of Long-Term Debt - affiliated	-
Short-Term Borrowings	-
Short-Term Borrowings - affiliated	432.2
Accounts Payable	285.3
Accounts Payable - affiliated	44.6
Customer Deposits and Credits	104.0
Taxes Accrued	44.3
Interest Accrued	18.4
Regulatory Liabilities	68.4
Legal and Environmental	14.6
Accrued Compensation and Employee Benefits	55.7
Asset Retirement Obligations	18.5
Other Accruals	54.1
Total Current Liabilities	1,142.0

Other Liabilities:

Deferred Income Taxes	\$821.3
Deferred Investment Tax Credits	1.5
Accrued Liability for Postretirement and Postemployment Benefits	292.1
Regulatory Liabilities	952.3
Asset Retirement Obligations	414.3
Other Noncurrent Liabilities	171.6
Total Other Liabilities	2,653.1

Total Capitalization and Liabilities	\$9,393.2
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NIPSCO
CAUSE NUMBER 45621

INCOME STATEMENT
Twelve Months Ended December 31, 2020
(in millions)

Operating Revenues:	
Customer Revenues	\$2,151.5
Other Revenues	96.5
	<hr/>
Total Operating Revenues	2,248.0
	<hr/>
Operating Expenses:	
Cost of Sales (excluding depreciation and amortization)	\$588.1
Operating and Maintenance	727.6
Depreciation and Amortization	394.9
Other Taxes	85.0
	<hr/>
Total Operating Expenses	1,795.6
	<hr/>
Operating Income:	452.4
	<hr/>
Other Income (Deductions):	
Interest on Long-Term Debt, net	(\$5.2)
Interest on Long-Term Debt, net - affiliated	(104.8)
Other Income, net	16.4
	<hr/>
Total Other Deductions, Net	(93.6)
	<hr/>
Income Before Income Taxes:	\$358.8
Less: Income Taxes	69.2
	<hr/>
Net Income	289.6
Net Income attributable to noncontrolling interest	3.4
	<hr/>
Net Income attributable to NIPSCO	\$286.2
	<hr/>

NIPSCO
CAUSE NUMBER 45621

Pro Forma Net Operating Income Statement

	Test Year	Pro Forma	Sch	\$ 814,361,276	Increase /	Sch	Pro Forma at
	Unadjusted	Adjustments	Ref	Pro Forma at	(Decrease)	Ref	Proposed Rates
				Present Rates			
REVENUE							
Retail Sales	\$ 604,986,044	\$ 56,106,948	Pet.	\$ 661,092,992	\$ 56,426,920		\$ 717,519,912
ARP Revenues	22,720,009	(13,201,984)	Pet.	9,518,025			9,518,025
TDSIC Revenues	20,193,927	1,009,328	Pet.	21,203,255			21,203,255
FMCA Revenues	17,842,809	-	Pet.	17,842,809			17,842,809
DSM Revenues	378,880	(378,880)	Pet.	-			-
Transportation Revenues	100,381,677	(6,960,493)	Pet.	93,421,184			93,421,184
Off-system Displacements	152,506	(152,506)	Pet.	-			-
Other Gas Revenues	5,943,407	144,405	Pet.	6,087,812			6,087,812
Inter-Department Sales	-	192,320	Pet.	192,320			192,320
Forfeited Discounts	2,907,913	255,000	Pet.	3,162,913			3,162,913
Miscellaneous Service Revenue	1,839,966	-	Pet.	1,839,966			1,839,966
Rent from Gas Property	133,857	24,578	5-1	158,435			158,435
Total Revenue	777,480,995	37,038,716		814,519,711	56,426,920	1	870,946,631
COST OF GOODS SOLD							
Retail Sales	294,267,834	52,506,126	Pet.	346,773,960			346,773,960
ARP Gas Cost	8,109,061	(8,109,061)	Pet.	-			-
Transportation Gas Cost	-	-	Pet.	-			-
Inter-Department Sales	-	178,820	Pet.	178,820			178,820
Other	-	1,768,978	Pet.	1,768,978			1,768,978
Total Cost of Goods Sold	302,376,895	46,344,863		348,721,758	-		348,721,758
Total Revenue	\$ 475,104,100	\$ (9,306,147)		\$ 465,797,953	\$ 56,426,920		\$ 522,224,873
OPERATION & MAINTENANCE EXPENSES							
Labor	58,819,362	-	Pet.	58,819,362			58,819,362
Gas Operations	38,154,460	4,388,200	6-3e	42,542,660			42,542,660
Other Departments	20,793,676	(607,451)	Pet.	20,186,225			20,186,225
FMCA	-	348,000	Pet.	348,000			348,000
TDSIC	-	-	Pet.	-			-
Non-recoverable Expenses	-	(978,542)	Pet.	(978,542)			(978,542)
Corporate Service Bill	61,188,863	(1,874,201)	6-3c	59,314,662			59,314,662
Corporate Insurance	8,135,928	1,200,243	Pet.	9,336,171			9,336,171
Rents and Leases	7,787,211	(2,014,476)	Pet.	5,772,735			5,772,735
Environmental Reserve	-	-	Pet.	-			-
Uncollectibles	5,011,215	(2,697,202)	6-3a	2,314,013	160,306	1	2,474,319
CIP	5,762,119	(1,992,299)	6-3d	3,769,820			3,769,820
Pension	(2,115,278)	757,125	Pet.	(1,358,153)			(1,358,153)
OPEB	2,968,159	(439,622)	Pet.	2,528,537			2,528,537
Medical Benefits	10,273,157	(2,902,393)	Pet.	7,370,764			7,370,764
Other Benefits	161,252	17,643	Pet.	178,895			178,895
Other Employee Benefits	4,068,694	164,255	Pet.	4,232,949			4,232,949
LTIP	529,818	31,530	Pet.	561,348			561,348
Profit Sharing	409,963	(409,963)	Pet.	-			-
Benefits Administration	516,807	99,524	Pet.	616,331			616,331
Fee Free Transaction Program	-	-	6-3b	-			-
Cause No. 44988 Amortization	-	-	Pet.	-			-
Total Operation & Maintenance Expenses	222,465,406	(6,909,629)		215,555,777	160,306.00		215,716,083

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
DEPRECIATION EXPENSE							
Gas Plant Asset Depreciation Expense	82,654,569	(9,092,801)	6-1	73,561,768			73,561,768
Gas Common Depreciation Expense	1,110,710	-	Pet.	1,110,710			1,110,710
Total Depreciation Expense	83,765,279	(9,092,801)		74,672,478	-		74,672,478
AMORTIZATION EXPENSE							
Gas Plant Asset Amortization Expense	6,165	-	Pet.	6,165			6,165
Gas Common Amortization Expense	10,146,470	1,782,420	Pet.	11,928,890			11,928,890
TDSIC Regulatory Asset	-	2,811,024	6-2a	2,811,024			2,811,024
FMCA Regulatory Asset	-	3,281,950	6-2b	3,281,950			3,281,950
Cause No. 44988 Amortization	2,420,052	414,433	Pet.	2,834,485			2,834,485
COVID Regulatory Asset	-	995,411	6-2c	995,411			995,411
Gas Rate Case Expense	-	155,204	6-2d	155,204			155,204
Total Amortization Expense	12,572,687	9,440,442		22,013,129	-		22,013,129
TAXES OTHER THAN INCOME TAXES							
Property Taxes	17,300,519	(480,519)	Pet.	16,820,000			16,820,000
Payroll Taxes	5,073,604	342,858	Pet.	5,416,462			5,416,462
Sales Tax	-	-	Pet.	-			-
URT	9,945,797	(3,449,192)	6-5	6,496,605	821,492	1	7,318,097
Public Utility Fee	966,006	55,833	6-4	1,021,839	72,005	1	1,093,844
Total Taxes Other than Income Taxes	33,285,926	(3,531,020)		29,754,906	893,497		30,648,403
FEDERAL AND STATE INCOME TAX EXPENSE							
State Income Taxes	(11,507,052)	15,725,053	6-6	4,218,001	2,753,536	1	6,971,537
Federal Income Taxes	5,261,748	3,952,995	6-6	9,214,743	11,050,113	1	20,264,856
Total Federal and State Income Tax Expense	(6,245,304)	19,678,048		13,432,744	13,803,649		27,236,393
Total Operating Expense	\$ 345,843,994	\$ 9,585,040		\$ 355,429,034	\$ 14,857,452		\$ 370,286,486
Net Operating Income	\$ 129,260,106	\$ (18,891,187)		\$ 110,368,919	\$ 41,569,468		\$ 151,938,387

NIPSCO
CAUSE NUMBER 45621

OUCR Revenue Adjustments

(1)
Rent From Gas Property

Gas Rent Revenue (Public's Exhibit No. 2, Attachment SOV-1, page 3)
Adjustment Increase (Decrease) \$ 24,578

NIPSCO
CAUSE NUMBER 45621

OUCG Expense Adjustments

(1)
Depreciation Expense

To reflect pro forma depreciation expense.

Pro Forma Depreciation Expense (Public's Exhibit No. 1, Attachment MHG-2, page 5)	\$ 73,561,768	
Less: Test Period Depreciation Expense	<u>82,654,569</u>	
Total Depreciation Expense Adjustment Increase/(Decrease)		<u>\$ (9,092,801)</u>

(2)
Amortization Expenses

(a) Gas TDSIC Regulatory Asset Amortization Expense Adjustment

Reflects 5-year amortization of TDSIC Regulatory Asset. (Public's Exhibit No. 1, Attachment MHG-3, pages 1-2)

Adjustment Increase (Decrease) \$ 2,811,024

(b) Gas FMCA Regulatory Asset Amortization Expense Adjustment

Reflects 5-year amortization of FMCA Regulatory Asset. (Public's Exhibit No. 1, Attachment MHG-3, pages 3-4)

Adjustment Increase (Decrease) \$ 3,281,950

(c) COVID-19 Regulatory Asset Amortization Expense Adjustment

Reflects remaining 33-month amort. of COVID-19 Regulatory Asset. (Public's Exhibit No. 3, Attachment HRP-2, page 1)

Adjustment Increase (Decrease) \$ 995,411

(d) Rate Case Expense Amortization Adjustment

Reflects 5-year amortization of Rate Case Expense. (Public's Exhibit No. 3, Attachment HRP-3, page 1)

Adjustment Increase (Decrease) \$ 155,204

NIPSCO
CAUSE NUMBER 45621

OUCG Expense Adjustments

(3)
O&M Expenses

(a) Uncollectible Expense Adjustment

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment SOV-2, page 2)

Adjustment Increase (Decrease) \$ (2,697,202)

(b) Fee Free Transaction Program Expense Adjustment

Reflects elimination of ratemaking adjustment. (Public's Exhibit No. 2, Attachment SOV-3, page 2)

Adjustment Increase (Decrease) \$ -

(c) Corporate Services Allocation Adjustment

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment SOV-4, page 3)

Adjustment Increase (Decrease) \$ (1,874,201)

(d) CIP Expense Adjustment

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment HRP-1, page 1)

Adjustment Increase (Decrease) \$ (1,992,299)

(e) Gas Operations O&M Budget and Ratemaking Adjustment:

OUCG Ratemaking Adjustment For Line Locates/Damage Mitigation \$ 4,313,200
(Public's Exhibit No. 4, Attachment BAS-5, page 1)

OUCG Ratemaking Adjustment For GM&T -
(Public's Exhibit No. 4, Attachment BAS-6, page 1)

Petitioner's Ratemaking Adjustment for School Safety Program 75,000

Adjustment Increase (Decrease) \$ 4,388,200

NIPSCO
CAUSE NUMBER 45621

OUCC Expense Adjustments

(4)
IURC Fee

To reflect IURC fee associated with pro forma present rate operating revenues

Adjusted Present Rate Operating Revenue	\$ 814,519,711
Less: Interdepartment Sales	192,320
Less: Rent From Gas Properties	158,435
Less: Forfeited Discounts	3,162,913
Less: Misc. Service Revenue	1,839,966
Less: Other Gas Revenues	6,087,812
Less: Uncollectible Accounts Expense	<u>2,314,013</u>
Pro Forma Revenues Subject to URT	800,764,252
Times: 2020-2021 IURC Fee	<u>0.1276080%</u>
Pro Forma IURC Fee	1,021,839
Less: Test Year IURC Fee	<u>966,006</u>

Adjustment Increase (Decrease)

55,833

(5)
Utility Receipts Tax

To reflect utility receipt tax (URT) associated with pro forma operating revenues

Adjusted Present Rate Operating Revenue	\$ 814,519,711
Add: Construction Advances and Contributions in Aid	4,400,898
Less: Interdepartment Sales	192,320
Less: Rent From Gas Properties	158,435
Less: Other Gas Revenues	6,087,812
Less: Sales For Resale	-
Less: Revenue from Special Fuels	265,226
Less: Exempt Sales	697,301
Less: Demandside Management - URT	7,713,361
Less: Gas Cost Adjustment Mechanism	356,518,228
Less: Uncollectible Accounts Expense	2,314,013
Less: Statutory Exemption	<u>1,000</u>
Pro Forma Revenues Subject to URT	444,972,913
Times: Utility Receipt Tax Rate	<u>0.0146</u>
Pro Forma Utility Receipt Tax	6,496,605
Less: Test Year Utility Receipt Tax	<u>9,945,797</u>

Adjustment Increase (Decrease)

\$ (3,449,192)

NIPSCO
CAUSE NUMBER 45621

OUCC Expense Adjustments

(6)
Income Tax Expense

To reflect pro forma income tax expense.

	<u>Federal</u>	<u>State</u>
Operating Revenue	\$ 465,797,953	\$ 465,797,953
O&M Expenses	215,555,777	215,555,777
Depreciation Expense	74,672,478	74,672,478
Amortization Expenses	22,013,129	22,013,129
Taxes Other Than Income Taxes	29,754,906	29,754,906
State Income Tax	4,218,001	
Subtotal	<u>119,583,662</u>	<u>123,801,663</u>
Less: Synchronized interest	(39,702,454)	(39,702,454)
Add Back: Utility Receipt Tax	-	6,496,605
State Taxable Income		<u>90,595,814</u>
Taxable Income	79,881,208	
Taxes Rate	21.0%	4.9%
Tax at Present Rate	<u>16,775,054</u>	<u>4,439,195</u>
Excess Deferred Income Tax Amortization	(7,560,419)	(305,737)
Flow Through for Method, Basis, Life Differences	151,229	37,105
Flow Through of AFUDC Equity	155,396	38,127
Permanent Differences: Nondeductibles	39,903	9,311
Amortization of Investment Tax Credit	(316,008)	-
Parent Company Tax Benefit of Interest Expense	<u>(30,412)</u>	<u>-</u>
Pro Forma Income Tax Expense	9,214,743	4,218,001
Less Test Period Expense	<u>5,261,748</u>	<u>(11,507,052)</u>
Income Tax Adjustments	<u><u>\$ 3,952,995</u></u>	<u><u>\$ 15,725,053</u></u>

NIPSCO
CAUSE NUMBER 45621

Calculation of Pro Forma Original Cost Rate Base

		<u>Per Applicant</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Utility Plant in Service at	12/31/22	\$ 3,815,305,221	\$ 3,815,305,221	\$ -
Common Allocated at	12/31/22	189,363,233	189,363,233	
Less: Accumulated Depreciation		(1,578,834,102)	(1,578,834,102)	-
Less: Common Allocated		(124,923,724)	(124,923,724)	-
Net Plant in Service		2,300,910,628	2,300,910,628	-
Add: Cause No. 44988 Regulatory Asset		6,195,174	6,195,174	-
TDSIC Regulatory Asset		11,652,922	11,652,922	-
FMCA Regulatory Asset		14,584,863	14,584,863	-
Materials & Supplies (13 mo. Average)		13,684,877	13,684,877	-
Gas Stored Underground - Current (13 mo. Average)		66,691,249	66,691,249	-
Gas Stored Underground - Non-Current (13 mo. Average)		4,949,422	4,949,422	-
Total Original Cost Rate Base		<u>\$ 2,418,669,135</u>	<u>\$ 2,418,669,135</u>	<u>\$ -</u>

**NIPSCO
CAUSE NUMBER 45621**

**Pro forma Capital Structure
As of December 31, 2022**

	Amount (000's)	Percent of Total	Cost	Weighted Cost
Common Equity	\$3,807,197,234	49.47%	9.30%	4.60%
Long Term Debt	2,793,901,786	36.30%	4.52%	1.64%
Customer Deposits	64,944,910	0.84%	4.64%	0.04%
Deferred Income Taxes	1,436,388,185	18.66%	0.00%	0.00%
Post-Retirement Liability	26,333,943	0.34%	0.00%	0.00%
Prepaid Pension Asset	(433,959,232)	-5.64%	0.00%	0.00%
Post-1970 ITC	909,368	0.01%	7.97%	0.00%
Total Capital	\$7,695,716,194	100.00%		6.28%

Synchronized Interest Calculation

Long Term Debt	36.30%	4.52%	1.64%
Interest Component of ITC	0.01%	4.52%	0.00%
Total			<u>1.64%</u>
Total Original Cost Rate Base			<u>\$2,418,669,135</u>
Synchronized Interest Expense			<u>\$ 39,702,454</u>

**NIPSCO
CAUSE NUMBER 45621**

Current and Proposed Monthly Service Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUCC Proposed</u>	<u>OUCC More (Less)</u>
Residential Service (Rate 211):	\$ 14.00	\$ 24.50	\$ 15.75	\$ (8.75)
Multi-Family Housing Service (Rate 215):	\$ 17.50	\$ 28.50	\$ 19.75	\$ (8.75)
General Service - Small (Rate 221):	\$ 53.00	\$ 80.00	\$ 59.75	\$ (20.25)
General Service - Large (Rate 225):	\$ 400.00	\$ 640.00	\$ 450.00	\$ (190.00)
Large Transportation and Balancing Service (Rate 228):	\$ 1,000.00	\$ 3,000.00	\$ 3,000.00	\$ -
Large Volume Negotiated Sales Service (Rate 230):	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ -
Off-Peak Non-Residential Interruptible Negotiated Service (Rate 234A):	\$ 637.00	\$ 637.00	\$ 637.00	\$ -
General Transportation and Balancing Service (Rate 238):	\$ 750.00	\$ 1,200.00	\$ 1,200.00	\$ -

NIPSCO
CAUSE NO. 45621
CALCULATION OF 2022 DEPRECIATION EXPENSE - ORIGINAL COST GROSS PLANT AT 2022 DEPRECIATION RATES
AS OF DECEMBER 31, 2022

UNDERGROUND STORAGE PLANT

Line (A)	FERC (B)	Account Title (C)	Plant Investment (D)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	350.20	Leaseholds	\$ 382,815	0.32%	\$ 1,225	0.32%	\$ 1,225
2	350.40	Rights of Way	190,212	5.52%	10,500	5.49%	10,443
3	351.10	Well Structures	19,137	1.81%	346	1.81%	346
4	351.20	Compressor Station Structures	409,066	3.27%	13,376	3.25%	13,295
5	351.30	Measuring and Regulating Station Structures	110,658	0.40%	443	0.40%	443
6	351.40	Other Structures	3,925,837	3.24%	127,197	3.26%	127,982
7	352.00	Wells	15,446,652	1.07%	165,279	1.07%	165,279
8	352.30	Nonrecoverable Natural Gas	5,497,888	1.30%	71,473	1.30%	71,473
9	353.00	Lines	22,522,232	3.17%	713,955	3.14%	707,198
10	354.00	Compressor Station Equipment	3,103,174	3.15%	97,750	3.13%	97,129
11	355.00	Measuring and Regulating Station Equipment	2,836,817	3.60%	102,125	3.60%	102,125
12	356.00	Purification Equipment	12,278,606	3.20%	392,915	3.19%	391,688
13	357.00	Other Equipment	1,029,747	0.65%	6,693	0.65%	6,693
14		Total Underground Storage Plant	\$ 67,752,841	2.51%	\$ 1,703,278	2.50%	\$ 1,695,319

NIPSCO
CAUSE NO. 45621
CALCULATION OF 2022 DEPRECIATION EXPENSE - ORIGINAL COST GROSS PLANT AT 2022 DEPRECIATION RATES
AS OF DECEMBER 31, 2022

OTHER STORAGE PLANT

Line (A)	FERC (B)	Account Title (C)	Plant Investment (D)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	361.00	Structures and Improvements	\$ 9,274,683	2.09%	\$ 193,841	2.10%	\$ 194,768
2	362.10	Gas Holders	18,277,000	0.46%	84,074	0.46%	84,074
3	363.00	Purification Equipment	1,707,329	2.23%	38,073	2.24%	38,244
4	363.10	Liquefaction Equipment	8,275,248	1.50%	124,129	1.50%	124,129
5	363.20	Vaporizing Equipment	5,090,527	0.49%	24,944	0.49%	24,944
6	363.30	Compressor Equipment	3,080,675	4.78%	147,256	4.76%	146,640
7	363.40	Measuring and Regulating Equipment	1,606,844	3.42%	54,954	3.40%	54,633
8	363.50	Other Equipment	2,273,130	4.01%	91,153	3.97%	90,243
9		Total Other Storage Plant	\$ 49,585,436	1.53%	\$ 758,424	1.53%	\$ 757,675

NIPSCO
CAUSE NO. 45621
CALCULATION OF 2022 DEPRECIATION EXPENSE - ORIGINAL COST GROSS PLANT AT 2022 DEPRECIATION RATES
AS OF DECEMBER 31, 2022

TRANSMISSION PLANT

Line (A)	FERC (B)	Account Title (C)	Plant Investment (D)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	365.20	Land Rights	\$ 14,714,751	1.80%	\$ 264,866	1.68%	\$ 247,208
2	366.20	Measuring and Regulating Station Structures	7,521,713	2.02%	151,939	1.77%	133,134
3	366.30	Other Structures	1,611,277	2.11%	33,998	1.98%	31,903
4	367.00	Mains	722,155,661	1.55%	11,193,413	1.34%	9,676,886
5	369.00	Measuring and Regulating Station Equipment	178,712,043	3.03%	5,414,975	1.95%	3,484,885
6	371.00	Other Equipment	397,856	4.03%	16,034	3.35%	13,328
7		Total Transmission Plant	\$ 925,113,301	1.85%	\$ 17,075,223	1.47%	\$ 13,587,344

NIPSCO
CAUSE NO. 45621
CALCULATION OF 2022 DEPRECIATION EXPENSE - ORIGINAL COST GROSS PLANT AT 2022 DEPRECIATION RATES
AS OF DECEMBER 31, 2022

DISTRIBUTION PLANT

Line (A)	FERC (B)	Account Title (C)	Plant Investment (D)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCG Proposed Accrual Rate (K)	OUCG's Proposed Depreciation Expense (L=DxK)
1	374.20	Land Rights	\$ 1,919,635	1.43%	\$ 27,451	1.33%	\$ 25,531
2	375.00	Structures & Improvements	4,726,060	1.45%	68,528	1.34%	63,329
3	376.10	Mains - Steel	363,090,044	1.86%	6,753,475	1.48%	5,373,733
4	376.20	Mains - Plastic	843,013,460	1.81%	15,258,544	1.42%	11,970,791
5	378.00	Measuring and Reg. Station Equip. - General	57,828,297	2.97%	1,717,500	2.17%	1,254,874
6	380.10	Services - Steel	72,743,167	5.49%	3,993,600	3.50%	2,546,011
7	380.20	Services - Plastic	741,818,291	3.99%	29,598,550	2.81%	20,845,094
8	381.00	Meters	184,033,596	4.44%	8,171,092	3.69%	6,790,840
9	382.00	Meter Installations	195,659,184	1.91%	3,737,090	1.19%	2,328,344
10	383.00	House Regulators	127,134,117	2.01%	2,555,396	1.31%	1,665,457
11	384.00	House Regulator Installations	3,792,092	0.81%	30,716	0.65%	24,649
12	385.00	Industrial Measuring and Reg. Station Equip.	65,494,477	2.03%	1,329,538	1.63%	1,067,560
13	386.00	Other Property on Customer Premises	39,995	2.02%	808	1.80%	720
14		Total Distribution Plant	\$ 2,661,292,415	2.75%	\$ 73,242,287	2.03%	\$ 53,956,932

NIPSCO
CAUSE NO. 45621
CALCULATION OF 2022 DEPRECIATION EXPENSE - ORIGINAL COST GROSS PLANT AT 2022 DEPRECIATION RATES
AS OF DECEMBER 31, 2022

GENERAL PLANT

Line (A)	FERC (B)	Account Title (C)	Plant Investment (D)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCG Proposed Accrual Rate (K)	OUCG's Proposed Depreciation Expense (L=DxK)
1	389.20	Land Rights	\$ 2,095,915	2.14%	\$ 44,853	1.99%	\$ 41,709
2	390.00	Structures & Improvements	25,420,211	5.17%	1,315,394	4.84%	1,230,338
3	391.10	Office Furniture and Equipment	1,054,528	5.00%	52,726	5.03%	53,043
4	391.20	Computer Equipment	8,652,332	14.29%	1,236,418	14.68%	1,270,162
5	392.40	Transportation Equipment - Trucks > 13,000 #	229,771	0.00%	-	0.00%	-
6	393.00	Stores Equipment	149,618	3.33%	4,982	3.34%	4,997
7	394.00	Tools, Shop, and Garage Equipment	17,651,993	4.00%	706,080	4.01%	707,845
8	395.00	Laboratory Equipment	1,867,986	5.00%	93,399	5.01%	93,586
9	396.00	Power Operated Equipment	869,210	0.00%	-	0.00%	-
10	397.00	Communication Equipment	2,145,160	6.67%	143,082	6.68%	143,297
11	398.00	Miscellaneous Equipment	391,188	5.00%	19,559	4.99%	19,520
12		Total General Plant	\$ 60,527,912	5.97%	\$ 3,616,494	5.89%	\$ 3,564,497
13		Total Gas Plant	<u>\$ 3,764,271,906</u>	2.56%	<u>\$ 96,395,705</u>	1.95%	<u>\$ 73,561,768</u>

Northern Indiana Public Service Company LLC
Cause No. 45621
Pro forma Adjustment to TDSIC Amortization Expense
Twelve Months Ending December 31, 2022

This pro forma adjusts the twelve months ended December 31, 2020, gas amortization expenses for the TDSIC Regulatory Asset to reflect normalization adjustment(s), projected changes for the twelve months ending December 31, 2021, and December 31, 2022, and ratemaking adjustment(s) for the twelve months ending December 31, 2022, as described below.

Line No.	Description	Adjustment	Amount
	A	B	C
1	Actual Expense - December 31, 2020		\$ -
2	Normalization adjustment N/A		-
3	Normalized expense for the twelve months ended December 31, 2020		\$ -
4	Pro Forma adjustment to Increase/(Decrease) expense for the twelve months ending December 31, 2021		-
5	Projected expense for the twelve months ending December 31, 2021		\$ -
6	Pro Forma adjustment to Increase/(Decrease) expense for the twelve months ending December 31, 2022		-
7	Projected expense for the twelve months ending December 31, 2022		\$ -
8	Pro Forma adjustment to Increase / (Decrease) amortization expense for Ratemaking to recover the 20 percent deferred TDSIC Regulatory Asset balance		2,811,024
9	Ratemaking expense for the twelve months ending December 31, 2022		\$ 2,811,024

Northern Indiana Public Service Company LLC
Cause No. 45621
Gas TDSIC Plan (Cause No. 44403 and 45330) Regulatory Asset Summary
December 31, 2020, 2021, and 2022

Line No.	Description	Amount
	A	B
1	Gas TDSIC Plan Regulatory Asset Balance as of the Twelve Months Ended December 31, 2020	\$ 2,145,680
2	2021 Gas TDSIC Plan Deferrals	\$ 3,235,962
3	2022 Gas TDSIC Plan Deferrals	\$ 6,271,280
4	2022 Equity Tax Gross-up	\$ 2,402,199
5	Increase (Decrease) in Gas TDSIC Plan Regulatory Asset	\$ 11,909,441
6	Gas TDSIC Plan Regulatory Asset as of the Twelve Months Ending December 31, 2022	\$ 14,055,121
7	Gas TDSIC Plan Regulatory Asset amortization period (in years)	\$ 5
8	Pro forma Increase for Gas TDSIC Plan Amortization Expense for the Twelve Months Ending December 31, 2022	\$ 2,811,024

Northern Indiana Public Service Company LLC
Cause No. 45621
Pro forma Adjustment to FMCA Amortization Expense
Twelve Months Ending December 31, 2022

This pro forma adjusts the twelve months ended December 31, 2020, gas amortization expenses for the FMCA Regulatory Asset to reflect normalization adjustment(s), projected changes for the twelve months ending December 31, 2021, and December 31, 2022, and ratemaking adjustment(s) for the twelve months ending December 31, 2022, as described below.


Line No.	Description	Adjustment	Amount
	A	B	C
1	Actual Expense - December 31, 2020		\$ -
2	Normalization adjustment N/A		-
3	Normalized expense for the twelve months ended December 31, 2020		\$ -
4	Pro Forma adjustment to Increase/(Decrease) expense for the twelve months ending December 31, 2021		-
5	Projected expense for the twelve months ending December 31, 2021		\$ -
6	Pro Forma adjustment to Increase/(Decrease) expense for the twelve months ending December 31, 2022		-
7	Projected expense for the twelve months ending December 31, 2022		\$ -
8	Pro Forma adjustment to Increase / (Decrease) amortization expense for Ratemaking to recover the 20 percent deferred FMCA Regulatory Asset balance		3,281,950
9	Ratemaking expense for the twelve months ending December 31, 2022		\$ 3,281,950

Northern Indiana Public Service Company LLC
Cause No. 45621
FMCA Regulatory Asset Summary
December 31, 2020, 2021, and 2022

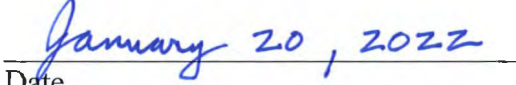
Line No.	Description	Amount
	A	B
1	Gas FMCA Regulatory Asset Balance as of the Twelve Months Ended December 31, 2020	\$ 6,386,299
2	2021 FMCA Deferrals	\$ 4,280,587
3	2022 FMCA Deferrals	\$ 3,917,977
4	2022 Equity Tax Gross-up	<u>\$ 1,824,889</u>
5	Increase (Decrease) in FMCA Regulatory Asset	<u>\$ 10,023,453</u>
6	Gas FMCA Regulatory Asset as of the Twelve Months Ending December 31, 2022	\$ 16,409,752
7	FMCA Regulatory Asset amortization period (in years)	<u>5</u>
8	Pro forma Increase for Gas FMCA Amortization Expense for the Twelve Months Ending December 31, 2022	<u><u>\$ 3,281,950</u></u>

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of Utility Consumer
Counselor
Cause No. 45621
Northern Indiana Public Service Company
LLC



Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *OUCC'S TESTIMONY OF MARK H. GROSSKOPF* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 20, 2022.

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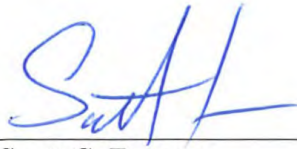
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