
VERIFIED DIRECT TESTIMONY OF JENNIFER A. HARDING

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

2 A1. My name is Jennifer A. Harding. My business address is 290 W Nationwide
3 Blvd, Columbus, Ohio 43215. I am the Vice President of Tax for NiSource
4 Corporate Services Company, a wholly owned subsidiary of NiSource Inc.
5 ("NiSource").

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

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

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

10 A3. I earned a B.A. in Business Administration with a concentration in
11 Accounting in 2007 from the Notre Dame of Maryland University in
12 Baltimore, Maryland. I began my career with KPMG LLP as a Senior
13 Associate in the tax department in Baltimore, Maryland in 2005. In 2009, I
14 joined Constellation Energy as a Tax Manager responsible for all aspects of
15 income tax and non-income tax for the generation segment and managed
16 the IRS Federal tax audit Compliance Assurance Process program.

1 Constellation was acquired by Exelon Corporation in 2012, and I moved to
2 Chicago, Illinois as the Tax Manager of the electric utility responsible for
3 income tax accounting, forecasting income taxes, and income tax and non-
4 income tax return filings. In 2014, I moved to the Netherlands and worked
5 for Mead Johnson Nutrition BV as the Tax Manager for the European region
6 with responsibility for all aspects of income tax and non-income tax
7 accounting, tax research, and tax return filings. In 2016, I moved to
8 Columbus, Ohio and worked for Cardinal Health as the Director of
9 International Tax Operations with a responsibility for income tax
10 accounting, forecasting, mergers and acquisitions, tax research, and tax
11 return filings in Cardinal Health's foreign jurisdictions. In 2018, I worked
12 as the Head of Tax for Hyperion Materials & Technologies with full
13 responsibility for all global income and non-income tax accounting, tax
14 return filings, research, mergers and acquisitions, and forecasting. In
15 January 2020, I joined NiSource in the position of Director of Tax
16 Operations. I accepted my current position in January 2023.

17 **Q4. What are your responsibilities as Vice President of Tax as it relates to this**
18 **filing?**

1 A4. As Vice President of Tax, I have overall responsibility for all tax matters,
2 including forecasting, tax accounting, compliance, strategic planning, tax
3 reform, and audits and appeals for NiSource and its subsidiaries, including
4 NIPSCO. My responsibilities include oversight and review of the
5 computations for income tax used in preparation of income tax data and
6 related testimony for rate proceedings.

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

9 A5. Yes. I previously testified before the Commission in NIPSCO's most recent
10 gas rate case in Cause No. 45621, NIPSCO's electric rate case in Cause No.
11 45772, and NIPSCO's pending electric rate case in Cause No. 46120. I have
12 also previously testified in proceedings in Kentucky, Maryland, Ohio,
13 Pennsylvania, and Virginia.

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

15 A6. The purpose of my direct testimony is to support NIPSCO's request for the
16 issuance of a certificate of public convenience and necessity ("CPCN") to
17 purchase and acquire a 200 megawatt ("MW") wind project located in
18 Benton County, Indiana (the "Templeton Project"). Specifically, I describe

1 NIPSCO's proposal to purchase and own the Templeton Project and
2 describe the value to customers by passing through proceeds from federal
3 tax credits, which NIPSCO proposes to conduct through its Fuel
4 Adjustment Clause ("FAC").

5 **Q7. Please describe NIPSCO's proposal to purchase and own the Templeton**
6 **Project.**

7 A7. NIPSCO is proposing to wholly own the Templeton Project, as opposed to
8 purchasing its output through the previously approved Purchase Power
9 Agreement ("PPA"). As described by NIPSCO Witness d'Entremont,
10 NIPSCO has executed a Build Transfer Agreement through which it will
11 purchase the Templeton Project from Templeton Wind Holdings, LLC
12 ("Seller"), through a special purpose entity known as Templeton Wind
13 Energy Center, LLC ("Templeton ProjectCo").

14 **Q8. Why is NIPSCO proposing to wholly own the Templeton Project?**

15 A8. NIPSCO has evaluated the potential customer benefits from the Inflation
16 Reduction Act of 2022 ("IRA") on its generation portfolio and on a project-
17 by-project basis to determine which ownership structure and tax
18 monetization strategy would drive the best customer value for each project,

1 as well as how the proposed structure and monetization strategy would fit
2 into its overall, diverse portfolio of projects. Based on this analysis,
3 NIPSCO concluded that owning the Templeton Project, along with certain
4 other recently approved renewable energy generation projects, is in the best
5 interest of customers.

6 The IRA contains significant extensions, expansions, and enhancements of
7 energy-related tax credits for the clean production of electricity. The IRA
8 also provides taxpayers an option to sell all or a portion of certain of the
9 ITCs or PTCs associated with a particular project to unrelated taxpayers for
10 cash, providing additional flexibility to accelerate the monetization of these
11 credits.

12 **Q9. When is the Templeton Project expected to be in-service?**

13 A9. The Templeton Project is expected to be completed and in-service no later
14 than mid-2027.

15 **Q10. Please explain the wind ITC and PTC structures under the IRA.**

16 A10. The IRA structures both the wind ITC and PTC as two-tiered incentives
17 with a "base rate" and a "bonus rate." The bonus rate equals five times the
18 base rate and applies to projects that meet certain prevailing wage and

1 apprenticeship requirements. A taxpayer (such as NIPSCO) must satisfy
2 both the prevailing wage and apprenticeship requirements to receive the
3 bonus credit rate; otherwise, the taxpayer may claim the relevant credit at
4 the base rate. The ITC vests over a 5-year period, and if the property
5 generating the credit is disposed of within that 5-year period, all or a
6 portion of the credit must be recaptured.¹

7 **Q11. Please briefly explain the difference between the ITC and PTC.**

8 A11. Wind projects are eligible for either an ITC or a PTC (if construction
9 commences prior to January 1, 2025²), both of which provide a dollar-for-
10 dollar reduction in the federal income taxes that a company claiming the
11 credit would otherwise pay. The ITC is based on the amount of investment
12 in wind energy property. The ITC base credit is 6% of the qualifying wind
13 energy property, and if the prevailing wage and apprenticeship

¹ Internal Revenue Code Section 50(a)(1).

² Note the existing ITC and PTC phased out at the end of 2024 and were replaced by newly established, technology-neutral ITC (Internal Revenue Code Section 48E) and PTC (Internal Revenue Code Section 45Y) for projects placed in service after December 31, 2024. These “new” credits function similarly to the existing credits and are available to taxpayers with a qualified facility and energy storage technology. This is an emissions-based incentive that is neutral and flexible between clean electricity technologies. These new credits begin to phase-out beginning the later of 2032 or when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower.

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1 requirements are met, the credit is increased to 30% of the qualifying wind
2 energy property. Taxpayers must reduce their tax basis in the energy
3 property by 50% of the ITC and maintain compliance with the ITC
4 normalization rules when claiming this credit. Under the ITC regime, the
5 prevailing wage and apprenticeship requirements must be met each year of
6 the five-year recapture period to qualify for the full credit.

7 In contrast, the PTC is based on the amount of energy produced and sold
8 over a ten-year period commencing when the wind project is placed in
9 service. The PTC rate is updated annually subject to an annual inflation
10 adjustment factor. For example, the base 2024 PTC rate for projects placed
11 in service after 2022 is \$6.00/MWh, and if the prevailing wage and
12 apprenticeship requirements are met, the credit is increased to
13 \$30.00/MWh. Under the PTC regime, the prevailing wage and
14 apprenticeship requirements must be met each year of the ten-year credit
15 period to qualify for the full credit.

16 **Q12. Please briefly describe the credits the Templeton Project expects to claim**
17 **under the IRA.**

1 A12. The Templeton Project expects to claim the PTC on the energy produced
2 and sold by the wind energy property. The IRA provides additional bonus
3 credits for projects using domestic content (+10%) and/or those projects
4 located in an "energy community" (+10%).³ The U.S. Department of
5 Treasury and the IRS continue to issue guidance on the eligibility for bonus
6 credits related to energy communities and domestic content requirements,
7 that NIPSCO is closely monitoring and evaluating with respect to the
8 Templeton Project.

9 **Q13. Has NIPSCO estimated the amount of PTC it expects the Templeton**
10 **Project will qualify for?**

11 A13. Yes. The Templeton Project is expected to qualify for the full \$30.00/MWh
12 PTC on the wind energy property (using 2024 as an example), as NIPSCO
13 expects to meet the prevailing wage and apprenticeship requirements over
14 the 10-year PTC period.⁴ The Templeton Project is not expected to qualify
15 for the energy communities bonus credit. However, NIPSCO is exploring

³ Energy communities are (i) census tracts containing or adjoining to tracts containing retired coal mines or coal-fired electric generating units; (ii) areas with historical employment in fossil industries and a higher unemployment rate than the national average; or (iii) properties with the potential presence of hazardous substances, pollutants, or contaminants.

⁴ For the prevailing wage and apprenticeship timeframe requirements referenced, please see Internal Revenue Code Sections 48(a)(10) for the ITC and 45(b)(7) for PTC.

1 whether the Templeton Project may qualify for the 10% domestic content
2 bonus credit; if it does, that would increase the PTC to \$33.00/MWh (using
3 2024 as an example) on the energy produced and sold by the wind energy
4 property.

5 **Q14. Please explain the domestic content bonus credit.**

6 A14. The domestic content bonus credit is available to taxpayers that certify that
7 their qualified facility, energy project, or energy storage technology was
8 built with certain percentages of steel, iron, or manufactured products that
9 were mined, produced, or manufactured in the United States. The domestic
10 content bonus credit provision increases the available production tax credit
11 (for producing and selling electricity generated from certain renewable
12 sources) by 10% if the domestic content requirement is satisfied.

13 Steel or iron is produced in the United States only if all steel and iron
14 manufacturing processes take place in the United States, except
15 metallurgical processes involving refinement of steel additives.⁵

⁵ The Steel or Iron Requirement applies to applicable project components that are construction materials made primarily of steel or iron and are structural in function. Using domestically produced steel and iron is an all or nothing test; therefore, in order for the Templeton Project to qualify for domestic content, all the steel and iron used in the towers and the tower foundations, for example, must be produced in the United States.

1 Manufactured products are treated as produced in the United States if at
2 least an adjusted percentage of the total costs of all manufactured products
3 are mined, produced, or manufactured in the United States. For most
4 projects under the rules now in effect, the adjusted percentage is 40%.

5 In May 2024, the IRS issued additional guidance on the domestic content
6 bonus that provides a new elective safe harbor in the form of a table that
7 classifies certain applicable project components as steel/iron or
8 manufactured product and assists taxpayers in determining the domestic
9 cost percentages for identified manufactured products and manufactured
10 product components included in a project. The Notice acknowledged the
11 substantiation and verification challenges involved in gathering cost data
12 from multiple suppliers and manufacturers, including foreign
13 manufacturers, and advises that taxpayers may rely on the domestic
14 content percentages determined under the safe harbor. On the other hand,
15 the taxpayer is still responsible for obtaining documentation and
16 certifications from the various manufacturers that the manufactured
17 components were produced domestically.

18 The IRS Notice is divided into sections for applicable projects, including

solar photovoltaic systems, land-based wind projects such as Templeton, and battery electric storage systems. Each section identifies applicable project components and related manufactured products and manufactured product components. The manufactured products and components are each assigned a value. An additional value is provided for "production" if all components of a manufactured product listed in the table are domestically produced. The values are added for each domestically produced manufactured product or component that is present in the applicable project to determine the domestic content percentage for the project, with the goal of exceeding the 40% domestic content threshold described above.

Q15. Based on the above, what dollar amount of PTC is the Templeton Project expected to qualify for?

A15. Using the 2024 PTC rate, adjusted for projected inflation, the Templeton Project is expected to generate approximately \$ [REDACTED] of PTCs over the first ten years of its operation. Should the Templeton Project qualify for the domestic content bonus credit, the expected PTC would increase to approximately \$ [REDACTED] over the first ten years of its operations.

1 **Q16. Please describe how NIPSCO intends to pass the benefit of the PTCs**
2 **generated from the Templeton Project to customers.**

3 A16. NIPSCO is proposing to pass the benefit of these credits to customers
4 through a rate adjustment mechanism pursuant to Ind. Code § 8-1-2-42(a)
5 to be administered through NIPSCO's FAC proceeding (or successor
6 mechanism). Consistent with the Commission's orders in Cause Nos. 45936,
7 46028, and 46032, NIPSCO is authorized to pass back PTCs or proceeds
8 related thereto to customers over the 10-year credit period, beginning the
9 year after each respective facility is placed in service. This one-year lag
10 allows NIPSCO to accurately compute the PTC based on energy produced
11 and sold throughout the prior year to pass the benefit to customers.
12 NIPSCO is deferring the recognition of the PTC generated for that year and
13 reflecting the benefit ratably throughout the four quarterly adjustment
14 periods in NIPSCO's FAC proceeding (or successor mechanism), grossed
15 up for taxes, the following year. In other words, and as an example, the
16 PTC that is based upon production in 2027 is passed back to customers
17 through the four quarterly FAC filings in 2028. This recovery shall not be
18 subject to any Ind. Code § 8-1-2-42(d) tests.

1 **Q17. When will the benefits of the PTC be passed through to customers?**

2 A17. NIPSCO is proposing to pass the benefits of PTCs generated by the facility
3 to customers over a 10-year period, beginning the year after the facility is
4 placed in service. This one-year lag allows NIPSCO to accurately compute
5 the PTC based on energy produced and sold throughout the prior year to
6 pass the benefit to customers. NIPSCO would defer the recognition of the
7 PTC generated for that year and reflect the benefit ratably throughout the
8 four quarterly adjustment periods in NIPSCO's FAC proceeding (or
9 successor mechanism), grossed up for taxes, the following year.

10 **Q18. How does NIPSCO expect to utilize the PTCs generated by the**
11 **Templeton Project?**

12 A18. As noted above, the IRA provides taxpayers a previously unavailable
13 option of selling all or a portion of the PTCs associated with a particular
14 project to unrelated taxpayers. This option provides additional flexibility
15 to accelerate the monetization of these credits. While NIPSCO has not
16 decided whether to sell the credits or carry forward the credits to offset its
17 future tax liability, the benefits of these credits will be passed to customers
18 in the manner described above. To the extent that NIPSCO sells the credits,
19 the cash proceeds it receives, that is the credit amount net of any market

1 discount, will be passed to customers under the same one-year lag
2 mechanism. The credit amounts used in my testimony above do not reflect
3 a market discount since NIPSCO does not currently have an agreement in
4 place to sell the PTC from the Templeton Project.

5 **Q19. How does the change to direct ownership of the Templeton Project and**
6 **the opportunity to receive PTCs fit within NIPSCO's diverse project**
7 **portfolio?**

8 A19. As I mentioned previously, direct ownership of the Templeton Project
9 provides NIPSCO with the ability to self-monetize or sell PTCs generated
10 from the Project, as opposed to having the project developer claim those
11 benefits, as under a PPA. Direct ownership of the Templeton Project is
12 more advantageous for customers and provides more optionality to
13 NIPSCO to optimize tax credit proceeds to benefit customers. Approval of
14 direct ownership of the Templeton Project is consistent with prior
15 Commission orders that have allowed NIPSCO to pursue different
16 ownership and tax credit options for various projects within its diverse
17 project portfolio to provide optimal benefits for customers.

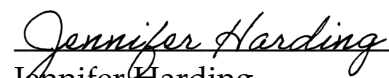
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1 **Q20. Does this conclude your prefiled direct testimony?**

2 **A20. Yes.**

VERIFICATION

I, Jennifer Harding, Vice President of Tax for NiSource Corporate Services, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.


Jennifer Harding

Date: February 24, 2025