

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

Northern Indiana Public Service Company LLC

Cause No. 45967

VERIFIED DIRECT TESTIMONY OF KIRSTIE EYRE

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1 **I. INTRODUCTION**

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

3 A1. My name is Kirstie Eyre. My business address is 290 West Nationwide
4 Blvd., Columbus, Ohio 43215. I am employed by NiSource Corporate
5 Service Company ("NCSC") as a Compensation Manager.

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" or "Company").

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

10 A3. I received a Bachelor of Science degree in Business Administration from
11 Troy University. I have worked for NiSource in a human resources capacity
12 since 2017. I have held the position of Compensation Manager at NiSource
13 since November 2022. Prior to that, I was Manager of Human Resources
14 and Payroll Compliance.

15 **Q4. What are your responsibilities as Compensation Manager?**

1 A4. As Compensation Manager, I develop and implement broad based
2 compensation and incentive programs provided to the employees of
3 NiSource Inc. ("NiSource") and its subsidiaries, including NIPSCO.

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

6 A5. I have not previously testified before the Commission.

7 **Q6. What is the purpose of your direct testimony?**

8 A6. The purpose of my direct testimony is to support NiSource total rewards,
9 which includes supporting details for total rewards programs, policies, and
10 philosophies including base compensation/wages, incentive compensation,
11 and employee benefits such as healthcare and dental coverage. I also set
12 forth comparative analyses to establish the reasonableness and
13 competitiveness of the wages, salaries, and incentive compensation
14 provided to employees.

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

16 A7. Yes. I am sponsoring the following attachments, all of which were either
17 prepared by me or under my direction and supervision:

<u>Attachment No.</u>	<u>Description</u>
Attachment 11-A	NIPSCO Non-Union Salary Analysis
Attachment 11-B	NCSC Salary Analysis
Attachment 11-C	Non-Union Merit Increase Market Data

1

2 **Q8. How is your testimony organized?**

3 A8. Section II discusses the Company's overall approach to employee
4 compensation, including base pay (wages and salaries) and incentive
5 compensation as part of total cash compensation, and benefits. Section III
6 presents documentation to support the reasonableness and competitiveness
7 of the Company's compensation expenses. Sections IV through VI describe
8 the Company's union and non-union compensation, merit increases, all
9 incentive compensation, and profit sharing components. Section VII
10 provides detailed analyses that demonstrate that the total cash
11 compensation paid to employees by NIPSCO and NCSC is reasonable and
12 competitive in relation to other utilities and general industry companies.
13 Section VIII describes the Company's health and dental benefit plans and
14 associated cost-containment efforts.

15 **II. EMPLOYEE COMPENSATION AND BENEFITS**

16 **Q9. Please describe NiSource's total rewards philosophy.**

1 A9. NiSource's total rewards philosophy is to compensate employees and
2 provide benefits that are competitive in comparison to the utility industry,
3 as well as general industry (non-utility) employers, to attract, retain and
4 motivate employees who are qualified to perform the functions needed by
5 the Company. This philosophy enables the Company to meet its
6 obligations to provide safe, reliable, and affordable service to its customers.
7 This philosophy is consistent across all NiSource companies.

8 **Q10. In defining and implementing the total rewards strategy and programs,**
9 **does NiSource obtain any assistance from outside human resource**
10 **experts?**

11 A10. Yes. For compensation, NiSource regularly relies on the advice and
12 guidance provided by Mercer, a global consulting leader in talent, health,
13 retirement, and investments. Mercer assists NiSource in setting
14 competitive salary ranges.

15 In addition, Lockton, Aon, and Alight Solutions, global human resource
16 consulting firms, assist NiSource with certain health and welfare benefits
17 consulting, actuarial analysis, and administration of pension, health, and
18 welfare benefits.

1 **Q11. What are the various elements of a competitive total rewards program?**

2 A11. A competitive total rewards program includes market-driven base
3 compensation (rewarding employees in a manner that is competitive with
4 the external job market), market-driven performance adjustments/merits,
5 long- and short-term incentives, profit sharing, and health and welfare
6 benefits. The mix of these elements differs for various levels in the
7 organization. For purposes of my testimony, I will focus on merit increases,
8 long-term incentives, short-term incentives, health and welfare benefits,
9 and profit sharing, which are all included in the total rewards program.

10 **III. REASONABLENESS AND COMPETITIVENESS OF COMPENSATION EXPENSE**

11 **Q12. What analysis have you conducted that confirms the reasonableness and**
12 **competitiveness of NIPSCO and NCSC's wages, salaries, and total**
13 **compensation?**

14 A12. Attachments 11-A through Attachment 11-C support the Company's test-
15 year levels for total compensation. Utility and general industry data was
16 used to allow for comparison of NIPSCO and NCSC's compensation to
17 salary survey benchmark data. My supporting attachments are as follows:

18 Attachment 11-A: NIPSCO Non-Union Salary Analysis –
19 compares NIPSCO non-union average base salaries and total
20 cash compensation to the average salaries and total cash

1 compensation paid by utility and general industry
2 companies.

3 Attachment 11-B: NCSC Salary Analysis – compares NCSC
4 average base salaries and total cash compensation to the
5 average salaries and total cash compensation paid by utility
6 and general industry companies.

7 Attachment 11-C: Non-Union Merit Increase Market Data –
8 compares NIPSCO's granted 2022 and 2023 merit increases
9 for employee groups to national, utility, and regional actual
10 increases in 2022 and projected increases for 2023.

11 **Q13. What are the different groups of employees that you address throughout**
12 **your testimony?**

13 A13. Throughout my testimony, I refer to three employee groups that exist
14 within NIPSCO. Exempt is the employee group that includes all
15 salaried/management employees. Union is the group whose employment
16 terms and conditions are covered by a bargaining unit agreement.
17 Nonexempt refers to hourly employees not covered by a bargaining unit
18 agreement.

19 **Q14. What is your conclusion about the reasonableness and competitiveness**
20 **of the Company's compensation and benefits package?**

21 A14. The Company's compensation is competitive when compared to the
22 compensation of a similar group of employers in the United States. The

1 Company's benefits are also competitive when compared to a similar group
2 of employers. I provide support for these conclusions throughout the
3 remainder of my testimony.

4 **IV. UNION COMPENSATION**

5 **Q15. How many bargaining unit contracts exist for represented employees at**
6 **NIPSCO?**

7 A15. NIPSCO has two bargaining unit (union) contracts. They are the United
8 Steelworkers of America Local 12775 (Physical) and the United
9 Steelworkers of America Local 13796 (Clerical).

10 **Q16. How are the Company's union wage rates and benefits established**
11 **through collective bargaining?**

12 A16. Collective bargaining consists of negotiations between an employer and a
13 bargaining unit (union) to establish wages, benefits, and conditions of
14 employment. The result of the collective bargaining process is a collective
15 bargaining agreement that establishes the terms for wages and benefits for
16 affected employees. During the collective bargaining process, NIPSCO
17 assesses changes in the overall compensation packages offered to union
18 employees to ensure that the total compensation and benefits levels remain
19 reasonable and commensurate to other union and non-union employees at

1 similar levels within NiSource. Wherever possible, NIPSCO encourages its
2 union employees to join in the benefit programs offered to non-union
3 employees to streamline the administration of the benefit programs and
4 provide the most value to the employees and their families at the least cost.

5 **Q17. When do wage increases under the bargaining unit contracts take effect?**

6 A17. Wage increases for both bargaining unit contracts were 3% effective
7 January 1, 2022 and 3.5% effective January 1, 2023. The wage increase for
8 2024 is projected to be 3%. Both bargaining unit contracts will expire March
9 31, 2026.

10 **V. NON-UNION COMPENSATION**

11 **Q18. How is base compensation for non-union employees determined?**

12 A18. The base compensation for the Company's and NCSC's non-union
13 employees is measured against base compensation for employees in similar
14 positions at other employers. More specifically, internal NIPSCO and
15 NCSC positions have been compared to external market positions. To
16 establish parity with other employers vying for qualified workers in
17 NiSource's labor markets, base compensation is set within a range that is
18 established around the market median for individual jobs.

1 **Q19. How does the Company establish the range within which non-union base**
2 **pay can fluctuate around the market median?**

3 A19. The established salary range is approximately 80 percent to 120 percent of
4 the market medians. This range allows individual leaders to differentiate
5 base pay compensation among employees in similar jobs with varied skills,
6 experiences, and level of responsibility.

7 **Q20. How does the Company determine that its compensation is competitive**
8 **with the labor market?**

9 A20. Attachment 11-A compares NIPSCO base salaries and total cash
10 compensation to utility and general industry companies. Attachment 11-B
11 compares NCSC base salaries and total cash compensation to utility and
12 general industry companies. I will explain in more detail later in my
13 testimony.

14 **Q21. Have you compared the Company's non-union merit adjustments to**
15 **those of other utility and general industry companies to determine if they**
16 **are reasonable?**

17 A21. Yes. Attachment 11-C compares the Company's granted merit increases
18 and the increases projected for employee groups regionally and nationally

1 and for utilities and general industry in 2022 and 2023. The results show
2 that the Company's exempt and non-union, non-exempt merit adjustments
3 are aligned with the actual 2022 and projected 2023 market increases.

4 **VI. INCENTIVE COMPENSATION AND PROFIT SHARING**

5 **Q22. Explain the Company's incentive compensation and profit sharing**
6 **programs that are part of the total rewards program.**

7 A22. As part of the total rewards program explained earlier in my testimony,
8 NiSource maintains two incentive compensation programs and one profit
9 sharing program. The two incentive compensation programs include the
10 annual Short-Term Incentive Plan ("STI") and the Long-Term Incentive
11 Plan ("LTI"). The purpose of STI and LTI is to align rewards with the
12 Company's vision and strategies surrounding occupational health and
13 safety, operational excellence, customer, workforce, sustainability, and
14 financial metrics. Participants are eligible to receive incentive awards based
15 upon their performance and the performance of NCSC and the Company.
16 The Profit Sharing Plan is an element of the Company's Retirement Savings
17 Plan and supports employees' saving for retirement. The Profit Sharing

1 Plan is not included in the calculation of the revenue requirement in this
2 case.

3 **Q23. Is STI an important component of total compensation for NIPSCO and**
4 **NCSC to be effective in recruiting and retaining employees and to drive**
5 **strategic priorities for the Company?**

6 A23. Yes. STI is designed to drive and reinforce strategies important to the
7 Company, which include occupational health and safety, operational
8 excellence, customer, workforce, sustainability, and financial metrics.
9 Specific goals are included in exempt employees' annual objective plans.
10 These goals are critical in reinforcing key Company initiatives, including
11 goals related to safety, customer, financial, execution, and people oriented
12 initiatives. A 2019 survey conducted by Aon shows that incentive
13 compensation is an important element of competitive total rewards in the
14 labor market both within the utility industry and the broader general
15 industry:¹

16 Even with the changing economic environment variable pay
17 budgets have continued to remain significantly higher than
18 amounts budgeted for salary increases. While salary

¹ Aon 2019 Variable Compensation Measurement ("VCM") Report-U.S. Edition, Highlights and Trends.

1 increases have hovered at or around 3% for the past six years,
2 variable pay budgets have consistently been in double digits.

3 Highlights and Trends

4 Variable pay plans continue to be a critical component of most
5 VCM participants' total compensation offerings. The Aon
6 VCM report continues to support the trend that organizations
7 are increasingly turning to variable pay as a means to attract,
8 retain, and reward performance while traditional merit
9 increase budgets remain at record low levels. In 2019, a
10 median 99% of total US employees who were eligible for at
11 least one type of variable pay actually received an award.

12 Prevalence of Variable Compensation

13 The frequency of companies with at least one broad-based
14 variable pay plan continues to increase since 1994 when we
15 first started recording this information. According to Aon's
16 Salary Increase Survey, in 1995, 59% of U.S. organizations
17 indicated they had at least one broad-based variable pay plan
18 in place. By 2019, 90% of U.S. organizations had implemented
19 a broad-based variable pay plan.

20 Not only have more U.S. organizations in the database
21 introduced broad-based variable compensation in recent
22 years, organizations also have changed the look of their
23 variable pay plans.

24 Individual performance plan measures or modifiers give
25 managers the power to reward and retain their top
26 performers.

27 To remain competitive in the labor market, it is important to provide STI
28 compensation as part of total compensation. If the Company and NCSC
29 maintain a competitive base compensation but do not provide incentive

1 compensation, it follows that total compensation will lag the competition
2 and employees will have larger total compensation opportunities at other
3 employers providing competitive compensation inclusive of incentives.

4 **Q24. Is individual employee performance a factor for STI?**

5 A24. Yes, for exempt (salaried) employees. A portion of each exempt employee's
6 annual total rewards is tied to the performance results of the measures in
7 the STI and individual performance. Under the terms of the incentive plan,
8 a discretionary amount is available to exempt employees based on
9 individual performance as determined by an employee's supervisor. I
10 describe the employee incentive level and performance evaluation process
11 below.

12 **Q25. How are incentive levels and incentive ranges determined under the STI?**

13 A25. Each employee is placed in a job scope level, which is based mainly on their
14 responsibility level within the organization. Each job scope level has an
15 associated incentive level and incentive opportunity range, beginning at a
16 threshold or "trigger" level, which provides an incentive of 50 percent of a
17 "target." The incentive opportunity range increases through the "target"

1 level up to the "stretch" level, which provides an incentive of 200 percent
2 of the "target."

3 Below is an example of how incentive levels and ranges are utilized. Field
4 leaders are in a job scope level that provides a target incentive opportunity
5 of 12 percent of base pay. The trigger and stretch levels are 50 percent below
6 and 200% above the target percentage, respectively. Therefore, the
7 incentive range for a front line supervisor is:

8	Trigger	Target	Stretch
9	6%	12%	24%

10
11 **Q26. How does the incentive level factor into the appropriate level of total cash**
12 **compensation for each employee?**

13 A26. The job scope level structure provides a framework for overall
14 compensation, career advancement, and leveling across the enterprise. The
15 incentive opportunity is one component of an employee's total cash
16 compensation, along with base pay, and therefore affects the potential
17 value of total cash compensation. An incentive opportunity range is
18 associated with each broad level, which determines the minimum and
19 maximum incentive payout opportunity as a percentage of base pay for

1 exempt employees and as a percentage of base pay plus overtime and other
2 premium pay for non-exempt employees. The total value of base pay and
3 incentive compensation determines the overall total cash compensation
4 opportunity available to employees.

5 **Q27. How does NIPSCO ensure that employees are committed to meeting the**
6 **needs of customers, such as service quality and service reliability, and**
7 **how does this fit into the incentive program?**

8 A27. The discretionary portion of the STI is based on individual performance
9 linked to goals in occupational health and safety, operational excellence,
10 customer, workforce, sustainability, and financial categories. Performance
11 management is executed through the annual evaluative process embodied
12 in the Objectives Form.

13 A NIPSCO employee's Objectives Form contains annual performance
14 objectives and articulates the means of measuring the employee's progress
15 in relation to the established objectives. Each employee is actively involved
16 in the development of his or her objectives, with input from his or her
17 supervisor, and the employee's progress is reviewed and discussed with
18 the employee periodically throughout the year. The annual performance

1 objectives are also used as an aid in determining the amount of a merit
2 increase for an employee.

3 The use of the objectives process to establish goals to measure employees'
4 performance is important in reinforcing the proper focus on key initiatives
5 and goals designed to continuously remain focused on occupational health
6 and safety, operational excellence, customer, and cost containment.
7 Examples of goals that support customer and safety goals include: achieve
8 safety discipline and performance by ensuring processes and procedural
9 adherence; proactively mitigate safety risks and exhibit zero tolerance of
10 harm to our employees, contractors, customers and the public by
11 incorporating all applicable safety processes, training, procedures and
12 standards of conduct; deliver an industry leading customer experience;
13 achieve reliability through emergency response and responding to
14 customer needs timely.

15 **Q28. In general, how is incentive compensation awarded?**

16 A28. If incentive plan measures are met, an incentive pool is established. The
17 percentage of an individual employee's base pay that is available for the
18 cash incentive is dependent upon their job scope level. For exempt

1 employees, the employee's individual performance and achievement of
2 predetermined goals as determined by his or her supervisor is also factored
3 into the amount of the incentive awarded. Incentive payments are made in
4 February or March of the year following the year for which performance is
5 measured, e.g., 2022 plan year incentive was paid in 2023.

6 **Q29. Has NIPSCO included incentive plan costs in the cost of service?**

7 A29. Yes. As it is an important piece to overall total rewards earned by NIPSCO
8 employees, the Company has included in the cost of service and is
9 requesting recovery of the "target" level of expense for all employees.
10 Target is most representative of an expected, normal level of on-going STI
11 expense. The target level represents the annual STI expense as if there were
12 no adjustments for achieving results above or below expected level of
13 performance.

14 **Q30. Is LTI an important component of total compensation for NIPSCO and**
15 **NCSC to be effective in recruiting and retaining executive employees?**

16 A30. Yes. As mentioned earlier in this section and as supported by the Aon
17 survey results, LTI is designed to attract and retain executive talent. LTI
18 awards are a common element of compensation at key management levels

1 of organizations throughout the United States, including major utilities
2 and, as such, are an important component of total compensation. These LTI
3 awards allow NCSC and the Company to compete in the market to attract
4 and retain individuals at executive levels. It would be difficult for NiSource
5 to accomplish this objective without this element of total compensation.

6 **Q31. Please explain how NiSource awards LTI.**

7 A31. LTI is part of the Company's total rewards package and was in place during
8 the Historic Base Year (the period beginning January 1, 2022, and ending
9 December 31, 2022) and 2023 Budget Period (the period beginning January
10 1, 2023, and ending December 31, 2023). Performance Share Units and
11 Restricted Stock Units are granted to employees at the level of Director and
12 above. Performance Share Units are vested after achieving specific
13 performance goals that vary by year and include operational excellence and
14 safety, employee engagement, greenhouse gas reduction, diversity of
15 workforce and suppliers, cumulative net operating earnings per share, and
16 relative total shareholder return goals. Restricted Stock Units are vested
17 based upon achievement of individual conditions as outlined in an award

1 agreement, which includes restrictions based upon the continued service of
2 the employee.

3 **Q32. Do the Company's LTI awards provide customer benefits?**

4 A32. Yes. As mentioned above, a portion of the LTI awards are directly tied to
5 the achievement of operational excellence and safety, employee
6 engagement, greenhouse gas reduction, diversity of workforce and
7 suppliers, cumulative net operating earnings per share, and relative total
8 shareholder return goals. For the reasons I have previously described, LTI
9 is a key component of the Company's total rewards program. If the
10 Company is to provide high-quality service to its customers, it is imperative
11 that it be able to attract and retain high quality talent, and to do so, all
12 aspects of the total rewards package, including LTI for executive level
13 employees, must be competitive with other industry employers. If not, the
14 Company places itself at high risk of losing talent to competitors. This
15 would create a loss of valuable skills and would have a significant financial
16 impact in the form of turnover costs, which would ultimately be borne by
17 the Company's customers.

1 **Q33. What are examples of the operational excellence and safety, employee**
2 **engagement, greenhouse gas reduction, and diversity of workforce and**
3 **supplier goals?**

4 A33. Examples of goals included in the LTI program are: reduce severe injuries
5 or events, increase of employee engagement survey results, reduce
6 greenhouse gas emissions, and increase economic inclusion by improving
7 total expenses on diverse suppliers.

8 **Q34. Has the Company included the cost of its LTI Plan in its cost of service?**

9 A34. Yes. The Company has included recovery of the "target" level of expense
10 for all employees in its cost of service. The target level is most
11 representative of an expected, normal level of on-going LTI expense. The
12 target level represents the annual LTI compensation expense as if there
13 were no adjustments for achieving results above or below expected level of
14 performance (target).

15 **Q35. Does the Company have a Profit Sharing Plan?**

16 A35. Yes. Company contributions for Profit Sharing are deposited into
17 employees' Retirement Savings Plan accounts, which provide an important
18 element of employee savings. These contributions to the Retirement

1 Savings Plan have become even more important as more traditional
2 elements of retirement savings, including defined benefit plans, are no
3 longer offered to exempt new hires on or after January 1, 2010, and non-
4 exempt new hires on or after January 1, 2013. Absent these contributions,
5 the Company would have to make other adjustments to its compensation
6 package, such as increases to base pay, to remain competitive in the market
7 for quality employees.

8 **Q36. Has NIPSCO included the costs of its profit sharing plan in the revenue**
9 **requirement?**

10 A36. No. NIPSCO Witness Weatherford sponsors an adjustment to remove
11 profit sharing (**Adjustment 7-22R**).

12 **VII. DETAIL OF COMPARATIVE COMPENSATION ANALYSES**

13 **Q37. Has NIPSCO performed comparative analyses to demonstrate the**
14 **reasonableness and competitiveness of its salaries / wages and total cash**
15 **compensation levels?**

16 A37. Yes. As mentioned previously, utility and general industry data was used
17 to allow for comparison between NIPSCO and NCSC's compensation in the
18 relevant labor markets. Reasonable compensation is defined as
19 salaries/wages and total cash compensation levels being within

1 approximately +/-10% of market based salaries/wages and total cash
2 compensation. The following analyses show that compensation levels for
3 NIPSCO and NCSC are reasonable and competitive when compared with
4 other utility and general industry employers.

5 **Q38. What source material did you rely upon in preparing these analyses?**

6 A38. I used utility and general industry surveys that provided survey job
7 descriptions, a list of participating organizations, a variety of levels in
8 multiple functional areas, clearly defined data elements (i.e., base salary,
9 total cash) and appropriate scope data (i.e., utility industry). The survey
10 data, as outlined below, is relied upon by the Company to establish market-
11 driven base pay on an ongoing basis.

A. Comparative Analysis for Non-Union Compensation

12 **Q39. What source material was used in creating Attachment 11-A and**
13 **Attachment 11-B?**

14 A39. I relied on Mercer Benchmark Database, US Mercer Total Compensation
15 Survey for the Energy Sector, Willis Towers Watson American Gas
16 Association (AGA), Willis Towers Watson General Industry Compensation
17 Surveys Results, and Willis Towers Watson General Industry

1 Compensation surveys to develop Attachment 11-A and Attachment 11-B.
2 The surveys provide competitive salary information for jobs within the
3 utility industry and the general industry.

4 **Q40. Please review the comparative analysis performed in relation to non-**
5 **union total cash compensation.**

6 A40. Attachment 11-A, titled NIPSCO Non-Union Salary Analysis, provides a
7 comparison of NIPSCO's average non-union base salaries and total cash
8 compensation to the average base salaries and total cash compensation of
9 utility and general industry in the United States.

10 **Q41. What were the results of your analysis?**

11 A41. Attachment 11-A shows that the average annual base salary paid by the
12 Company for study positions is \$87,501, with total cash compensation of
13 \$94,474, as compared to an average base salary of \$93,734 paid by utility
14 and general industry employers, with average total cash compensation of
15 \$101,400. When compared based on base salary and total cash
16 compensation, the Company is paying at competitive levels for utilities and
17 general industries. Specifically, the Company is 6.6 percent below the
18 market in base pay and 6.8 percent below in total cash compensation.

1 Reasonable compensation is defined as salaries/wages and total cash
2 compensation levels being within approximately +/-10% of market based
3 salaries/wages and total cash compensation. Attachment 11-A
4 demonstrates that NIPSCO's non-union base salaries and total cash
5 compensation are reasonable and competitive.

6 **Q42. Please review the comparative analysis performed in relation to non-**
7 **union salary.**

8 A42. Attachment 11-B, titled NCSC Salary Analysis, provides a comparison of
9 salaries for NCSC staff as compared to utility and general industry salaries.
10 Attachment 11-B compares average NCSC staff base salaries and total cash
11 compensation to the average salaries and total cash compensation of utility
12 and general industry employers.

13 **Q43. What were the results of your analysis?**

14 A43. Attachment 11-B shows that the average annual base salary paid by NCSC
15 for study positions is \$87,106, and total cash compensation was \$92,969. The
16 average base salary paid by survey employers is \$95,905, and total cash
17 compensation was \$104,471. NCSC base salaries were 9.2 percent below
18 and total cash compensation was 11 percent below surveyed employers.

1 Reasonable compensation is defined as salaries/wages and total cash
2 compensation levels being within approximately +/-10% of market based
3 salaries/wages and total cash compensation. Even though the NCSC is
4 slightly lagging the market in total cash compensation, Attachment 11-B
5 demonstrates that NCSC's base salaries and total cash compensation are not
6 in excess of levels that are reasonable and competitive.

B. Performance Adjustments (Merit Increases)

7 **Q44. Did the Company and NCSC grant performance adjustments to non-**
8 **union employees in 2022 and 2023, and are these costs included in the**
9 **cost of service?**

10 A44. Yes. As shown in Attachment 11-C, non-union employees of the Company
11 and NCSC received a 3.0 percent annual performance / merit increase in
12 2022 and 2023.

13 **Q45. What source material was used in creating Attachment 11-C?**

14 A45. I relied upon two survey sources that covered many employers within the
15 utility and general industry sectors and provided median merit increase
16 information. These surveys were the 2022-2023 Salary Budget Survey by
17 WorldatWork and 2022-2023 Salary Increase and Turnover Study by Aon.

1 **Q46. Please review the comparative analysis performed in relation to non-**
2 **union performance / merit adjustments.**

3 A46. Attachment 11-C, titled Non-Union Merit Increase Market Data, provides a
4 comparison of the Company's merit increases, for non-union employees in
5 2022 and 2023, to those for other utilities and general industry employers.
6 The data is categorized nationally and regionally.

7 **Q47. What were the results of your analysis?**

8 A47. Attachment 11-C shows that the Company's merit increases in 2022 and
9 2023 were at market with other employers within the region and the utility
10 industry.

11 **VIII. EMPLOYEE BENEFITS**

12 **Q48. What are the benefits offered by the Company to attract and retain**
13 **qualified employees?**

14 A48. Benefits are an important component of any compensation structure and
15 are necessary to ensure the Company can attract and retain qualified
16 employees. The Company's benefit plans correspond to the plans offered
17 throughout the NiSource system, including health and welfare plans
18 (health care coverage, dental coverage, vision care, term life insurance and

1 disability insurance), retirement savings plans, and paid time off (vacation,
2 holiday and sick pay).

3 **Q49. How do the Company and NCSC ensure the reasonableness and**
4 **competitiveness of its benefit offerings?**

5 A49. Regarding employee benefits, NCSC ensures their reasonableness and
6 competitiveness of the level of such benefits by periodically comparing
7 them, at an individual plan level and as a package, against the benefit
8 programs of other employers. As part of this process, the benefits offered
9 by the Company through its affiliation with NiSource are compared to the
10 benefits offered at energy companies, including investor-owned utilities.
11 The total value and the employer-paid portion of the benefits are rated on
12 a standardized value scale that reflects the deviation of the NiSource
13 primary benefit offerings from the average offered by other employers.

14 **Q50. Is it necessary to provide health care and dental coverage to employees?**

15 A50. Yes. Health care coverage, including dental care coverage, is important to
16 Company employees and their families. The Company's experience has
17 demonstrated that quality health care and dental coverage helps to attract
18 and retain employees and encourages longevity with the Company.

1 Therefore, health care and dental coverage plans are offered to all
2 employees of the Company, from field personnel to executives.

3 **Q51. Does the Company incur its own health care and dental care costs or are**
4 **these costs incurred by NCSC on behalf of the Company?**

5 A51. NCSC obtains and incurs the costs associated with health care coverage for
6 Company employees and retirees.

7 **Q52. How does NCSC obtain such coverage?**

8 A52. Benefit coverage is competitively bid through a request for proposals
9 process which is led by NCSC's consultant/broker. Here are the steps: (1)
10 request data from insurance companies and/or third-party vendors to
11 compile data for renewal negotiations or preparation of bid specifications;
12 (2) develop renewal requests and bid specifications to release to vendors;
13 (3) review final bid specifications before release to the marketplace; (4)
14 prepare an initial report outlining the results of the marketing project; (5)
15 negotiate a final competitive rate basis and contractual terms with vendors;
16 (6) prepare and deliver report outlining final negotiated financials; and (7)
17 conduct site visits to claim office and/or finalist presentation to determine
18 whether a change in vendors is appropriate. Carriers and third-party

1 administrators are selected based upon their ability to provide quality
2 service in the most cost-efficient manner.

3 **Q53. How has the Company attempted to reduce and control its health care**
4 **costs?**

5 A53. NCSC, on behalf of the Company, has undertaken many initiatives to limit
6 the cost of providing health and dental care to Company employees. NCSC
7 continues to review plan coverage and to search for more efficient ways to
8 offer and administer plan coverage. More costly health care plans have
9 been replaced with more efficient preferred provider organization ("PPO"
10 and "High Deductible ("HD") PPO") plans, and the Company self-insures
11 most of its plans, which reduces underwriting margins. Plans that offer
12 coverage through provider networks are used as often as possible to take
13 advantage of provider discounts. Opt-out credits are paid to those
14 employees who have alternative health care coverage and elect not to
15 participate in the plans. These credits are offered at a fraction of the cost
16 that would otherwise be required to provide coverage for the employees
17 who opt-out. Such programs have been offered to both union and non-
18 union employees. Additionally, the Company offers two high deductible
19 PPOs, and a health savings account for participants in these two high

1 deductible plans. As with other parts of its business, the Company enjoys
2 some purchasing power due to its affiliation with NiSource to ensure
3 competitive rates from its carriers. In addition, corporate-wide programs
4 offer a larger pool of covered participants, which provides for a larger
5 spread of risk. The larger risk pool helps contain increases in health and
6 dental care costs.

7 **Q54. How are costs of the health care plans determined?**

8 A54. NCSC engages a consultant to help determine the estimated cost of health
9 care plans for the upcoming year. NCSC self-insures many of its plans,
10 which means that the Company's actual plan experience is used to
11 determine estimates of future costs.

12 The Company's consultant uses underwriting techniques, based on
13 actuarial guidelines, to project the future plan's costs for the self-funded
14 plans. The key factor in projecting future results is the prior experience of
15 a group, especially when the group consists of a large population. This
16 experience is specific to NiSource's entire covered population. The process
17 of forecasting past claims experience into the future considers plan designs,
18 trends, and group credibility. Adjustments to methodology may be made

1 in certain situations. Examples of situations that may result in an
2 adjustment include changes to plan design, significant increases or
3 decreases in the covered population due to acquisitions or divestitures, or
4 when specific language is negotiated in a collective bargaining agreement.
5 These processes are widely accepted with the insurance market as the
6 standard to establishing budget and premium levels that are appropriate to
7 cover future risks.

8 **Q55. Please explain trend and group credibility.**

9 A55. The primary components of the medical trend include the following:

- 10 • Inflation in unit prices for the same services
- 11 • Changes in utilization of the same services
- 12 • Out-of-pocket leveraging
- 13 • New technology/services (increases or decreases depending on the
14 mix and cost of services)
- 15 • Cost shifting from public payors (Medicare and Medicaid) to private
16 plan payors
- 17 • Population aging

18

19 The trend factors used in the projections fall within the framework
20 established by the Actuarial Standards Board of the American Academy of

1 Actuarial, which has responsibility for the development of actuarial
2 standards of practice used by all professional organizations.

3 Credibility reflects a degree of confidence and accuracy in using the past
4 group's specific information in projecting future costs. A mixture of the size
5 of the group and the period of time the data reflects determines a group's
6 credibility. Generally, the larger the group and/or the longer the period of
7 available historical information, the greater the degree of confidence and
8 accuracy of using a past group's specific data to project the future costs.

9 NiSource working rates are projected using experience based on over 3,000
10 member life years. This amount of experience is fully credible based on
11 generally accepted actuarial guidelines.

12 **Q56. How does the Company assess how its employee benefit programs**
13 **compare to other companies?**

14 A56. On behalf of the Company, NCSC through Aon performs a benefit index
15 study to compare benefits at a program level and as a package against the
16 benefit programs of similar offerings at other employers. The standard
17 Company benefit offerings are compared to the benefits offered at other

1 energy companies, including investor-owned utilities. The most recent
2 study was conducted in January 2022 by Aon.

3 Company employees share in a percentage-of-cost basis in the cost of the
4 health plans made available to them. The percentage of the costs employees
5 share is 25% for non-exempt non-union, while exempt employees pay 30%
6 of the costs. For employees in the bargaining units, their percentage cost
7 share is 25% and is subject to collective bargaining.

8 **Q57. What were the results of the latest Aon study regarding NiSource and the**
9 **Company's benefits offerings?**

10 A57. The study shows that the overall employer-paid value of NiSource's
11 benefits plans is 6.8 percent below the median of the selected energy
12 industry cohort. The Company has concluded from the results of the study
13 that its benefits are reasonable as compared with the offerings from other
14 employers in the labor markets.

15 **Q58. Has the Company pursued any benefit cost containment measures?**

16 A58. Yes. The Company has pursued several cost containment measures to help
17 control the cost of providing health and retirement benefits to its
18 employees.

- 1 • The Company self-insures many of its health plans, utilizing
2 Anthem as its benefits administrator, which reduces underwriting
3 margins.

- 4 • Anthem's medical provider network provides very competitive
5 medical provider discounts for its PPO and HDPPPO self-insured
6 plans compared to other national carriers.

- 7 • Introduced an Anthem Integrated Health Management system that
8 provides registered nurse counseling to employees and dependents
9 for the most cost efficient and effective medical treatment options.

- 10 • The Company has converted from a Final Average Pay pension
11 formula to a less costly Account Balance pension formula. This
12 conversion for nonexempt, non-union employees was effective
13 January 1, 2013. Exempt employees were converted on January 1,
14 2010.

- 15 • Eliminated pension and post-retiree medical and life insurance for
16 the majority of new hires and replaced with a more shared company
17 and employee subsidy, 401k plan and health savings account

1 retirement savings model. This took place for exempt employees
2 effective January 1, 2010, non-exempt nonunion effective January 1,
3 2013, and for union employees from January 1, 2011 through January
4 1, 2014.

5 **IX. CONCLUSION**

6 **Q59. What is your conclusion about the reasonableness and competitiveness**
7 **of the Company's compensation and benefits package?**

8 A59. As supported throughout my testimony and attachments, the Company's
9 compensation and benefits are competitive when compared to the
10 compensation at a similar group of employers, and this total compensation
11 is reasonable and supports the ability to attract and retain talented
12 employees.

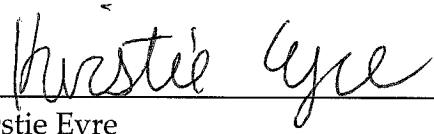
13 **Q60. Does this conclude your prefiled direct testimony?**

14 A60. Yes

VERIFICATION

I, Kirstie Eyre, Compensation Manager of NiSource Corporate Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Kirstie Eyre



Kirstie Eyre

Date: October 25, 2023

Date: October 25, 2023

NIPSCO Non-Union Salary Analysis¹
Comparison of NIPSCO Non-Union Base Salaries & Total Cash Compensation to National Survey Data

<u>Job Title</u> (2)	<u>NIPSCO Annual Base</u>	<u>NIPSCO Annual Total Cash</u>	<u>Survey Annual Base</u>	<u>Survey Annual Total</u>
	<u>Salary (Average)</u> (3)	<u>Compensation</u> <u>(Average)</u> (3), (4)	<u>Salary (Average)</u> (5)	<u>Cash Compensation</u> <u>(Average)</u> (5)
Assigner NP	\$64,020	\$66,695	\$67,813	\$69,641
Assoc Field Eng 1	\$77,642	\$80,668	\$77,368	\$82,096
Assoc Field Eng 2	\$87,027	\$93,166	\$91,772	\$97,908
Construction Coordinator 2	\$84,207	\$88,664	\$73,358	\$75,355
Field Engineer	\$99,970	\$107,488	\$112,380	\$124,969
Front Line Ldr GM&T	\$109,506	\$124,110	\$110,868	\$124,119
Leader Field Operations	\$99,036	\$110,069	\$110,868	\$124,119
Sr New Business Specialist	<u>\$78,601</u>	<u>\$84,935</u>	<u>\$105,443</u>	<u>\$112,994</u>
Overall Average	\$87,501	\$94,474	\$93,734	\$101,400
% Above/(Below) Market			-6.6%	-6.8%

Footnotes

(1) Northern Indiana Public Service Company Data as of 12/31/22.

(2) These jobs were utilized because the Company had multiple incumbents matched to the NiSource job title on 12/31/22.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NIPSCO employees matched to the NiSource job title and dividing the aggregate result by the number of NIPSCO employees matched to the title.

(4) Total Cash Compensation equals base salary plus actual incentive paid to employees.

(5) Survey data shown is from the 2022 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2022 and includes National Company Survey Results.

NCSC Salary Analysis¹**Comparison of NCSC Base Salaries & Total Cash Compensation to Survey Data in the North Central Region**

<u>Job Title</u> (2)	NCSC		National Data	
	<u>Annual Base Salary</u> (Average) (3)	<u>Annual Total Cash</u> <u>Compensation (Average)</u> (3), (4)	<u>Survey Annual Base</u> <u>Salary (Average)</u> (5)	<u>Survey Annual Total Cash</u> <u>Compensation (Average)</u> (5)
	Assigner	\$48,952	\$49,114	\$67,813
Assigner 1	\$54,707	\$56,042	\$67,813	\$69,641
Assigner 2	\$62,812	\$65,631	\$70,366	\$72,321
Communications Mgr	\$104,436	\$111,017	\$122,400	\$133,460
Customer Service Rep 2	\$43,443	\$45,257	\$45,252	\$46,507
Customer Service Rep 3	\$47,162	\$48,970	\$45,252	\$46,507
Executive Admin Assistant	\$74,705	\$77,782	\$75,834	\$78,281
Gas Controller	\$70,200	\$74,037	\$83,414	\$88,300
Gas Qualification Specialist	\$89,219	\$94,376	\$89,075	\$96,068
Instructional Program Designer	\$71,232	\$75,876	\$76,937	\$79,063
Lead Architect	\$144,035	\$149,672	\$146,230	\$158,697
Lead Financial Analyst	\$102,445	\$109,576	\$115,680	\$127,543
Lead Regulatory Analyst	\$103,248	\$112,163	\$123,811	\$139,345
New Business Rep Sr	\$61,700	\$66,288	\$81,320	\$100,869
Principal Engineer	\$131,162	\$146,079	\$141,340	\$155,783
Project Manager	\$127,435	\$131,766	\$130,603	\$141,447
Quality Assurance Specialist	\$53,624	\$56,101	\$74,137	\$80,872
Scheduling Leader	\$75,297	\$82,027	\$82,484	\$85,974
Sr Counsel	\$170,929	\$189,217	\$162,150	\$182,228
Sr Customer Service Rep	\$56,216	\$58,220	\$54,117	\$56,278
Sr Financial Analyst	\$84,800	\$88,569	\$91,001	\$97,272
Sr IT Analyst	\$96,422	\$102,530	\$118,013	\$127,053
Sr IT Systems Analyst	\$100,869	\$109,351	\$118,013	\$127,053
Sr New Business Dev Mgr	\$88,110	\$97,477	\$97,573	\$118,490
Sr Technical Suppt Specialist	\$105,957	\$114,867	\$112,380	\$124,969
Team Leader CCC	\$66,501	\$72,839	\$81,999	\$90,632
Technical Support Specialist 2	\$97,363	\$104,013	\$112,380	\$124,969
Technical Trainer 2	\$90,461	\$96,073	\$89,075	\$96,068
Technical Trainer 3	<u>\$102,626</u>	<u>\$111,163</u>	<u>\$104,787</u>	<u>\$114,321</u>
Overall Average	\$87,106	\$92,969	\$95,905	\$104,471
% Above/(Below) Market - National			-9.2%	-11.0%

Footnotes

(1) NiSource Corporate Service Company Data as of 12/31/2022.

(2) These jobs were utilized because the Company had multiple incumbents matched to the job title on 12/31/2022.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NCSC employees matched to the NiSource job title and dividing the aggregate result by the number of NCSC employees matched to the title.

(4) Total Cash Compensation equals base salary plus actual incentive paid to employees.

(5) Survey data shown is from the 2022 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2022 and includes National Company Survey Results.

Non-Union Merit Increase Market Data

	<u>Actual 2022</u> <u>% Merit Increase</u> <u>(Median)</u>	<u>Projected 2023</u> <u>% Merit Increase</u> <u>(Median)</u>
2022-2023 WorldatWork Salary Budget Survey		
<i>National</i>		
Officers & Executives	3.0%	3.0%
Exempt Salaried	3.0%	3.0%
Non-Exempt Salaried	3.0%	3.0%
Non-Exempt Hourly Nonunion	3.0%	3.0%
<i>Utilities</i>		
Officers & Executives	3.0%	3.0%
Exempt Salaried	3.0%	3.0%
Non-Exempt Salaried	3.0%	3.0%
Non-Exempt Hourly Nonunion	3.0%	3.0%
 2022-2023 Salary Increase and Turnover Study - AON		
<i>National</i>		
	(Excluding Zeros)	
Executives	3.2%	3.0%
Management	3.1%	3.0%
Professional- Individual Contributor	3.0%	3.0%
Support - Individual Contributor	3.0%	2.9%
Hourly	2.9%	2.9%
<i>Utilities</i>		
Executives	3.5%	2.9%
Management	2.9%	2.8%
Professional- Individual Contributor	2.9%	2.7%
Support - Individual Contributor	2.9%	2.8%
Hourly	2.8%	2.8%
<i>Central/Midwest States (Includes OH, IN, MI, IL, MO, IA, MIN, WI, KS, NE, SD, ND)</i>		
Executives	3.2%	3.0%
Management	3.0%	2.9%
Professional- Individual Contributor	3.0%	2.9%
Support - Individual Contributor	2.9%	2.9%
Hourly	2.9%	2.9%
 NiSource		
Executive	<u>Actual</u> 3.0%	<u>Actual</u> 3.0%
Director	3.0%	3.0%
All Other Exempt	3.0%	3.0%
Non-Exempt & Nonunion Hourly	3.0%	3.5%