Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta			√
Ziegner	√		

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR (1) APPROVAL OF AN ADJUSTMENT TO ITS ELECTRIC SERVICE RATES THROUGH ITS TRANSMISSION, DISTRIBUTION, AND STORAGE SYSTEM IMPROVEMENT CHARGE ("TDSIC") RATE SCHEDULE; (2) AUTHORITY TO DEFER 20% OF THE APPROVED CAPITAL EXPENDITURES AND TDSIC COSTS FOR RECOVERY IN PETITIONER'S NEXT GENERAL RATE CASE, INCLUDING AMOUNTS, IF ANY, THAT EXCEED THE 2% TEST; (3) AUTHORITY TO DEFER CAPITAL EXPENDITURES AND TDSIC COSTS ASSOCIATED WITH CERTAIN DISTRIBUTION PROJECTS FOR RECOVERY IN PETITIONER'S NEXT GENERAL RATE CASE; AND (4) APPROVAL OF PETITIONER'S UPDATED 2021-2026 TDSIC PLAN, INCLUDING ACTUAL AND PROPOSED ESTIMATED CAPITAL EXPENDITURES AND TDSIC COSTS THAT EXCEED THE APPROVED AMOUNTS IN CAUSE NO. 45557-TDSIC-5, ALL PURSUANT TO IND. CODE § 8-1-39-9.	)	**CAUSE NO. 45557 TDSIC 6** **APPROVED: MAR 26 2025**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Veleta, Commissioner
Ann S. Pagonis, Administrative Law Judge

On November 26, 2024, Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission"), along with its case-in-chief.

On January 28, 2025, the Office of Utility Consumer Counselor ("OUCC") filed its case-in-chief.

On February 7, 2025, NIPSCO filed its notice of intent not to file rebuttal testimony. On February 12, 2025, NIPSCO filed corrections to its case-in-chief.

On February 14, 2025, the Presiding Officers issued a docket entry question to NIPSCO, to which NIPSCO responded on February 17, 2025.

The Commission set this matter for an evidentiary hearing to be held on February 19, 2025, at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC appeared and participated, by counsel. At the hearing, the prefiled evidence of NIPSCO and the OUCC were admitted into the record without objection.

After considering the evidence of record and applicable law, the Commission now finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility as that term is defined in Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Under Ind. Code ch. 8-1-39 ("TDSIC Statute"), the Commission has jurisdiction over a public utility's petition to approve rate schedules establishing a Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") that will allow the periodic automatic adjustment of the public utility's basic rates and charges to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs. Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. NIPSCO's Characteristics. NIPSCO is a public utility organized and existing under Indiana law and having its principal office at 801 E. 86th Avenue, Merrillville, Indiana. NIPSCO is engaged in rendering electric and gas public utility service in Indiana and owns, operates, manages, and controls, among other things, plant and equipment in Indiana used for the generation, transmission, distribution, and furnishing of such service to the public. NIPSCO provides electric utility service to approximately 473,000 residential, commercial and industrial, and wholesale and other customers.

3. Background and Relief Requested. On December 28, 2021, the Commission issued an Order in Cause No. 45557 (the "45557 Order") approving NIPSCO's five-year (2021-2026) TDSIC plan (the "TDSIC Plan" or "Plan"). Thereafter, the Commission has issued additional orders addressing updates to NIPSCO's TDSIC Plan and authorized cost recovery associated with that TDSIC Plan.

In this Cause, in accordance with Ind. Code § 8-1-39-9(a) and the Commission's 45557 Order, NIPSCO requests that the Commission: (1) approve an adjustment to its TDSIC Rate Schedule to be applicable for bills rendered by NIPSCO during the billing cycles of April through September 2025 ("TDSIC 6 Billing Period") to effectuate timely recovery of 80% of approved capital expenditures and TDSIC costs incurred in connection with NIPSCO's eligible transmission, distribution, and storage system improvements; (2) authorize the deferral, as a regulatory asset, of 20% of eligible and approved capital expenditures and TDSIC costs incurred in connection with its TDSIC Plan and record ongoing carrying charges based on the current overall weighted average cost of capital ("WACC") on all deferred TDSIC costs until such costs are included for recovery in NIPSCO's next general rate case, including amounts, if any, that exceed the 2% test; (3) authorize the deferral, as a regulatory asset, of certain distribution-related capital expenditures and TDSIC costs incurred in connection with its TDSIC Plan and record ongoing carrying charges based on the current overall WACC on all deferred TDSIC costs until such costs are included for recovery in NIPSCO's next general rate case, (4) approval of Petitioner's updated TDSIC Plan, including actual and proposed estimated capital expenditures and TDSIC costs that exceed the approved amounts in Cause No. 45557 TDSIC 5, and (5) approval to defer and recover 80% of eligible and approved capital expenditures and TDSIC costs in connection with Plan Update 4, for recovery in its next general rate case, all pursuant to Ind. Code § 8-1-39-9 and the 45557 Order.

4. **Commission Discussion and Findings.** NIPSCO submitted its Verified Petition and supporting testimony and attachments to demonstrate compliance with the requirements of Ind. Code § 8-1-39-9 and the 45557 Order.

A. **Past and Future Rate Case Timing and TDSIC Timing.** Ind. Code § 8-1-39-9(d) states that "[e]xcept as provided in section 15 of this chapter, a public utility may not file a petition under subsection (a) within nine (9) months after the date on which the commission issues an order changing the public utility's basic rates and charges with respect to the same type of utility service." NIPSCO's most recent retail electric base rate order changing NIPSCO's basic rates and charges was issued August 2, 2023 in Cause No. 45772 (the "45772 Order"). Therefore, we find that NIPSCO's request in this Cause was filed more than nine months after NIPSCO's last general rate case in accordance with Ind. Code § 8-1-39-9(c).

Ind. Code § 8-1-39-9(e) states that "[a] public utility that implements a TDSIC under this chapter shall, before the expiration of the public utility's approved TDSIC plan, petition the commission for review and approval of the public utility's basic rates and charges with respect to the same type of utility service." We find that NIPSCO has satisfied its obligation to petition the Commission for review of its basic electric rates and charges prior to the expiration of its TDSIC Plan, as required by Ind. Code§ 8-1-39-9(e) through its most recently filed retail electric base rate case which resulted in the 45772 Order.

Ind. Code § 8-1-39-9(f) states that "[a] public utility may file a petition under this section not more than one (1) time every six (6) months." The last time NIPSCO filed a petition under this section was May 28, 2024. Therefore, we find that NIPSCO's proposed timeline for its TDSIC filings is consistent with Ind. Code § 8-1-39-9(f).

B. **NIPSCO's Updated TDSIC Plan.** Ind. Code § 8-1-39-9(b) requires a utility to update its TDSIC Plan at least annually. Additionally, Ind. Code § 8-1-39-9(g) requires a public utility to provide the Commission with specific justification for actual capital expenditures and TDSIC costs that exceed the approved capital expenditures and TDSIC costs when seeking cost recovery. Robert C. Sears, Director of Regulatory Policy and Demand Side Management, explained that, in accordance with the 45557 Order, NIPSCO updates its TDSIC Plan annually in even numbered filings ("Plan Update Filing") and files cost updates in a tracker filing twice each year (in each filing) ("Cost Update Filing"). This filing is a Plan Update Filing and a Cost Update Filing.

Mr. Sears testified that Plan Update-4 includes specific justification for actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts approved in the Commission's October 23, 2024 Order in Cause No. 45557 TDSIC 5 approving Plan Update-3. Mr. Sears testified NIPSCO is requesting approval of a new transmission system improvement project that was not described in its TDSIC plan approved in Cause No. 45557 (the "Synchronous Condenser Project"). Mr. Sears testified that NIPSCO has complied with Ind. Code § 8-1-39-9(g) that states actual capital expenditures and TDSIC costs that exceed the approved capital expenditures and TDSIC costs require specific justification by the public utility and specific approval by the Commission before being authorized for recovery in customer rates.

Chadwick P. Richwalski, Director Asset Class Owner of Electric Asset & Risk Management, explained that Plan Update-4 is contained in Petitioner's Confidential Exhibit TDSIC Plan Update-4. Mr. Richwalski provided information supporting NIPSCO's execution of the TDSIC Plan, including (1) an explanation of the project management principles NIPSCO uses to execute the Plan, (2) a description of how NIPSCO manages the portfolio of projects, (3) an explanation of NIPSCO's cost management process, (4) a description of NIPSCO's process for executing the projects, and (5) a description of the different techniques used to develop cost estimates. Mr. Richwalski sponsored (1) Petitioner's Exhibit 3, Confidential Attachment 3-A, showing updates to Appendices 1 and 2, including detail showing projects that moved from one year of the Plan to another; and (2) Petitioner's Exhibit 3, Confidential Attachment 3-B, showing plan variances (moves and costs) by year, by project, specifically showing the amount of the project move, the project cost variance, and the percent of project cost variance to further break down the plan variances into project moves and project cost variances. Mr. Richwalski provided testimony that described the projects with cost increases greater than $100,000 and greater than 20% over what was approved in the TDSIC Plan and provided specific justification for those cost increases.

Mr. Richwalski described how the direct capital cost estimates included in its approved TDSIC Plan changed in this Plan Update-4 filing. He stated that for Site Specific Projects,[1] each project goes through multiple stages of estimation within its life cycle – at the time of NIPSCO's initial Plan filing, 2023-2026 projects were estimated as AACE Class 5 estimates; three years in advance of project execution, the projects go through NIPSCO's Scoping and Estimating department and graduate to a minimum of an AACE Class 4 estimate; two years in advance of project execution, the projects undergo detailed engineering and graduate to a minimum of an AACE Class 3 estimate; and during and post execution of the project it is considered an AACE Class 1 estimate and reported as actual costs. He stated that at the time of NIPSCO's initial Plan filing, the cost estimates for Program Projects[2] were developed as Class 5 estimates with inputs based on information available in 2019, including historical unit cost data, vendor quotations for typical equipment utilized for the project application, and knowledge of executing projects within NIPSCO's service territory; Class 4 estimates are provided after detailed engineering is completed; and the unit costs have been updated in this filing to reflect current data and based on actual experience with projects to date, some of which have increased based on, among other things, increases in labor and material costs. Mr. Richwalski stated that projects executed in 2021, 2022, and 2023 are reported as actual costs in this filing and projects currently executing in 2024 will report actual costs in 2025.

[1] Site Specific Projects are projects which were estimated using a "bottom up" modular cost estimating approach, based upon known scope at the time of the estimate. Estimate modules created for these projects were created using historical unit pricing, vendor equipment quotations based on average equipment executed for the type of application, published contractor rates, and current knowledge of assumed project execution.

[2] Program Projects included Class 5 estimates for years 2022-2026 in NIPSCO's initial TDSIC Plan. Design Basis Documents were created for the generic Scope of Work associated with the program and a cost estimate was produced based on the Scope of Work. The program projects are executed based upon execution sequencing, criticality and potential for improved customer satisfaction. Class 4 estimates are provided after detailed engineering is completed.

Mr. Richwalski testified inclusion of contingency is consistent with the Commission's findings relating to the "best estimate" of costs stating that when determining whether a company has presented the best estimate of project costs under the TDSIC Statute, the Commission has repeatedly found that inclusion of contingency is necessary in order to be considered the "best estimate" of project costs. He stated the contingency amount for each of the projects included in the initial TDSIC Plan was consistent with the AACE Recommended Practice for cost estimate classification based on project maturity and were estimated based on the size and scope of the project. Mr. Richwalski testified that because projects are generally not fully engineered or bid at the time the cost estimates are developed, contingency is an amount added to a project base cost estimate to account for known or potential risks associated with a project but is not inclusive of every risk that could impact the cost of completion. He stated that contingency is not intended to address every risk that could impact the cost of completion and to expend the resources required to eliminate uncertainty during early stages of project development would not be reasonable or cost effective. He explained that once NIPSCO successfully completes various stages of a project and is able to determine that a risk that was used to support a contingency amount was not realized, the contingency amount is reduced and that if a risk is identified during scoping that is not typical, it can be accounted for within allocated contingency. Mr. Richwalski testified that contingency is not intended to address significant increases in material, labor, and equipment.

Mr. Richwalski testified NIPSCO applied a 3% annual escalation factor to its projects included in the approved TDSIC Plan. He explained that escalation is separate and distinct from contingency and is intended to address anticipated inflationary increases in costs from year to year for items such as material and labor. It is not intended to address project risk or uncertainty, which are addressed by contingency. He testified that the 3% annual escalation factor does not align with the inflationary pressures NIPSCO is experiencing today. He stated that NIPSCO assumed a 3% annual escalation factor when it developed its TDSIC Plan in 2019 and it has proven to be insufficient to address today's extraordinary economic conditions stating that material and labor costs have increased significantly throughout the industry. As an example, Mr. Richwalski stated the cost of a typical 70 foot wood pole in 2019 was $3,253; using a 3% annual escalation factor, NIPSCO anticipated that the same pole in 2024 would cost $3,771 – instead, in 2024, the cost of a 70 foot wood pole is $5,682, which is a 74% increase of the original estimate in 2019. He also stated that for substation projects, major assets such as breakers and transformers have experienced cost increases of over 150%; steel used in both line and substation projects have also experienced cost increases beyond 3%; and labor associated with these projects have experienced increases of over 30% across disciplines. Mr. Richwalski testified that while NIPSCO continues to monitor the market, it is unlikely that dramatic decreases in material costs will take place over the next few years.

Mr. Richwalski provided additional examples of inflationary pressures affecting the direct capital cost estimates for projects included in NIPSCO's approved TDSIC Plan. He testified that in NIPSCO's TDSIC 5 filing, NIPSCO's engineers were tasked to work with Supply Chain to provide specific examples showing the magnitude of the inflationary pressures affecting the direct capital cost estimates for the projects included in NIPSCO's approved TDSIC Plan. He testified that the examples provided in that case showed a comparison of costs from purchase orders in 2019 (or 2020) to 2024 quotes from the same vendor for the same material. These examples covered substation transformers, wood poles, and various materials related to circuit rebuild projects. He testified that in the TDSIC 5 Order, the Commission found this evidence supports why the project cost increases are reasonable and warranted under the circumstances presented and shows why the contingency and escalation included in the approved estimate could not have afforded performance within the estimate. These same materials, labor, and lead time impacts continue to place upward pressure on pricing since NIPSCO's initial TDSIC cost estimates were developed and approved and could not have been contemplated at the time NIPSCO developed its TDSIC Plan in 2019 and assumed a reasonable escalation factor of 3%.

Mr. Richwalski testified that in addition to these inflationary pressures, due to the amount of work being done in and out of TDSIC, internal resource capacity limitations have driven more use of external vendors, as well as NIPSCO's need to use a larger percentage of external vendors for projects requiring specialty knowledge, such as grid modernization projects. He stated the cost of these external vendors has increased more than anticipated, driven by the same inflationary factors that are impacting NIPSCO and that labor costs have also been impacted by competition for similar services across the industry and within Indiana. He provided the following examples:

- Complex clearance requirements set by both NIPSCO's customers and the Midcontinent Independent System Operator, Inc., are driving increases to labor costs for substation specific work beyond the 3% annual escalation included in the original Plan filing. These complex clearance requirements are also driving a need to use more external resources on projects, which increases project costs beyond that originally estimated.

- NIPSCO's line projects have also experienced an increase in both labor and material costs, primarily driven by an increased need to use more traffic control, hydro-excavation, and matting (protective barriers to prevent environmental disturbance/contamination) services. Traffic control costs have generally increased because of a redoubled emphasis on safety for motorists, as well as work crews.

- NIPSCO has experienced a larger percentage of substation rebuilds that require green field sites to meet new standards and design requirements, as existing sites are either too small to accommodate new equipment or the surrounding area has been built up, limiting the ability to complete the work safely.

- Finally, the timing of land and material purchases has changed due to increasingly long procurement timelines. While this acceleration is often captured as a "move," the cost of these items has also increased due to the inflationary reasons described above; therefore, accelerating these costs contributes to the variance and is not just a change in timing.

Mr. Richwalski testified that in addition to discussing general inflationary pressures impacting practically all projects, in this filing, NIPSCO has provided specific justification for the updated estimates included in Plan Update-4, including (1) project variance explanations for all changes in costs (increases and decreases) in Plan Update-4 (Pages 9-10 (2024), 14-15 (2025), and 20-21 (2026)), (2) PCR forms for estimate changes that are +/- $100,000 and 20% (see Appendices 3, 3.1 and 4), and (3) testimony providing variance explanations for projects with cost increases greater than $100,000 and greater than 20% over what was approved in Plan Update-3.

Mr. Richwalski testified that public convenience and necessity require the transmission distribution, and storage system improvements included in Plan Update-4 because to continue to serve NIPSCO's customers safely and reliably, assets will need to be replaced. He said that Plan Update-4 makes new and replacement transmission and distribution investments for the purposes of safety, reliability, system modernization, and economic development, which serves the public interest. He said that eligible investments are essential to protect the integrity, safety, and reliable operation of the system for NIPSCO's customers and for the bulk electric system as a whole.

Mr. Richwalski further testified that the estimated costs of the eligible improvements included in Plan Update-4 are justified by the incremental benefits attributable to the Plan because NIPSCO has many aging assets on its electric transmission and distribution system that need to be replaced. He said that Plan Update-4 efficiently reduces system risk by focusing on the highest risk assets across all asset classes and grouping projects by geography. He said that planned replacement enhances safety for employees and customers by avoiding violent failures and enhances efficiency by avoiding emergency replacement costs. Mr. Richwalski stated that Plan Update-4 will enhance customer and employee safety, avoid outages, preserve operational and planning contingencies, provide superior equipment protection, and meet evolving customer demands in a thoughtful, planned, and cost-efficient manner that provides incremental benefit for NIPSCO's customers.

Mr. Robert Ridge, Manager of Project Engineering, described the 345kV Synchronous Condenser – Babcock Substation [Project ID TSSC1], the Synchronous Condenser Project, proposed as a new project to the 2021-2026 TDSIC Plan. He stated the Synchronous Condenser Project includes installation of a synchronous condenser at Babcock Substation located near NIPSCO's Michigan City Generating Station ("Michigan City") and is anticipated to be placed in-service by Quarter 4, 2027, which aligns with the planned retirement of Michigan City by 2028.

Mr. Ridge stated that Michigan City currently assists in regulating and maintaining system voltage by providing a source of volt-amperes reactive on the existing 345 kV transmission system. He explained that when NIPSCO's last synchronous generator on the 345kV system at Michigan City is retired, NIPSCO's transmission system will lose the voltage support attributes (reactive power, system inertia, and short circuit strength) this traditional synchronous electrical generator provides, which is a key system attribute for reliable, resilient, and stable transmission service within NIPSCO's service territory. He explained that reactive power helps regulate the system and is required to maintain voltage to deliver active power through transmission lines, system inertia helps maintain the frequency of the system and acts as a buffer against rapid fluctuations in demand, and maintaining short circuit strength to the system allows for a healthy short circuit ratio, which is used to measure the grid health. He stated that synchronous condensers provide all these attributes in a real time dynamic environment.

Mr. Ridge explained that NIPSCO's system has unusually high industrial load penetration that can cause sudden changes and stresses on the system as industrial users bring large load on and off the system. He testified the Synchronous Condenser Project will allow NIPSCO's transmission system to tolerate changes in voltage caused by these sudden and large changes in demand. He also explained that NIPSCO's transmission system also faces operational challenges as it is located between PJM entities on the east and on the west, which creates cross system transmission flows, and the Synchronous Condenser Project will serve as the "shock absorber" for any sudden changes in voltage so that NIPSCO customers will experience stable service quality. Finally, he explained that NIPSCO is continuing its generation transition by adding more renewable energy facilities to its system, and renewable energy facilities provide only active power; therefore, NIPSCO's transmission system has a need for reactive power, inertia, and short circuit strength. Mr. Ridge provided the key schedule activities to complete the Synchronous Condenser Project supporting an in-service date in the fourth quarter of 2027.

Mr. Ridge testified NIPSCO's project cost estimate for the Synchronous Condenser Project of $152,232,609 (excluding indirect costs and allowance for funds used during construction) constitutes a best estimate. He stated that because the Project will be under construction through 2027 and NIPSCO's TDSIC Plan reflects spend through 2026, $106,432,882 in direct costs are being added to the TDSIC Plan attributable to the Synchronous Condenser Project. He said contingency for the Synchronous Condenser Project took into account the current level of project maturity, the fact that additional detailed engineering needs to be completed, and high level risks such as potential late delivery of equipment and increased installation costs when compared to prior project experience. These factors place this at a Class 3 estimate with approximately 9% contingency. He explained that as the Project matures, the cost estimate will be updated and contingency will be adjusted accordingly. He stated the cost estimate takes into account the year in which work is expected to be completed; therefore, there is no escalation factor applied to NIPSCO's best estimate of costs.

Mr. Ridge testified the public convenience and necessity require or will require the Synchronous Condenser Project. He explained that installation of the Synchronous Condenser Project will replace Michigan City's voltage support attributes, which are critical attributes to assist in regulating the transmission system and support system reliability, resilience, and stability, which serves the public's need for quality utility service and provides benefits to NIPSCO's customers.

Mr. Ridge testified the best estimate of cost for the Synchronous Condenser Project is justified by incremental benefits attributable to NIPSCO's TDSIC Plan. He stated that the Project itself provides several important benefits to NIPSCO's transmission system and contributes to the overall incremental benefits attributable to NIPSCO's TDSIC Plan and that given the retirement of Michigan City in 2028, NIPSCO's transmission system needs the voltage regulation support that the Synchronous Condenser Project will provide, and the project schedule shows the timeline over which further engineering, bids, and construction will occur. He testified the Project cost estimate is developed using actual cost information from a similar, albeit smaller (138 kV) project on NIPSCO's system that was recently completed, as well as on contract prices from competitive bids for the synchronous condenser package itself. The best estimate of costs is both recent and based on market driven data. Mr. Ridge testified that for all of these reasons, the critical transmission system benefits attributable to the Synchronous Condenser Project, as well as the benefits attributable to NIPSCO's TDSIC Plan, justify this incremental cost.

Mr. Keith Anderson, Director, Enterprise Project Management Office, provided an update on NIPSCO's advanced meter infrastructure project. He testified that NIPSCO has proceeded with the deployment of new meters, network, and technology associated, having installed 73 base stations at 47 sites (which cover the equivalent of ~475,000 electric meters). He said NIPSCO installed a total of ~64,000 new electric meters in the Hammond district as of September 30, 2024, with a current inventory of ~44,000 to support deployment in the coming months. He testified that following the initial IT Release 1, which was rolled out in January 2024, subsequent IT rollouts have been released to provide additional capabilities like opt-out functionality, customer self-read functionality, and customer energy demand use presentment. He stated the team is working through Meter Data Management System vendor negotiations now, with the goal to have a selection and award provided by Quarter 4, 2024, enabling build, configure, and testing activities to begin in 2025. Mr. Anderson testified there is no change to the cost estimate, NIPSCO's schedule for network deployment (installation of base stations) and information technology integration remains on track, and the Program is still expected to conclude by the second quarter of 2027.

Ms. Roopali Sanka, Utility Analyst in the OUCC's Electric Division, recommended the Commission approve NIPSCO's Plan Update-4, and allow recovery of 80% of the approval capital expenditures and TDSIC costs related to Plan Update-4 through the TDSIC and the deferral of the remaining 20% of these expenditures and costs for recovery in the next general rate case. She described changes made since Plan Update-3, explained how the total projected capital expenditures compare to Plan Update-3 and Plan Update-1, and listed the cost drivers in Plan Update-4. Ms. Sanka testified that the Commission's Cause No. 45557 TDSIC 5 order issued on October 24, 2024 is currently pending appeal. With regard to the new Synchronous Condenser Project, Ms. Sanka testified NIPSCO provided the projected benefits of the reduction in risk – enhancement of the voltage stability at the substation. Ms. Sanka testified that NIPSCO stated that the programs and projects included in its TDSIC Plan (including the circuit performance and distribution automation programs) have resulted in an average annual System Average Interruption Frequency Index improvement of 8%, indicating a reduction in outage frequency. She testified that these combined efforts, including the synchronous condenser, are expected to reduce system risks and improve overall grid reliability.

No party opposed NIPSCO's support for the revised project cost estimates for Plan Update-4. NIPSCO provided sufficient evidence regarding the changes to projects included in Plan Update-4 as it relates to the estimated costs, continued necessity for the projects, and associated benefits. The Commission finds that each of the cost variances and moves between years were made pursuant to the terms of the 45557 Order and should be approved. We note here, as we had noted in our Cause No. 45557 TDSIC 5 Order, that an impact to the TDSIC factors (or the TDSIC Plan) resulting from appellate review would be subject to Ind. Code §8-1-3-6 and addressed by the Commission, accordingly.[3]

C. <u>Revenue Requirement for Approved Capital Expenditures and TDSIC Costs</u>. As supported by Nicholas Rebich, Lead Regulatory Analyst for NiSource Corporate Service Company, NIPSCO requested authority to earn a return on the total cost of the eligible transmission, distribution, and storage system improvements ("Eligible TDSIC Assets") incurred for period ended September 30, 2024 of $553,040,525. This amount is shown on Attachment 1,

[3] Our Order in 45557 TDSIC 5 ("TDSIC 5") is pending appellate review, with an appeal initiated before the Indiana Court of Appeals as to TDSIC 5. *See NIPSCO Indus. Grp. v. N. Ind. Pub. Serv. Co.*, No. 24A-EX-2834 (Ind. Ct. App. filed Nov. 22, 2024).

Schedule 1 (Page 3), which includes allowance for funds used during construction ("AFUDC") and other indirect costs and is net of accumulated depreciation. Mr. Rebich further testified that once the Commission approves the proposed ratemaking treatment for costs of Eligible TDSIC Assets incurred for the period ended September 30, 2024 ("TDSIC 6 Period"), as shown on Petitioner's Exhibit 1, Attachment 1, Schedule 1, NIPSCO will cease to accrue AFUDC for those costs, which will begin receiving construction work in progress ratemaking treatment.

Mr. Rebich sponsored Attachment 2-A illustrating the priority of recovery of the 80% of TDSIC in terms of accounting with the first dollar representing the full return and the remaining amounts covering a portion of NIPSCO's incremental expenses. He testified that this methodology as laid out in the schedule is required to ensure NIPSCO receives the return on its investments as granted by Ind. Code ch. 8-1-39 in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 980.

Mr. Rebich testified that NIPSCO calculated the depreciation expense related to TDSIC capital expenditures according to each asset's designated Federal Energy Regulatory Commission account classification. He also testified that the annual revenue requirement for the return on investment is calculated by multiplying the September 30, 2024, net book value of all TDSIC projects by the debt and equity components of NIPSCO's WACC, as shown on Petitioner's Exhibit 1, Attachment 1, Schedule 2.

Mr. Rebich testified that the revenue conversion factor used to compute NIPSCO's pre-tax revenue requirement is calculated for debt and equity in order to properly synchronize interest for the purpose of calculating the revenue requirement on Petitioner's Exhibit 1, Attachment 2, Schedule 2 and Schedule 3. He stated the federal income tax rate used in this computation is the 21% corporate rate that became effective with the passing of the Tax Cuts and Jobs Act of 2017.

Mr. Kaleb G. Lantrip, Utility Analyst in the OUCC's Electric Division, testified that his calculation of NIPSCO's TDSIC-6 revenue requirement shown in Public's Exhibit 1, Attachment KGL-1 matched Petitioner's calculation, and recommended approval of NIPSCO's proposed revenue requirement.

Based on a review of the evidence, we find that NIPSCO's proposed revenue requirement has been calculated in compliance with the TDSIC tracker methodology outlined in Rider 588.

D. Depreciation, Property Tax and Operation and Maintenance ("O&M") Expenses. Mr. Rebich testified that Petitioner's Exhibit 1, Attachment 1, Schedule 4 contains the actual O&M expenses associated with the Eligible TDSIC Assets for the period April 2024 through September 2024, projected depreciation and property tax expenses for the period April 2025 through September 2025 and a reconciliation for the prior period, August 2023 through September 2024. The total revenue requirement is then reduced to 80% to determine the proposed total depreciation, property tax and O&M expenses revenue component to be recovered for bills rendered during the TDSIC 6 Billing Period.

The Commission finds that NIPSCO's total depreciation, property tax, and O&M expenses should be approved.

E. **Reconciliation.** Mr. Rebich testified this filing includes a reconciliation of the revenues billed in accordance with the TDSIC 3 Order. He stated NIPSCO's prioritization methodology of recovery was first implemented in TDSIC-3 with the forecasted expenses for the period August 1, 2023 through January 31, 2024.[4] Mr. Rebich stated this is the first tracker filing with a prior period reconciliation that reflects this change. Petitioner's Exhibit 1, Attachment 1, Schedule 6 reflects the prioritized recovery of the return on capital necessary to satisfy the capital revenue requirement for each rate code. He explained that once the capital revenue requirement is satisfied for a rate code, any incremental revenue is collected as expense. He testified the reconciliation of the TDSIC 3 billing period resulted in a net under-collection primarily due to actual volumes being lower than forecasted volumes for the billing period. The Commission finds that NIPSCO has appropriately reconciled the revenues billed in accordance with the TDSIC 3 Order.

F. **Cost Allocation.** Mr. Rebich testified that Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, uses the customer class revenue allocation factors approved for purposes of the TDSIC tracker in its most recent retail base rate case order (Cause No. 45772). These allocation factors are provided in Petitioner's Exhibit 1, Attachment 1-A, Attachment 2, Schedule 4 and are used to allocate the related transmission and distribution revenue requirements in this proceeding.

The Commission finds that NIPSCO has properly allocated its approved capital expenditures and TDSIC costs to the various customer classes in accordance with the rate case order in Cause No. 45772 and that the allocators reflected in Petitioner's Exhibit 1, Attachment 1-A, Attachment 2, Schedule 4 should be approved.

G. **Calculation of TDSIC Factors.** Mr. Rebich testified that Petitioner's Exhibit 1, Attachment 1, Schedule 8 shows the calculation of the TDSIC factors by rate code based on the previously calculated revenue requirements. He explained the factors are calculated by combining the various components of the allocated revenue requirement and dividing those components by forecasted firm volumes to compute a billing factor for bills rendered by NIPSCO for the TDSIC 6 Billing Period. The proposed TDSIC factors are based on a TDSIC revenue requirement of $23,483,862 for the 6-month billing period of April 2025 through September 2025.

The Commission finds that the proposed TDSIC factors set forth in Petitioner's Exhibit 1, Attachment 1, Schedule 8 were correctly calculated, and such factors, which are listed below, should be approved.

[4] See Verified Direct Testimony of Erin K. Meece (pages 5-6) filed in Cause No. 45557 TDSIC 3.

TDSIC 6 Rider Factors

Rate	Charge
Rate 511	A charge of $0.006399 per kWh used per month
Rate 520	A charge of $0.021768 per kWh used per month
Rate 521	A charge of $0.004271 per kWh used per month
Rate 522	A charge of $0.023630 per kWh used per month
Rate 523	A charge of $0.004587 per kWh used per month
Rate 524	A charge of $0.003602 per kWh used per month
Rate 525	A charge of $0.002895 per kWh used per month
Rate 526	A charge of $0.002305 per kWh used per month
Rate 531 Tier 1	A charge of $0.000949 per kWh used per month
Rate 532	A charge of $0.000996 per kWh used per month
Rate 533	A charge of $0.000935 per kWh used per month
Rate 541	A charge of $0.003802 per kWh used per month
Rate 542	A charge of $0.001655 per kWh used per month
Rate 543	A credit of $0.005965 per kWh used per month
Rate 544	A charge of $0.006143 per kWh used per month
Rate 550	A charge of $0.005218 per kWh used per month
Rate 555	A charge of $0.002207 per kWh used per month
Rate 560	A charge of $0.005622 per kWh used per month
Rider 576	See note below

The TDSIC for Rider 576 will be the TDSIC associated with the firm service under Rate Schedule 531 Tier 1 being used in conjunction with this Rider.

H. <u>Projected Effect on Retail Rates and Charges as Required by Ind. Code § 8-1-39-9(a)(3)</u>. Ind. Code § 8-1-39-9(a)(3) requires NIPSCO to identify the projected effects of the plan on retail rates and charges. The projected effects of the TDSIC factors on retail rates and charges are shown on Petitioner's Exhibit 1, Attachment 2, Schedule 5.

The Commission finds that NIPSCO identified the projected effects of the TDSIC Plan on retail rates and charges as required by Ind. Code § 8-1-39-9(a)(3).

I. <u>Average Aggregate Increase in Total Retail Revenues under Ind. Code § 8-1-39-14</u>. Section 14(a) states as follows:

> The commission may not approve a TDSIC that would result in an average aggregate increase in a public utility's total retail revenues of more than two percent (2%) in a twelve (12) month period. For purposes of this subsection, a public utility's total retail revenues do not include TDSIC revenues associated with a target economic development project.

Mr. Rebich testified that Petitioner's Exhibit 1, Attachment 1, Schedule 9 shows that there is no amount in excess of 2% of retail revenues for the past twelve months. NIPSCO has calculated the 2% cap by comparing the increase in TDSIC revenues in a given year with the total retail revenues as of the twelve months. The retail revenues used in this calculation represent the revenues related to the twelve months ending September 30, 2024.

The Commission finds that NIPSCO's proposed TDSIC 6 factors will not result in an aggregate increase in NIPSCO's total retail revenues of more than 2% in a twelve-month period.

J. Deferred TDSIC Costs. Mr. Rebich testified that NIPSCO requests to defer and recover 80% of the post in-service costs, including carrying costs and pretax returns, depreciation, and taxes associated with the approved TDSIC projects through the TDSIC adjustment factor. He explained that NIPSCO proposes to defer these costs as a regulatory asset until such costs are recognized for ratemaking purposes through NIPSCO's proposed TDSIC adjustment factor or included for recovery in NIPSCO's base rates and charges in NIPSCO's next general rate case. Mr. Rebich also testified that pursuant to Ind. Code § 8-1-39-9(b), NIPSCO proposes that 20% of the approved capital expenditures and TDSIC costs, including depreciation, pretax returns, AFUDC, post in service carrying costs, property tax, and O&M expenses be deferred and recovered in NIPSCO's next general rate case.

Mr. Lantrip testified that he agreed with NIPSCO's calculation of its deferred TDSIC costs.

The Commission approves NIPSCO's proposal to defer these costs as a regulatory asset until such costs are recognized for ratemaking purposes through NIPSCO's proposed TDSIC adjustment factor or included for recovery in NIPSCO's basic rates and charges.

K. Compliance with the 45557 Order. Mr. Sears testified that NIPSCO met with the OUCC and interested stakeholders on November 6, 2024 to identify changes to projects approved in Plan Update-3 that are included in Plan Update-4. He explained that there are no updates to Plan Update-4 that were not previously provided to the stakeholders.

5. Confidential Information. On November 26, 2024, NIPSCO filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information in this Cause, which was supported by affidavit showing documents to be submitted to the Commission were trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-29. In a Docket Entry dated December 6, 2024, the Presiding Officers found the information should be held confidential on a preliminary basis. After review of the information and consideration of the affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held as confidential and protected from public access and disclosure by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. NIPSCO's Updated 2021-2026 TDSIC Plan ("Plan Update-4"), including actual and proposed estimated capital expenditures and TDSIC costs that exceed the previously approved amount is approved.

2. NIPSCO's proposed adjustment to its TDSIC Rate Schedule, shown in NIPSCO's Exhibit 1, Attachment 1, Schedule 8 as $23,483,862, and its proposed TDSIC factors reflected in paragraph 4(g) above, to be applicable for bills beginning with the first billing cycle in April 2025 to remain in effect until new factors are approved to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs incurred in connection with NIPSCO's eligible transmission, distribution, and storage system improvements is approved.

3. NIPSCO is authorized to defer, as a regulatory asset, 20% of eligible and approved capital expenditures and TDSIC costs and record ongoing carrying charges based on the current overall weighted cost of capital on all deferred TDSIC costs until such costs are included for recovery in NIPSCO's next general rate case. This figure is found in NIPSCO's Exhibit 1, Attachment 1, Schedule 10 as $13,615,081.

4. NIPSCO is authorized to allocate transmission and distribution revenue requirements by using the allocation percentages as previously approved in Cause No. 45772. For the derivation of the customer class specific rates, NIPSCO shall use the firm load within each rate class.

5. NIPSCO is authorized to adjust its authorized net operating income to reflect any approved earnings associated with the TDSIC for purposes of Ind. Code § 8-1-2-42(d)(3) pursuant to Ind. Code § 8-1-39-13(b).

6. Prior to implementing the authorized TDSIC factors, NIPSCO shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division.

7. The information filed by Petitioner in this Cause pursuant to the Motion for Protection and Nondisclosure of Confidential and Proprietary Information is deemed confidential pursuant to Ind. Code § 5-14-3-4, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

8. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, AND ZIEGNER CONCUR; VELETA ABSENT:

APPROVED: MAR 26 2025

I hereby certify that the above is a true and correct copy of the Order as approved.

Regina K. Joyner
Digitally signed by Regina K. Joyner
Date: 2025.03.26 10:18:50 -04'00'
__________________________________ on behalf of

Dana Kosco
Secretary of the Commission