

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY LLC PURSUANT TO IND.)
CODE §§ 8-1-2-42, 8-1-2-42.7 AND 8-1-2-61 FOR (1))
AUTHORITY TO MODIFY ITS RETAIL 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 (BOTH EXISTING)
AND NEW); (3) APPROVAL OF A NEW SALES)
RECONCILIATION ADJUSTMENT MECHANISM;)
(4) APPROVAL OF REVISED GAS)
DEPRECIATION RATES APPLICABLE TO ITS)
GAS PLANT IN SERVICE; (5) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, INCLUDING BUT NOT LIMITED TO)
APPROVAL OF CERTAIN DEFERRAL)
MECHANISMS FOR PENSION, OTHER POST-)
RETIREMENT BENEFITS, AND LINE LOCATE)
EXPENSES; AND (6) TO THE EXTENT)
NECESSARY, APPROVAL OF ANY OF THE)
RELIEF REQUESTED HEREIN PURSUANT TO)
IND. CODE CH. 8-1-2.5.**

CAUSE NO. 45967

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

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

January 31, 2024

Respectfully submitted,



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**NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC
CAUSE NO. 45967
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 recommend that Northern Indiana Public Service Company LLC’s (“NIPSCO” or
11 “Petitioner”) proposed rate increase be reduced by more than half of the requested
12 amount. I further recommend the Commission approve only the necessary and
13 reasonable requests for NIPSCO’s provision of quality gas service at reasonable
14 prices and take steps to moderate rate increases over time. My testimony will
15 discuss this in the context of affordability, per the statutory policy approved by the
16 Indiana General Assembly.

17 I address certain elements of NIPSCO’s request for a phase-in of rates
18 utilizing a forward-looking test year. I discuss NIPSCO’s revenue requirements,
19 rate case expense, taxes other than income tax, and state and federal income taxes.

1 In addition, I discuss NIPSCO's proposed Step 1 and Step 2 rate phase-in process,
2 and NIPSCO's forecasted rate base update at December 31, 2024.

3 I also sponsor accounting schedules to support the OUCC's recommended
4 pro forma adjustments; these schedules incorporate recommendations and pro
5 forma adjustments of other OUCC witnesses and implement the OUCC's
6 recommended cost of equity and capital structure. The accounting schedules I
7 prepared incorporate all adjustments used to justify and calculate the OUCC's total
8 pro forma revenue requirements and the resulting rate increase. The OUCC's Index
9 of Issues is attached to my testimony as Appendix MHG-2.

10 **Q: What significant factors contribute towards NIPSCO's proposed rate**
11 **increase?**

12 A: NIPSCO has had and forecasts a significant increase in net utility plant in service
13 ("UPIS") since the net UPIS balance included in the rate base approved in
14 NIPSCO's last rate case. NIPSCO's rate base as of December 31, 2022 included a
15 net UPIS balance of \$2.141 billion. (Cause No. 45621, Compliance Filing – Step
16 2, Attachment A-S2, page 4, lines 1 and 3.) In the current Cause, NIPSCO forecasts
17 a net UPIS balance of \$3.253 billion included in the forecasted rate base as of
18 December 31, 2024, a \$1.112 billion increase. This equates to a 52% increase in
19 net UPIS since NIPSCO's previous rate case. However, a significant portion of the
20 increase in UPIS has been pre-approved through NIPSCO's Transmission,
21 Distribution, and Storage System Improvement Charge ("TDSIC") cost tracker
22 mechanism and Federally Mandated Cost Adjustment ("FMCA") cost tracker
23 mechanism. The increase in net UPIS attributable to and pre-approved in
24 NIPSCO's TDSIC cost tracker is \$572 million, with an increase attributable to and

1 pre-approved in NIPSCO's FMCA cost tracker of \$116 million, for a total pre-
2 approved UPIS of \$688 million. (Attachment MHG-2 pages 1-2; NIPSCO response
3 to OUCC Data Request ("DR") 16-001 and 16-002.) This means 62% of NIPSCO's
4 increase in net UPIS since NIPSCO's previous rate case has been pre-approved
5 through the TDSIC and FMCA infrastructure cost-tracking mechanisms.

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

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

II. OUCC WITNESS INTRODUCTION

11 **Q: Please introduce the additional OUCC witnesses who are testifying in this case.**

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

14 **Ms. Heather Poole** recommends denial of NIPSCO's proposed deferred
15 accounting for line locates, pension, and other post-employment benefits
16 ("OPEB"). (**Public's Exhibit No. 2.**)

17 **Dr. David Dismukes** recommends denial of NIPSCO's proposed decoupling and
18 sales reconciliation adjustment ("SRA") mechanism. (**Public's Exhibit No. 3.**)

19 **Mr. Zachary Leinheiser** analyzes NIPSCO's gas sales revenues, other gas and
20 miscellaneous revenues, and cost of goods sold. He recommends changes to
21 NIPSCO's forfeited discounts and miscellaneous service revenues. (**Public's**
22 **Exhibit No. 4.**)

23 **Ms. LaCresha Vault** analyzes various operations and maintenance ("O&M")
24 expense adjustments, including gas operations, other departments, FMCA, TDSIC,
25 non-recoverable expenses, corporate services, corporate insurance, rents and leases,
26 environmental expense, and uncollectible accounts. She recommends changes to
27 the amortization of Cause Nos. 44988 and 45621 regulatory assets, TDSIC
28 regulatory assets, and FMCA regulatory assets. She also recommends an

1 adjustment to gas operations expense related to line locates. (**Public's Exhibit No.**
2 **5.**)

3 **Mr. Mohab Noureldin** analyzes various O&M expense adjustments, including
4 labor, employee benefits, and payroll taxes. He also analyzed NIPSCO's original
5 cost rate base, gas plant depreciation expense, common asset depreciation expense,
6 gas plant amortization expense, common asset amortization expense, and property
7 taxes. He recommends changes to gas plant depreciation expense, labor expense,
8 and short-term incentive pay. (**Public's Exhibit No. 6.**)

9 **Mr. David Garrett** recommends depreciation rates utilizing changes to service life
10 parameters for some transmission and distribution accounts. (**Public's Exhibit No.**
11 **7.**)

12 **Mr. Leja Courter** analyzes NIPSCO's proposed 10.70% cost of equity, noting that
13 if approved, it would be the highest rate of return awarded to an Indiana investor-
14 owned gas utility in more than a decade. Mr. Courter recommends the Commission
15 adopt the OUCC's proposed cost of equity of 9.25% based on his Discounted Cash
16 Flow ("DCF") and Capital Asset Pricing Model ("CAPM") analyses, to be used in
17 the weighted cost of capital calculation. (**Public's Exhibit No. 8.**)

18 **Mr. Brien Krieger** recommends approval of Petitioner's proposed Allocated Cost
19 of Service Study ("ACOSS") model, the allocation methods contained within the
20 model, and the use of the ACOSS model for designing the margin rate increase for
21 each rate class. (**Public's Exhibit No. 9.**)

22 **Mr. Jared Hoff** recommends denial of NIPSCO's proposed monthly service
23 charges for residential service, small general service, and large general service
24 customers. He recommends approval of NIPSCO's proposed AMI upgrade project
25 on specific conditions. (**Public's Exhibit No. 10.**)

26 In addition, the OUCC has received 774 written customer comments in this
27 proceeding, submitted as **Public's Exhibit No. 11.**

III. REVENUE REQUIREMENT SCHEDULES

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

30 **A:** No. NIPSCO requests a rate increase of 27.27% over total revenues net of gas costs,
31 to increase its annual revenue by \$161,897,007. This equates to an increase in gross
32 revenues, including gas costs, of 16.29%. The OUCC's analysis shows that

1 Petitioner has justified an \$80,071,726 increase in its pro forma revenue
2 requirement, which would result in an increase in gross revenues of 13.41%. This
3 equates to an increase in gross revenues, including gas costs, of 8.03%.

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

6 A: I sponsor the following attachments and schedules:

7 Attachment MHG-1: OUCC Revenue Requirement Schedules

- 8 • Schedule 1: Comparison of Petitioner's and the OUCC's Revenue
9 Requirements, Gross Revenue Conversion Factor, and Comparison of the
10 Statement of Operating Income Adjustments.
- 11 • Schedule 2: NIPSCO's Income Statement.
- 12 • Schedule 3: NIPSCO's Consolidated Balance Sheet.
- 13 • Schedule 4: OUCC's Pro Forma Net Operating Income Statement.
- 14 • Schedule 5: OUCC's Pro Forma Revenue Adjustments.
- 15 • Schedule 6: OUCC's Pro Forma Expense Adjustments.
- 16 • Schedule 7: OUCC's Calculation of Pro Forma Rate Base on December 31,
17 2024.
- 18 • Schedule 8: OUCC's Pro Forma Capital Structure on December 31, 2024.
- 19 • Schedule 9: Current and Proposed Monthly Service Charges.

20 Attachment MHG-2: Relates to UPIS additions through TDSIC and FMCA.

21 Attachment MHG-3: Relates to the Public Utility Fee calculation.

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

24 A: Yes. NIPSCO's forward-looking test year begins January 1, 2024 and ends
25 December 31, 2024. NIPSCO used actual amounts for rate base and capital
26 structure items for the base period ending December 31, 2022, and applied

1 adjustments for the 2023 and 2024 forecast periods. For revenues and expenses,
2 NIPSCO also used the twelve months ending December 31, 2022 as the base period
3 adjusted for forecasted years ending December 31, 2023 and 2024. The actual
4 revenue and expenses for the base period is reflected as the "Base Period Ended
5 12/31/2022" in the first numerical column of my Attachment MHG-1, Schedule 4,
6 Pro Forma Net Operating Income Statement. Pro forma 2022 normalization and
7 annualization adjustments, 2023 forecast adjustments, 2024 forecast adjustments,
8 and pro forma ratemaking adjustments are applied to the Base Period Ended
9 12/31/2022 income statement to derive pro forma operating revenue, expenses, and
10 net income at present rates for the period ending December 31, 2024.

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

12 **A:** The purpose of each schedule in Attachment MHG-1 is described below:

- 13 • Schedule 1, Page 1 summarizes the main components of the revenue
14 requirements, incorporating the OUCC's adjustments to NIPSCO's
15 proposed revenue requirements, resulting in the calculation of the OUCC's
16 recommended revenue requirement. Pages 2 through 4 compare each
17 parties' calculation of the revenue conversion factor, and a comparison of
18 NIPSCO's and the OUCC's proposed operating income adjustments at
19 present rates. Page 2 of Schedule 1 also includes a calculation to gross up
20 bad debt, Indiana Utility Regulatory Commission ("IURC") fees, and taxes
21 based on the OUCC's proposed revenue increase.
- 22 • Schedule 2 is NIPSCO's consolidated balance sheet for the base period
23 ending December 31, 2022.
- 24 • Schedule 3 is NIPSCO's income statement, for the base period ending
25 December 31, 2022.
- 26 • Schedule 4 is the Pro Forma Net Operating Income Statement reflecting a
27 summary of all pro forma revenue and expense adjustments proposed by the
28 OUCC. The OUCC's proposed adjustments yield revised pro forma
29 revenue, operating expenses, and net operating income, resulting in a
30 revised proposed rate adjustment.

- 1 • Schedule 5 shows the OUCC's adjustments to NIPSCO's proposed
2 revenues.
- 3 • Schedule 6 shows the OUCC's adjustments to NIPSCO's proposed
4 expenses, including pro forma present rate taxes other than income taxes,
5 and pro forma present rate federal and state income taxes.
- 6 • Schedule 7 shows the OUCC's calculation of NIPSCO's budgeted original
7 cost rate base on December 31, 2024.
- 8 • Schedule 8 reflects the OUCC's calculation of NIPSCO's budgeted capital
9 structure on December 31, 2024, including a revised cost of equity. While
10 Petitioner rounds its weighted cost of capital up to the nearest one-
11 hundredth percent, the OUCC's calculation of weighted cost of capital on
12 Schedule 8 results in the actual percentage. For display purposes only,
13 weighted cost of capital is shown on Schedule 1 with only two decimal
14 points.
- 15 • Schedule 9 shows a comparison of Petitioner's current and proposed
16 monthly service charges, and the OUCC's proposed monthly service
17 charges.

IV. AFFORDABILITY

- 18 **Q: Should affordability be taken into account as the Commission considers**
19 **NIPSCO's proposal?**
- 20 **A:** Yes. Through Indiana Code § 8-1-2-0.5, the Indiana General Assembly declared it
21 to be the State's policy to recognize the importance of utility service affordability
22 for present and future generations.¹ It states affordability should be protected as
23 utilities invest in infrastructure necessary for system operation and maintenance.

¹ **IC 8-1-2-0.5 Operation and maintenance; affordability of utility services (Indiana State policy to promote utility investment in infrastructure while protecting affordability of utility service).**

Sec. 0.5. The general assembly declares that it is the continuing policy of the state, in cooperation with local governments and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to create and maintain conditions under which utilities plan for and invest in infrastructure necessary for operation and maintenance while protecting the affordability of utility services for present and future generations of Indiana citizens. *As added by P.L.104-2016, SEC.1.*

1 Increased utility costs and investments continue to place consistent upward
2 pressure on customer bills. It is imperative the Commission carefully scrutinize
3 utility requests to approve only what is justifiable as reasonably necessary, at
4 prudent costs, and at a level of service quality providing a reasonable value to the
5 customer. Additionally, it is critical to factor customer affordability into the
6 accounting treatment a utility may seek, prioritization of projects and expenses, and
7 the timing of rate increases and project requests.

8 **Q: Does the timing of NIPSCO's current rate request raise concerns?**

9 A: Yes. NIPSCO completed implementation of an annual base rate revenue increase
10 of \$114,043,055² in March 2019 and another annual base rate revenue increase of
11 \$71,800,281³ in March 2023. NIPSCO now requests an additional \$161,897,020
12 annual base rate revenue increase beginning in 2024 and to be completed in early
13 2025. Cumulatively, this is a total \$347.7 million increase to NIPSCO's natural gas
14 customers within a six-year period. This equates to a 56% base rate increase over
15 NIPSCO's pro forma revenue in effect prior to the March 2019 increase.

16 **Q: How do NIPSCO's rate recovery mechanisms relate to this case?**

17 A: NIPSCO may continue to increase rates, separately from the request in this docket,
18 as frequently as every six months through its existing TDSIC and FMCA cost-
19 tracking mechanisms. Federal pipeline safety regulations have increased on
20 transmission, distribution, and storage systems in the last decade leading to an
21 increase in gas infrastructure projects. Indiana's gas utilities have the ability to

² NIPSCO Cause No. 44988 Compliance Filing – Step 2 filed Feb. 22, 2019 (Attachment A-S2, p.1)

³ NIPSCO Cause No. 45621 Compliance Filing – Step 2 filed Feb. 21, 2023 (Attachment A-S2, p.1)

1 collect 80% of the return on pipeline safety investments and incremental costs on
2 an ongoing periodic basis through the FMCA tracker. In addition, Indiana natural
3 gas utilities with IURC-approved infrastructure plans may recover 80% of the
4 return on other investments through the TDSIC tracker, including associated
5 incremental expenses. The remaining 20% of infrastructure investments not
6 collected semi-annually through the TDSIC and FMCA mechanisms are deferred
7 for recovery in a utility's next base rate case. The utility is allowed carrying costs
8 on the deferred 20% of the TDSIC and FMCA investments, compensating the
9 utility for the time value of its investments. The TDSIC and FMCA cost recovery
10 mechanisms are in place to encourage investment and reduce regulatory lag. When
11 used properly, these ongoing cost recovery mechanisms can alleviate the need to
12 file more frequent base rate cases, reducing expenses to be recovered in rates.

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

14 A: In light of the Indiana General Assembly's stated policy, affordability should be a
15 constant consideration for all Indiana jurisdictional utilities, as well as the
16 Commission as it deliberates its decisions. (See Ind. Code § 8-1-2-0.5.) The OUCC
17 understands the State's critical need to have financially sound utilities that provide
18 safe, reliable, and resilient service through well-maintained transmission and
19 distribution systems. However, at the same time customers are faced with
20 increasing utility costs, they must also contend with the rising costs of housing and
21 other necessities. The OUCC's testimony in this Cause outlines ways for the
22 utility's request to be tempered without compromising the safety and reliability of
23 NIPSCO's systems.

1 The requested relief in this docket would reduce risks for Petitioner and its
2 shareholders. However, there is no acknowledgement that the reduced risk would
3 inure to the benefit of customers, such as a recognition of reduced risk in a lower
4 return on equity.⁴

V. PROPOSED ADJUSTMENTS TO REVENUE REQUIREMENTS

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

7 **A:** No. Schedule 4 reflects all the OUCC's operating income and expense adjustments.
8 I am sponsoring the IURC fee, taxes other than income, and the state income tax
9 and federal income tax adjustments. Details of my proposed adjustments are shown
10 on Schedule 6. Other operating income and expense adjustments on Schedule 4
11 reflect the net result of adjustments sponsored by OUCC witnesses Zachary
12 Leinheiser, LaCresha Vaulx, and Mohab Noureldin. The details of Mr. Leinheiser's
13 adjustments are shown on Public's Exhibit No. 4, Attachments ZDL-1-2. Ms.
14 Vaulx's adjustments are detailed on Public's Exhibit No. 5, Attachments LNV-1-
15 4. Mr. Noureldin's adjustments are detailed on Public's Exhibit No. 6, Attachments
16 MMN-1-3.

⁴ See PSI Energy, Inc., 2004 Ind. PUC LEXIS 150, at *145. See also In re S. Ind. Gas & Elec. Co., Cause No. 43839, 289 P.U.R.4th 9 (Apr. 27, 2011), where the Commission denied Vectren's proposed increased ROE. "We do consider the effect tracking mechanisms have in reducing risk in order to ensure that these reduced risks are properly reflected in Vectren South's cost of equity."

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

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

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

11 A: My calculation of the public utility fee adjustment includes an additional \$600,000
12 of pro forma present rate revenue to correct NIPSCO's calculation. (Attachment
13 MHG-3; NIPSCO response to OUCC DR 11-014.) Other changes to NIPSCO's
14 public utility fee calculation reflected in my schedules are a result of changes in pro
15 forma revenues sponsored by OUCC witness Leinheiser.

16 Petitioner's pro forma 2022 normalization adjustment for taxes other than
17 income taxes removed the utility receipts tax from base year 2022 expenses, setting
18 utility receipts tax expense to zero. This properly reflects the repeal of the utility
19 receipts tax as of July 1, 2022.

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. Changes to
23 NIPSCO's federal and state income tax calculations are a result of changes to other
24 pro forma proposed revenue requirements.

VI. TAXES

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

2 A: OUCC Schedule 6 (included in Attachment MHG-1) includes calculations using
3 NIPSCO's methodology to calculate the public utility fee, and state and federal
4 income taxes. Changes to the amount of these fees and taxes calculated in Schedule
5 6 are a result of changes in pro forma revenues and expenses sponsored by OUCC
6 witnesses. These fees and taxes will change with a revision to net operating income
7 in NIPSCO's December 31, 2024 Step 2 compliance filing.

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

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

VII. 2022 PHASE-IN RATE UPDATES

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

18 A: Upon issuance of a Final Order in this Cause, NIPSCO proposes to update its rates
19 in two phases. In Step 1, rates would be updated to include actual rate base and
20 capital structure as of June 30, 2024. In Step 2, NIPSCO proposes to update rates
21 to include actual rate base and capital structure as of the forward test year ending
22 December 31, 2024. In Public's Exhibit No. 6, OUCC witness Noureldin

1 recommends the Step 2 rate base update be capped at the lesser of the rate base
2 forecast in Petitioner's case-in-chief or the rate base forecast approved by the
3 Commission in its Final Order. Depreciation expense would also be annualized
4 based on December 31, 2024 plant in-service balances, and amortization of
5 regulatory assets will be based on ending balances for these assets as of December
6 31, 2024. Taxes will also be updated because they are tied directly to the change in
7 income generated from updated rate base and the resulting rates. NIPSCO proposes
8 a sixty (60) day period for the OUCC and intervenors to review each compliance
9 filing.

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

11 A: No. As proposed, the June 30 and December 31, 2024 updates to NIPSCO's
12 revenue requirements should be limited to updating NIPSCO's rate base, capital
13 structure, depreciation and amortization expenses, and taxes. NIPSCO's proposed
14 sixty (60) day review period should be acceptable, provided NIPSCO's compliance
15 filings include detailed schedules and workpapers that support the revised rate
16 update.

VIII. RATE CASE EXPENSE

17 **Q: What rate case expense did Petitioner propose in this case?**

18 A: NIPSCO's total proposed rate case expense is \$2,224,432 amortized over 2 years,
19 for an annual amortization expense of \$1,112,216. (Petitioner's Workpaper AMTZ-
20 6, Page [.2].) As discussed in more detail below, the cost of NIPSCO rate cases has
21 increased to over \$2 million in recent years.

1 **Q: Is Petitioner required to file base rate cases per Indiana Code?**

2 A: Ind. Code 8-1-39-9(3) states: "A public utility that implements a TDSIC under this
3 chapter shall, before the expiration of the public utility's approved TDSIC plan,
4 petition the commission for review and approval of the public utility's basic rates
5 and charges with respect to the same type of utility service."

6 NIPSCO's initial TDSIC Plan in Cause No. 44403 was a 7-year plan
7 covering 2014 through 2020. NIPSCO filed a base rate case (Cause No. 44988) in
8 2017 satisfying the requirement to petition the commission for review and approval
9 of the public utility's basic rates and charges before the expiration of the public
10 utility's approved TDSIC plan.

11 NIPSCO's current TDSIC Plan was approved in 2020 in Cause No. 45330.
12 It is a 6-year plan covering the years of 2020 through 2025. NIPSCO filed a base
13 rate case (Cause No. 45621) in 2021 satisfying the requirement to petition the
14 commission for review and approval of the public utility's basic rates and charges
15 before the expiration of the public utility's approved TDSIC plan. Therefore,
16 NIPSCO had already fulfilled its duty of filing a rate case before the expiration of
17 its current TDSIC Plan that runs through the end of 2025. This is NIPSCO's second
18 rate case filed within the term of the same TDSIC plan.

19 **Q: When were NIPSCO's current base rates approved?**

20 A: NIPSCO's current base rates from Cause No. 45621 were approved in July 2022.
21 The first phase-in of rates from that Cause went into effect on September 1, 2022,
22 with the second phase-in of rates from that Cause going into effect on March 1,
23 2023. A short period of less than eight months has elapsed between implementation

1 of phase 2 rates from Cause No. 45621 and NIPSCO's filing of this rate case in
2 October 2023.

3 **Q: Do the TDSIC and FMCA statutes allow for recovery of costs between rate**
4 **cases?**

5 A: Yes. The TDSIC and FMCA statutes allow for recovery of 80% of a utility's costs
6 through these tracker mechanisms. The remaining 20% of a utility's costs are
7 deferred for recovery in the next base rate case, with carrying costs.

8 **Q: Has NIPSCO been recovering 80% of its TDSIC and FMCA costs through the**
9 **tracker mechanism?**

10 A: Yes. NIPSCO's TDSIC tracker mechanism in Cause No. 45330 recovers TDSIC
11 costs on a semi-annual basis. NIPSCO's FMCA tracker mechanism in Cause No.
12 45703 recovers NIPSCO's FMCA costs on a semi-annual basis.

13 **Q: Do NIPSCO ratepayers pay for rate case expenses?**

14 A: Yes. In Cause No. 44988, approved in September 2018, NIPSCO's requested rate
15 case expense was \$1.3 million. In Cause No. 45621, approved in July 2022,
16 NIPSCO's requested rate case expense increased to \$1.6 million. NIPSCO is now
17 requesting rate case expense in excess of \$2.2 million in this Cause. In each
18 instance, NIPSCO passes, or proposes to pass, 100% of the approved rate case
19 expenses on to ratepayers.

20 **Q: What is your recommendation for rate case expense?**

21 A: The OUCC recommends denial of rate case expense due to the nature of this case.
22 NIPSCO chose to file this elective rate case within just a few months of
23 implementing phase 2 rates from its last rate case. This case is not mandatory under
24 the TDSIC statute.

1 Certainly, NIPSCO is statutorily entitled to file a base rate case under Ind.
2 Code 8-1-2-42(a). However, NIPSCO was just allowed to collect 100% of its
3 approved rate case expense in July 2022, in its most recent rate order. Now, less
4 than 2 years later, NIPSCO is requesting *an additional* \$2.2 million in rate case
5 expense in this docket.

6 NIPSCO has the benefit of a proliferation of trackers through which it
7 collects most of the costs of its investments. The trackers also allow carrying
8 charges equal to the current weighted cost of capital. NIPSCO is currently
9 recovering 80% of its investment costs through the TDSIC and FMCA tracker
10 mechanisms, as adjusted every six months, which should appease the need for a
11 rapid succession of rate case filings.

12 Given that the 20% deferred TDSIC and FMCA cost recovery receives
13 carrying costs, the remaining financial impact is mitigated, and the utility is made
14 whole. This should make frequent base rate cases less necessary. In the interest of
15 protecting affordability for its customers, NIPSCO could have postponed this rate
16 case without experiencing financial harm. It chose not to do that. The consequences
17 of this case do not serve to benefit ratepayers. They inure to the benefit of
18 shareholders and are neither prudent nor reasonably necessary for the provision of
19 service to NIPSCO's ratepayers. Therefore, shareholders should bear the entire
20 expense of this filing which only serves to accelerate Petitioner's recoveries.

IX. OUCC RECOMMENDATIONS

1 **Q: Please summarize the revenue requirements and resulting revenue increase**
2 **justified in this Cause.**

3 A: As shown on Schedule 1 of Attachment MHG-1, the OUCC's adjustments to
4 NIPSCO's revenue, operating expenses, and taxes justify a revenue percentage
5 increase of 13.41% on gross margin, for a total revenue increase of \$80,071,726.
6 The resulting pro forma proposed revenue should be allocated to the various
7 customer rate classes based on the cost-of-service recommendations of OUCC
8 witness Krieger.

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

10 A: The OUCC's revenue requirements are based on an original cost rate base of
11 \$3,484,810,045. However, the rate base will ultimately be updated to reflect actual
12 rate base on December 31, 2024, subject to a cap not to exceed the lesser of the rate
13 base forecast in Petitioner's case-in-chief or the forecasted rate base amount
14 approved in the Commission's Final Order. The OUCC recommends the
15 Commission grant the Parties in this Cause a minimum of sixty (60) days to review
16 Petitioner's updated rate base and capital structure in a Compliance filing
17 containing all pertinent documentation supporting the updated rate base. OUCC
18 witness Courter recommends a return on common equity of 9.25%. The resulting
19 return on original cost rate base is \$233,886,511.

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

21 A: I recommend the Commission consider the state policy of promoting utility
22 investment in infrastructure while protecting affordability of utility service, and
23 only approve necessary and reasonable requests for NIPSCO's provision of quality

1 gas service at reasonable prices, with steps taken to moderate rate increases over
2 time. I recommend rate case expense be borne by shareholders.

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

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

- 9 • Ms. Poole recommends denial of NIPSCO's proposed deferred accounting
10 for line locate costs and deferred accounting for pension, and OPEB costs.
- 11 • Dr. David Dismukes recommends denial of NIPSCO's proposed SRA
12 mechanism.
- 13 • Mr. Leinheiser recommends changes to NIPSCO's forfeited discounts and
14 miscellaneous service revenues.
- 15 • Ms. Vaultx recommends changes to the amortization of Cause Nos. 44988
16 and 45621 regulatory assets in this Cause, TDSIC regulatory assets, and
17 FMCA regulatory assets. She also recommends an adjustment to gas
18 operations expense related to line locates.
- 19 • Mr. Noureldin recommends changes to gas plant depreciation expense,
20 labor expense, and short-term incentive pay.
- 21 • Mr. Garrett recommends adjustments to the proposed service lives for some
22 of NIPSCO's transmission and distribution accounts.
- 23 • Mr. Courter recommends a 9.25% cost of equity.
- 24 • Mr. Krieger recommends approval of NIPSCO's proposed cost of service
25 study and allocation methodologies.
- 26 • Mr. Hoff recommends denial of NIPSCO's proposed monthly service
27 charges for residential service, small general service, and large general
28 service customers. He also recommends approval of NIPSCO's proposed
29 AMI upgrade project with the addition of annual compliance requirements.

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

2 **A: Yes.**

**APPENDIX MHG-1 TO TESTIMONY OF
OUCC 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 OUCC in April of
5 1995 and have worked as a member of the OUCC'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 Plan approval cases, Federally Mandated Cost Adjustment
17 Mechanism ("FMCA") tracker cases, pipeline safety adjustment cases, energy
18 efficiency and revenue decoupling cases, and Gas Cost Adjustment ("GCA") cases.
19 Also, as it relates to this Cause, I have experience with forward-looking test year
20 rate cases through my analysis, testimony, and review of phase-in rate compliance
21 filings in NIPSCO's Cause No. 44988, Vectren South's Cause No. 45447, Vectren
22 North's Cause No. 45468, and NIPSCO's Cause No. 45621.

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

3 A: I analyzed Petitioner's testimony and exhibits, workpapers, and other supporting
4 documentation. I analyzed Petitioner's responses to discovery requests from the
5 OUCC and intervenor groups. I attended numerous meetings with OUCC staff and
6 NIPSCO representatives to identify and address issues in this Cause. Also, as it
7 relates to this Cause, I have experience with NIPSCO's forward-looking test year
8 rate cases through my analysis, testimony, and review of compliance filings for
9 phased-in rates in NIPSCO's Cause Nos. 44988 and 45621. I have also been
10 involved with NIPSCO's TDSIC and FMCA filings since their inception, giving
11 me a greater understanding of NIPSCO's ratemaking processes.

**Indiana Office of Utility Consumer Counselor
Cause No. 45967
Index of Issues, Requests, and Supporting Witnesses¹**

Subject	GENERAL	Supporting Witness
Test Year	Twelve Months Ended December 31, 2024	Public's Exhibit No. 1: Mark Grosskopf
Historical Base Period	Twelve Months Ended December 31, 2022	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 \$80,071,726, or 13.41% 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"> • Zachary Leinheiser (Forecasted Revenue) • LaCresha Vaultx (Forecasted O&M) • Mohab Noureldin (Forecasted O&M, Rate Base) 	<ul style="list-style-type: none"> • Public's Exhibit No. 4, Attachment ZDL-1 to ZDL-2 • Public's Exhibit No. 5, Attachments LNV-1 to LNV-3 • Public's Exhibit No. 6, Attachments MMN-1 to MMN-2
Return on Equity (ROE)	<ul style="list-style-type: none"> • Authorize 9.25% 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. 8
Weighted Average Cost of Capital (WACC)	<ul style="list-style-type: none"> • Authorize WACC of 6.71% applied to forecasted rate base 	<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. 8

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	OUCC 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 OUCC'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"> • Mohab Noureldin (Depreciation Expense) • David Garrett (Depreciation Rates and Expense) • LaCresha Vaultx (Regulatory Asset Amortization) • Mark Grosskopf (Rate Case Expense) 	<ul style="list-style-type: none"> • Public's Exhibit No. 6, Attachment MMN-3 • Public's Exhibit No. 7, Attachment DJG-2 to DJG-6 • Public's Exhibit No. 5, Attachment LNV-2 to LNV-4 • Public's Exhibit No. 1, Attachment MHG-1
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"> • Mohab Noureldin (Forecasted Rate Base) 	<ul style="list-style-type: none"> • Public's Exhibit No. 6
Decoupling – SRA, Deferred Accounting	<ul style="list-style-type: none"> • Decoupling - SRA Mechanism • Deferred Accounting for line locate expenses, and Pension and OPEB expenses. 	<ul style="list-style-type: none"> • David Dismukes (Decoupling-SRA Mechanism) • Heather Poole (Deferred Accounting – Line Locates, and Pension and OPEB) 	<ul style="list-style-type: none"> • Public's Exhibit No. 3 • Public's Exhibit No. 2

COST OF SERVICE AND RATE DESIGN			
Subject	OUCC Proposal	Supporting Witness	Workpaper or Exhibit Reference
Class Cost of Service Study (COSS)	<ul style="list-style-type: none"> • 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. 9
Overall Rate Design	<ul style="list-style-type: none"> • Petitioner’s proposed allocation methodologies 	<ul style="list-style-type: none"> • Brien Krieger 	<ul style="list-style-type: none"> • Public’s Exhibit No. 9
Terms and Conditions of Service and Tariffs	<ul style="list-style-type: none"> • Changes to Petitioner’s proposed monthly customer service charge • Petitioner’s proposed changes to its tariff 	<ul style="list-style-type: none"> • Jared Hoff 	<ul style="list-style-type: none"> • Public’s Exhibit No. 10

**NIPSCO
CAUSE NUMBER 45967**

**Comparison of Petitioner'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	\$3,484,810,045	\$3,484,810,045	7	\$ -
Times: Weighted Cost of Capital	7.48%	6.71%	8	-0.77%
Net Operating Income Required for Return on Original Cost Rate Base	<u>260,663,791</u>	<u>233,886,511</u>		<u>(26,777,280)</u>
Less: Adjusted Net Operating Income	<u>139,717,946</u>	<u>174,068,593</u>	4	<u>34,350,647</u>
Net Revenue Increase Required	<u>120,945,845</u>	<u>59,817,918</u>		<u>(61,127,927)</u>
Gross Revenue Conversion Factor	<u>133.8591%</u>	<u>133.8591%</u>	1	<u>0.00%</u>
Recommended Revenue Increase	<u>\$ 161,897,007</u>	<u>\$ 80,071,726</u>		<u>\$ (81,825,281)</u>
Percentage Increase (Net of Gas Cost Revenue)	<u>27.27%</u>	<u>13.41%</u>		<u>-13.87%</u>
Percentage Increase (Including Gas Cost Revenue)	<u>16.29%</u>	<u>8.03%</u>		<u>-8.26%</u>

NIPSCO
CAUSE NUMBER 45967

Gross Revenue Conversion Factor

	<u>Per Petitioner</u>	<u>Per OUCC</u>	
1 Gross Revenue Change	100.0000%	100.0000%	\$ 80,071,726
2 Less: Bad Debt Rate	<u>0.4170%</u>	<u>0.4170%</u>	333,929
3 Sub-total	99.5830%	99.5830%	
4 Less: IURC Fee	<u>0.1468%</u>	<u>0.1468%</u>	117,513
5 Income Before State Income Taxes	99.4362%	99.4362%	
6 Less: State Income Tax (4.9% of Line 5)	4.8724%	4.8724%	3,901,394
7 Utility Receipts Tax (0.00% of Line 3)	<u>0.0000%</u>	<u>0.0000%</u>	-
8 Income Before Federal Income Taxes	94.5638%	94.5638%	
9 Less: Federal Income Tax (21% of Line 8)	<u>19.8584%</u>	<u>19.8584%</u>	<u>15,900,968</u>
10 Change in Operating Income	<u>74.7054%</u>	<u>74.7054%</u>	<u>\$ 59,817,922</u>
11 Gross Revenue Conversion Factor	<u>133.8591%</u>	<u>133.8591%</u>	

NIPSCO
CAUSE NUMBER 45967

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			
Pro Forma 2022 Normalization/Annualization Adjustments	\$ (70,781,929)	\$ (70,781,929)	\$ -
<i>Pro Forma 2022 Normalization Adj. - Misc. Service Revenue</i>	-	13,634	13,634
Pro Forma 2023 Forecast Adjustments - Other	40,986,535	40,986,535	-
<i>Pro Forma 2023 Forecast Adjustments - Forfeited Discount</i>	(1,016,907)	835,893	1,852,800
<i>Pro Forma 2023 Forecast Adjustment - Misc. Service Revenue</i>	(282,773)	249,135	531,908
Pro Forma 2024 Forecast Adjustments - Other	(39,546,474)	(39,546,474)	-
<i>Pro Forma 2024 Forecast Adjustments - Forfeited Discount</i>	-	980,400	980,400
<i>Pro Forma 2024 Forecast Adjustment - Misc. Service Revenue</i>	-	317,000	317,000
Pro Forma Ratemaking Adjustments	9,099,244	9,099,244	-
Total Revenue	<u>(61,542,304)</u>	<u>(57,846,562)</u>	<u>3,695,742</u>
Cost of Goods Sold			
Pro Forma 2022 Normalization/Annualization Adjustments	(114,094,280)	(114,094,280)	-
Pro Forma 2023 Forecast Adjustments	18,351,607	18,351,607	-
Pro Forma 2024 Forecast Adjustments	(62,872,469)	(62,872,469)	-
Pro Forma Ratemaking Adjustments	2,265,081	2,265,081	-
Total Cost of Goods Sold	<u>(156,350,061)</u>	<u>(156,350,061)</u>	<u>-</u>
Operation and Maintenance Expense			
Pro Forma 2022 Normalization/Annualization Adjustments	(6,733,284)	(6,733,284)	-
Pro Forma 2023 Forecast Adjustments - Other	9,901,056	9,901,056	-
<i>Pro Forma 2023 Forecast Adjustments - Labor</i>	2,298,213	1,956,303	(341,910)
<i>Pro Forma 2023 Forecast Adjustments - STI</i>	(214,160)	(1,499,270)	(1,285,110)
Pro Forma 2024 Forecast Adjustments	8,963,036	8,963,036	-
<i>Pro Forma 2024 Forecast Adjustment - Gas Operations</i>	1,969,092	(5,933,515)	(7,902,607)
Pro Forma Ratemaking Adjustments - Other	(4,650,833)	(4,650,833)	-
<i>Uncollectibles</i>	(1,643,629)	(1,643,629)	-
Total Operation and Maintenance Expense	<u>9,889,491</u>	<u>359,864</u>	<u>(9,529,627)</u>

NIPSCO
CAUSE NUMBER 45967

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			
Pro Forma 2022 Normalization/Annualization Adjustments	(485,698)	(485,698)	-
Pro Forma 2023 Forecast Adjustments	8,087,212	8,087,212	-
Pro Forma 2024 Forecast Adjustments	16,105,636	16,105,636	-
Pro Forma Ratemaking Adjustments:			
<i>Gas Plant Asset Depreciation Expense</i>	22,729,836	642,285	(22,087,551)
Gas Common Depreciation Expense	-	-	-
Total Depreciation Expense	<u>46,436,986</u>	<u>24,349,435</u>	<u>(22,087,551)</u>
Amortization Expense			
Pro Forma 2022 Normalization/Annualization Adjustments	4,321,930	4,321,930	-
Pro Forma 2023 Forecast Adjustments - Other	9,638,192	9,638,192	-
Pro Forma 2024 Forecast Adjustments	4,564,844	4,564,844	-
Pro Forma Ratemaking Adjustments - Other	1,609,774	1,609,774	-
<i>Pro Forma Ratemaking Adjustment - TDSIC Regulatory Asset</i>	4,257,163	3,405,730	(851,433)
<i>Pro Forma Ratemaking Adjustment - FMCA Regulatory Asset</i>	2,177,476	1,741,980	(435,496)
<i>Pro Forma Ratemaking Adj. - Cause 44988 & 45621 Amort.</i>	-	(8,066,409)	(8,066,409)
<i>Pro Forma Ratemaking Adjustment - Rate Case Expense</i>	1,112,216	-	(1,112,216)
Total Amortization Expense	<u>26,569,379</u>	<u>25,282,450</u>	<u>(1,286,929)</u>
Taxes Other Than Income Taxes			
Pro Forma 2022 Normalization/Annualization Adjustments	(8,126,834)	(8,126,834)	-
Pro Forma 2023 Forecast Adjustments	2,240,379	2,240,379	-
Pro Forma 2024 Forecast Adjustments	2,007,410	2,007,410	-
Pro Forma Ratemaking Adjustments - Other	231,436	231,436	-
<i>Public Utility Fee</i>	11,941	12,822	881
Total Taxes Other than Income Taxes	<u>(3,635,668)</u>	<u>(3,634,787)</u>	<u>881</u>
Federal and State Income Tax Expense			
State Income Taxes	(3,047,315)	(796,016)	2,251,299
Federal Income Taxes	(2,982,391)	6,193,258	9,175,649
Total Federal and State Income Tax Expense	<u>(6,029,706)</u>	<u>5,397,242</u>	<u>11,426,948</u>
Total Operating Expense	<u>\$ (83,119,579)</u>	<u>\$ (104,595,857)</u>	<u>\$ (21,476,278)</u>
Net Operating Income	<u>\$ 21,577,275</u>	<u>\$ 46,749,295</u>	<u>\$ 25,172,020</u>

NIPSCO
CAUSE NUMBER 45967

CONSOLIDATED BALANCE SHEET
As of December 31, 2022
(in millions)

ASSETS

Property, Plant, and Equipment:	
Utility Plant	\$11,902.7
Accumulated Depreciation & Amortization	(3,831.7)
	<hr/>
Net Utility Plant in Service	8,071.0
	<hr/>
Other Property at cost, less Accumulated Depreciation	1,116.5
	<hr/>
Net Property, Plant, and Equipment	9,187.5
	<hr/>
Current Assets:	
Cash and Cash Equivalents	9.8
Restricted Cash	34.1
Accounts Receivable, less reserve of \$12.0 M	409.8
Accounts Receivable - affiliated	34.5
Income Tax Receivable	0.0
Gas Inventory	177.3
Materials and Supplies, at average cost	131.1
Electric Production Fuel, at average cost	68.8
Exchange Gas Receivable	19.9
Regulatory Assets	114.7
Prepayments and Other Current Assets	217.4
Total Current Assets	<hr/> 1,217.4 <hr/>
Other Assets:	
Regulatory Assets	1,217.1
Goodwill	17.8
Deferred Charges and Other Assets	120.1
Total Other Assets	<hr/> 1,355.0 <hr/>
	<hr/>
Total Assets	<hr/> \$11,759.9 <hr/>

NIPSCO
CAUSE NUMBER 45967

CONSOLIDATED BALANCE SHEET
As of December 31, 2022
(in millions)

MEMBER'S EQUITY AND LIABILITIES

Member's Equity:	
Members Equity - NIPSCO	\$3,845.0
Noncontrolling Interest in Consolidated Subsidiaries:	326.4
Total Members Equity	<u>4,171.4</u>
Long-Term Debt:	
Long-Term Debt, excluding amounts due within one year:	72.2
Long-Term Debt - affiliated, excluding amounts due within one year:	2,786.0
Total Long-Term Debt	<u>2,858.2</u>
Current Liabilities:	
Current Portion of Long-Term Debt	2.3
Current Portion of Long-Term Debt - affiliated	80.0
Short-Term Borrowings	207.2
Short-Term Borrowings - affiliated	530.7
Accounts Payable	403.2
Accounts Payable - affiliated	56.1
Customer Deposits and Credits	107.5
Taxes Accrued	76.3
Interest Accrued	49.5
Regulatory Liabilities	91.5
Accrued Compensation and Employee Benefits	65.9
Asset Retirement Obligations	35.5
Obligations to Renewable Generation Asset Developer	347.2
Other Accruals	218.2
Total Current Liabilities	<u>2,271.1</u>
Other Liabilities:	
Deferred Income Taxes	959.5
Accrued Liability for Postretirement and Postemployment Benefits	220.3
Regulatory Liabilities	832.1
Asset Retirement Obligations	393.6
Obligations to Renewable Generation Asset Developer	0.0
Other Noncurrent Liabilities and Deferred Credits	53.7
Total Other Liabilities	<u>2,459.2</u>
Total Member's Equity and Liabilities	<u>\$11,759.9</u>

NIPSCO
CAUSE NUMBER 45967

INCOME STATEMENT
Twelve Months Ended December 31, 2022
(in millions)

Operating Revenues:	
Customer Revenues	\$2,791.3
Other Revenues	95.7
	<hr/>
Total Operating Revenues	2,887.0
	<hr/>
Operating Expenses:	
Cost of Energy	1,132.2
Operation and Maintenance	740.4
Depreciation and Amortization	449.4
Other Taxes	72.1
	<hr/>
Total Operating Expenses	2,394.1
	<hr/>
Operating Income:	492.9
	<hr/>
Other Income (Deductions):	
Interest on Long-Term Debt	(4.9)
Interest on Long-Term Debt - affiliated	(115.7)
Other Income, net	25.0
	<hr/>
Total Other Deductions, Net	(95.6)
	<hr/>
Income Before Income Taxes:	397.3
Less: Income Taxes	68.8
	<hr/>
Net Income	328.5
Net Income (Loss) attributable to noncontrolling interest	(12.3)
	<hr/>
Net Income attributable to NIPSCO	\$340.8
	<hr/>

NIPSCO
CAUSE NUMBER 45967

Pro Forma Net Operating Income Statement
Twelve Months Ended December 31, 2022 through Pro Forma Twelve Months Ending December 31, 2024

	Base Period Ended 12/31/2022	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
REVENUE							
Total Revenue	\$ 1,055,517,597			\$ 997,671,035	\$ 80,071,726		\$ 1,077,742,761
Pro Forma 2022 Normalization/Annualization Adjustments		\$ (70,781,929)	Pet.				
<i>Pro Forma 2022 Normalization Adj. - Misc. Service Revenue</i>		13,634	5-2a				
Pro Forma 2023 Forecast Adjustments - Other		40,986,535	Pet.				
<i>Pro Forma 2023 Forecast Adjustment - Forfeited Discount</i>		835,893	5-1a				
<i>Pro Forma 2023 Forecast Adjustment - Misc. Service Revenue</i>		249,135	5-2b				
Pro Forma 2024 Forecast Adjustments - Other		(39,546,474)	Pet.				
<i>Pro Forma 2024 Forecast Adjustment - Forfeited Discount</i>		980,400	5-1b				
<i>Pro Forma 2024 Forecast Adjustment - Misc. Service Revenue</i>		317,000	5-2c				
Pro Forma Ratemaking Adjustments		9,099,244	Pet.				
Total Revenue	1,055,517,597	(57,846,562)		997,671,035	80,071,726	1	1,077,742,761
COST OF GOODS SOLD							
Total Cost of Goods Sold	556,693,605			400,343,544	-		400,343,544
Pro Forma 2022 Normalization/Annualization Adjustments		(114,094,280)	Pet.				
Pro Forma 2023 Forecast Adjustments		18,351,607	Pet.				
Pro Forma 2024 Forecast Adjustments		(62,872,469)	Pet.				
Pro Forma Ratemaking Adjustments		2,265,081	Pet.				
Total Cost of Goods Sold	556,693,605	(156,350,061)		400,343,544	-		400,343,544
Gross Margin	\$ 498,823,992	\$ 98,503,499		\$ 597,327,491	\$ 80,071,726		\$ 677,399,217
OPERATION & MAINTENANCE EXPENSES							
Total Operation & Maintenance Expenses	248,884,633			249,244,497			249,578,426
Pro Forma 2022 Normalization/Annualization Adjustments		(6,733,284)	Pet.				
Pro Forma 2023 Forecast Adjustments - Other		9,901,056	Pet.				
<i>Pro Forma 2023 Forecast Adjustment - Labor</i>		1,956,303	6-1a				
<i>Pro Forma 2023 Forecast Adjustment - STI</i>		(1,499,270)	6-1b				
Pro Forma 2024 Forecast Adjustments		8,963,036	Pet.				
<i>Pro Forma 2024 Forecast Adjustment - Gas Operations</i>		(5,933,515)	6-1c				
Pro Forma Ratemaking Adjustments - Other		(4,650,833)	Pet.				
<i>Uncollectibles</i>		(1,643,629)	Pet.		333,929	1	
Total Operation & Maintenance Expenses	248,884,633	359,864		249,244,497	333,929		249,578,426

Pro Forma Net Operating Income Statement
Twelve Months Ended December 31, 2022 through Pro Forma Twelve Months Ending December 31, 2024

	Base Period Ended 12/31/2022	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
DEPRECIATION EXPENSE							
Total Depreciation Expenses	75,110,862			99,460,297			99,460,297
Pro Forma 2022 Normalization/Annualization Adjustments		(485,698)	Pet.				
Pro Forma 2023 Forecast Adjustments		8,087,212	Pet.				
Pro Forma 2024 Forecast Adjustments		16,105,636	Pet.				
Pro Forma Ratemaking Adjustments							
<i>Gas Plant Asset Depreciation Expense</i>		642,285	6-2				
Gas Common Depreciation Expense		-	Pet.				
Total Depreciation Expense	75,110,862	24,349,435		99,460,297	-		99,460,297
AMORTIZATION EXPENSE							
Total Amortization Expenses	10,239,228			27,455,269			27,455,269
Pro Forma 2022 Normalization/Annualization Adjustments		4,321,930	Pet.				
Pro Forma 2023 Forecast Adjustments - Other		9,638,192	Pet.				
Pro Forma 2024 Forecast Adjustments		4,564,844	Pet.				
Pro Forma Ratemaking Adjustments - Other		1609774	Pet.				
<i>Pro Forma Ratemaking Adjustment - TDSIC Regulatory Asset</i>		3,405,730	6-3a				
<i>Pro Forma Ratemaking Adjustment - FMCA Regulatory Asset</i>		1,741,980	6-3b				
<i>Pro Forma Ratemaking Adj. - Cause 44988 & 45621 Amort.</i>		(8,066,409)	6-3c				
<i>Pro Forma Ratemaking Adjustment - Rate Case Expense</i>		-	6-3d				
Total Amortization Expense	10,239,228	25,282,450		27,455,269	-		27,455,269
TAXES OTHER THAN INCOME TAXES							
Total Taxes Other Than Income Taxes	27,775,008			24,140,221			24,257,734
Pro Forma 2022 Normalization/Annualization Adjustments		(8,126,834)	Pet.				
Pro Forma 2023 Forecast Adjustments		2,240,379	Pet.				
Pro Forma 2024 Forecast Adjustments		2,007,410	Pet.				
Pro Forma Ratemaking Adjustments - Other		231,436	Pet.				
<i>Public Utility Fee</i>		12,822	6-4		117,513	1	
Total Taxes Other than Income Taxes	27,775,008	(3,634,787)		24,140,221	117,513		24,257,734
FEDERAL AND STATE INCOME TAX EXPENSE							
State Income Taxes	4,910,628	(796,016)	6-5	4,114,612	3,901,394	1	8,016,006
Federal Income Taxes	12,650,744	6,193,258	6-5	18,844,002	15,900,968	1	34,744,970
Total Federal and State Income Tax Expense	17,561,372	5,397,242		22,958,614	19,802,362		42,760,976
Total Operating Expense	\$ 379,571,103	\$ 51,754,204		\$ 423,258,898	\$ 20,253,804		\$ 443,512,702
Net Operating Income	\$ 119,252,889	\$ 46,749,295		\$ 174,068,593	\$ 59,817,922		\$ 233,886,515

NIPSCO
CAUSE NUMBER 45967

OUCR Revenue Adjustments

(1a)

Forfeited Discounts

Adjustment to Forecasted 2023 Forfeited Discounts (Public's Exhibit No. 4, Attachment ZDL-1, page 1)

Adjustment Increase (Decrease) \$ 835,893

(1b)

Forfeited Discounts

Adjustment to Forecasted 2024 Forfeited Discounts (Public's Exhibit No. 4, Attachment ZDL-1, page 1)

Adjustment Increase (Decrease) \$ 980,400

(2a)

Miscellaneous Service Revenue

Normalization Adjustment to 2022 Misc. Service Revenue (Public's Exhibit No. 4, Attachment ZDL-2, page 1)

Adjustment Increase (Decrease) \$ 13,634

(2b)

Miscellaneous Service Revenue

Adjustment to Forecasted 2023 Misc. Service Revenue (Public's Exhibit No. 4, Attachment ZDL-2, page 1)

Adjustment Increase (Decrease) \$ 249,135

(2c)

Miscellaneous Service Revenue

Adjustment to Forecasted 2024 Misc. Service Revenue (Public's Exhibit No. 4, Attachment ZDL-2, page 1)

Adjustment Increase (Decrease) \$ 317,000

NIPSCO
CAUSE NUMBER 45967

OUCG Expense Adjustments

(1)
O&M Expenses

(a) Payroll Expense Adjustment

Adjustment to Forecasted 2023 Labor Expense (Public's Exhibit No. 6, Attachment MMN-1, page 1)

Adjustment Increase (Decrease) \$ 1,956,303

(b) Short-Term Incentive (STI) Pay Expense Adjustment

Adjustment to Forecasted 2023 STI Pay Expense (Public's Exhibit No. 6, Attachment MMN-2, page 1)

Adjustment Increase (Decrease) \$ (1,499,270)

(c) Gas Operations - Line Locate Expense Adjustment

Adjustment to Forecasted 2024 Line Locate Expense (Public's Exhibit No. 5, Attachment LNV-1, page 1)

Adjustment Increase (Decrease) \$ (5,933,515)

(2)
Depreciation Expense

To reflect pro forma ratemaking adjustment to depreciation expense for Gas Utility Plant.

Ratemaking Adjustment to Depreciation Expense (Public's Exhibit No. 6, Attachment MMN-3, page 1)

Adjustment Increase/(Decrease) \$ 642,285

NIPSCO
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OUCG Expense Adjustments

(3)
Amortization Expenses

(a) Gas TDSIC Regulatory Asset Amortization Expense Adjustment

Ratemaking Adj. to TDSIC Regulatory Asset Amortization (Public's Exhibit No. 5, Attachment LNV-2, page 1)

Adjustment Increase (Decrease) \$ 3,405,730

(b) Gas FMCA Regulatory Asset Amortization Expense Adjustment

Ratemaking Adj. to FMCA Regulatory Asset Amortization (Public's Exhibit No. 5, Attachment LNV-3, page 1)

Adjustment Increase (Decrease) \$ 1,741,980

(c) Cause Nos. 44988 and 45621 Regulatory Asset Amortization Expense Adjustment

Ratemaking Adj. to Cause Nos. 44988 and 45621 Amortization (Public's Exhibit No. 5, Attachment LNV-4, page 1)

Adjustment Increase (Decrease) \$ (8,066,409)

(d) Rate Case Expense Amortization Adjustment

Ratemaking Adjustment to Eliminate Rate Case Expense (Public's Exhibit No. 1, pages 13-16)

Adjustment Increase (Decrease) \$ -

NIPSCO
CAUSE NUMBER 45967

OUCG Expense Adjustments

(4)
IURC Fee

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

Adjusted Present Rate Operating Revenue	\$ 997,671,035
Less: Interdepartmental Sales	243,849
Less: Forfeited Discounts	6,653,800
Less: Misc. Service Revenue	2,779,200
Less: Rent From Gas Properties	83,847
Less: Other Gas Revenues	8,248,330
Less: Uncollectible Accounts Expense	<u>2,114,495</u>
Pro Forma Revenues Subject to URT	977,547,514
Times: 2020-2021 IURC Fee	<u>0.1467603%</u>
Pro Forma IURC Fee	1,434,652
Less: Pro Forma 2024 Forecast	<u>1,421,830</u>

Adjustment Increase (Decrease)

12,822

NIPSCO
CAUSE NUMBER 45967

OUCC Expense Adjustments

(5)
Income Tax Expense

To reflect pro forma income tax expense.

	<u>Federal</u>	<u>State</u>
Operating Revenue	\$ 597,327,491	\$ 597,327,491
O&M Expenses	249,244,497	249,244,497
Depreciation Expense	99,460,297	99,460,297
Amortization Expenses	27,455,269	27,455,269
Taxes Other Than Income Taxes	24,140,221	24,140,221
State Income Tax	4,114,612	
Subtotal	<u>192,912,595</u>	<u>197,027,207</u>
Less: Synchronized interest	(63,953,234)	(63,953,234)
State Taxable Income		<u>133,073,973</u>
Taxable Income	128,959,361	
Taxes Rate	21.0%	4.9%
Tax at Present Rate	<u>27,081,466</u>	<u>6,520,625</u>
Excess Deferred Income Tax Amortization	(8,253,571)	(2,485,458)
Flow Through for Method, Basis, Life Differences	102,954	24,023
Flow Through of AFUDC Equity	191,759	44,744
Permanent Differences: Nondeductibles	45,764	10,678
Amortization of Investment Tax Credit	(217,016)	-
Parent Company Tax Benefit of Interest Expense	<u>(107,354)</u>	<u>-</u>
Pro Forma Income Tax Expense	18,844,002	4,114,612
Less Test Period Expense	<u>12,650,744</u>	<u>4,910,628</u>
Income Tax Adjustments	<u><u>\$ 6,193,258</u></u>	<u><u>\$ (796,016)</u></u>

NIPSCO
CAUSE NUMBER 45967

Calculation of Pro Forma Original Cost Rate Base
As of December 31, 2024

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Utility Plant in Service	\$ 4,959,411,735	\$ 4,959,411,735	\$ -
Common Allocated Plant	264,958,780	264,958,780	
Less: Accumulated Depreciation	(1,706,665,078)	(1,706,665,078)	-
Less: Common Allocated Depreciation	(160,451,815)	(160,451,815)	-
Net Plant in Service	3,357,253,622	3,357,253,622	-
Add: Cause No. 44988 & 45621 Regulatory Asset	11,798,908	11,798,908	-
TDSIC Regulatory Asset	14,874,792	14,874,792	-
FMCA Regulatory Asset	8,503,778	8,503,778	-
Materials & Supplies (13 mo. Average)	17,337,093	17,337,093	-
Gas Stored Underground - Current (13 mo. Average)	70,092,430	70,092,430	-
Gas Stored Underground - Non-Current (13 mo. Average)	4,949,422	4,949,422	-
Total Original Cost Rate Base	<u>\$ 3,484,810,045</u>	<u>\$ 3,484,810,045</u>	<u>\$ -</u>

NIPSCO
CAUSE NUMBER 45967

Pro forma Capital Structure
As of December 31, 2024

	<u>Amount</u> <u>(000's)</u>	<u>Percent of</u> <u>Total</u>	<u>Cost</u>	<u>Weighted</u> <u>Cost</u>
Common Equity	\$ 5,879,498,162	52.39%	9.25%	4.8464%
Long Term Debt	4,168,964,776	37.15%	4.94%	1.8352%
Customer Deposits	67,265,050	0.60%	5.63%	0.0300%
Deferred Income Taxes	1,505,117,107	13.41%	0.00%	0.0000%
Post-Retirement Liability	4,449,551	0.04%	0.00%	0.0000%
Prepaid Pension Asset	(403,801,782)	-3.60%	0.00%	0.0000%
Post-1970 ITC	391,628	0.00%	8.31%	0.0000%
Total Capital	<u>\$11,221,884,492</u>	<u>100.00%</u>		<u>6.7116%</u>

Synchronized Interest Calculation

Long Term Debt	37.15%	4.94%	1.8352%
Interest Component of ITC	0.00%	4.94%	0.0000%
Total			<u>1.8352%</u>
Total Original Cost Rate Base			<u>\$3,484,810,045</u>
Synchronized Interest Expense			<u>\$ 63,953,234</u>

**NIPSCO
CAUSE NUMBER 45967**

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 311):	\$ 16.25	\$ 25.50	\$ 16.25	\$ (9.25)
Multi-Family Housing Service (Rate 315):	\$ 20.44	\$ 32.50	\$ 20.44	\$ (12.06)
General Service - Small (Rate 321):	\$ 66.00	\$ 96.00	\$ 66.00	\$ (30.00)
General Service - Large (Rate 325):	\$ 492.52	\$ 715.00	\$ 492.52	\$ (222.48)
Large Transportation and Balancing Service (Rate 328):	\$ 2,955.09	\$ 3,000.00	\$ 3,000.00	\$ -
Large Volume Negotiated Sales Service (Rate 330):	\$ 985.03	\$ 985.03	\$ 985.03	\$ -
Off-Peak Non-Residential Interruptible Negotiated Service (Rate 334A):	\$ 627.46	\$ 627.46	\$ 627.46	\$ -
General Transportation and Balancing Service (Rate 338):	\$ 1,182.04	\$ 1,200.00	\$ 1,200.00	\$ -

Cause No. 45967

Northern Indiana Public Service Company LLC's

Objections and Responses to

Indiana Office of Utility Consumer Counselor's Sixteenth Set of Data Requests

OUCC Request 16-001:

Referring to NIPSCO's TDSIC 2023 and 2024 Forecast Model provided informally to the OUCC on January 10, 2024, please confirm the total amount of 2023 and 2024 net utility plant projected to roll into base rates in this Cause from the TDSIC tracker is \$571,453,692. If this amount is not confirmed, please provide the correct amount.

Objections:**Response:**

Confirmed. Please see OUCC Request 16-001 Attachment A, Excel Row 160, Column AB.

Cause No. 45967
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Sixteenth Set of Data Requests

<u>OUCC Request 16-002:</u>
Referring to NIPSCO's FMCA 2023 and 2024 Forecast Model provided informally to the OUCC on January 10, 2024, please confirm the total amount of 2023 and 2024 net utility plant projected to roll into base rates in this Cause from the FMCA tracker is \$116,292,165. If this amount is not confirmed, please provide the correct amount.
<u>Objections:</u>
<u>Response:</u>
Confirmed. Please see OUCC Request 16-002 Attachment A, Excel Row 90, Column AC.

Cause No. 45967

Northern Indiana Public Service Company LLC's

Objections and Responses to

Indiana Office of Utility Consumer Counselor's Eleventh Set of Data Requests

OUCR Request 11-014:

Referencing Workpaper OTX-5, Page [4], please answer the following questions:

- a. Should the pro forma revenue of \$993,375,293 for 2024R be \$993,975,293 as shown on Attachment 3-B-S2, Page 1 of 10, as total revenue for Pro Forma Twelve Months Ending December 31, 2024?
- b. If the answer to subpart a. above is no, please explain why \$993,375,293 is correct, with supporting documentation and a full explanation upon the source of this number.

Objections:**Response:**

- a. Yes.
- b. Not applicable.

AFFIRMATION

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

Mark H. Grosskopf

Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of
Utility Consumer Counselor
Cause No. 45967
Northern Indiana Public Service Co.

01/31/2024

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following counsel of record in the captioned proceeding by electronic service on January 31, 2024.

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