

ORIGINAL

STATE OF INDIANA

Commissioner	Yes	No	Not Participating
Huston	√		
Veleta	√		
Ziegner	√		

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY LLC FOR (1) AN)
ADJUSTMENT TO ITS GAS SERVICE RATES)
THROUGH ITS FEDERALLY MANDATED COST)
ADJUSTMENT FACTOR PURSUANT TO IND.)
CODE CH. 8-1-8.4; (2) AUTHORITY TO DEFER 20%)
OF THE FEDERALLY MANDATED COSTS FOR) CAUSE NO. 45703 FMCA 5
RECOVERY PURSUANT TO IND. CODE CH. 8-1-8.4,)
AND (3) MODIFICATIONS TO THE PIPELINE) APPROVED: DEC 23 2025
SAFETY II COMPLIANCE PROJECT AND)
PIPELINE SAFETY III COMPLIANCE PROJECT)
SET FORTH IN ITS PROGRESS REPORTS)
PURSUANT TO THE ONGOING REVIEW PROCESS)
APPROVED IN CAUSE NOS. 45560 AND 45703.)**

ORDER OF THE COMMISSION

Presiding Officers:

James F. Huston, Chairman

Sean Gorman, Administrative Law Judge

On August 27, 2025, Northern Indiana Public Service Company LLC (“Petitioner”) filed its Verified Petition in this Cause and case-in-chief, including the prefiled direct testimony and attachments of Thomas P. Harmon, Manager of Regulatory for Petitioner. On September 5, 2025, Petitioner filed Attachment 1-A, Attachment 3, to Mr. Harmon’s testimony and a workpaper showing the progress of each of the individual projects.

On November 10, 2025, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the direct testimony of Mark H. Grosskopf, Senior Utility Analyst at the OUCC and the redacted direct testimony of Brien R. Krieger, Utility Analyst at the OUCC. On November 13, 2025, the OUCC filed a revision to Mr. Krieger’s direct testimony removing confidential information.

The Commission held an Evidentiary Hearing in this Cause at 1:00 p.m. on December 3, 2025 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and OUCC appeared by counsel at the hearing, during which Petitioner’s and the OUCC’s evidence was admitted into the record without objection.

Based on the applicable law and the evidence presented, the Commission now finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a) and an energy utility as defined in Ind. Code § 8-1-8.4-3. Petitioner is also subject to Rules and

Regulations promulgated by the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (“PHMSA”). Under Ind. Code §§ 8-1-8.4-6 and 8-1-8.4-7, the Commission has authority to approve cost recovery for projects necessary to comply with federally mandated requirements. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Petitioner’s rates and charges. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. Petitioner’s Characteristics. Petitioner is a limited liability company organized and existing under Indiana law, with its principal office at 801 E. 86th Avenue, Merrillville, Indiana. Petitioner owns, operates, manages, and controls plant and equipment used for the generation, transmission, distribution, and furnishing of electric and gas utility services to the public in northern Indiana, including Lake County.

3. Background. By its December 1, 2021 Order in Cause No. 45560 (“45560 Order”), the Commission approved Petitioner’s request pursuant to Ind. Code ch. 8-1-8.4 for (1) a Certificate of Public Convenience and Necessity (“CPCN”) for federally mandated projects associated with Petitioner’s Pipeline Safety II Compliance Project to comply with the PHMSA Rules; (2) approval of the estimated federally mandated costs associated with the Pipeline Safety II Compliance Project; (3) timely recovery of 80% of the approved federally mandated costs incurred in connection with the Pipeline Safety II Compliance Project through the currently-approved federally mandated cost adjustment (“FMCA”) mechanism; (4) authority to defer 20% of the approved federally mandated project costs and ongoing expenses incurred in connection with the Pipeline Safety II Compliance Project, including ongoing carrying charges on all deferred federally mandated costs, for recovery in Petitioner’s next general rate case; (5) approval of ongoing review of the Pipeline Safety II Compliance Project; and (6) cost allocation factors for the Pipeline Safety II Compliance Project. The Pipeline Safety II Compliance Project ends December 31, 2026.

By its December 28, 2022 Order in Cause No. 45703 (“45703 Order”), the Commission approved Petitioner’s request pursuant to Ind. Code ch. 8-1-8.4 for (1) a CPCN for federally mandated projects associated with Petitioner’s Pipeline Safety III Compliance Project to comply with the PHMSA Rules; (2) approval of the estimated federally mandated costs associated with the Pipeline Safety III Compliance Project; (3) timely recovery of 80% of the approved federally mandated costs incurred in connection with the Pipeline Safety III Compliance Project through the currently-approved FMCA mechanism; (4) authority to defer 20% of the approved federally mandated project costs and ongoing expenses incurred in connection with the Pipeline Safety III Compliance Project, including ongoing carrying charges on all deferred federally mandated costs, for recovery in Petitioner’s next general rate case; (5) approval of ongoing review of the Pipeline Safety III Compliance Project; and (6) cost allocation factors for the Pipeline Safety III Compliance Project. The Pipeline Safety III Compliance Project ends December 31, 2026.

4. Relief Requested. In the current Cause, Petitioner requests approval of: (1) an adjustment to its gas service rates through the FMCA Mechanism to recover 80% of the federally mandated costs incurred in connection with its Pipeline Safety II Compliance Project (approved in the 45560 Order) and Pipeline Safety III Compliance Project (approved in the 45703 Order) (collectively, the “Approved Compliance Projects”) to be applicable to bills rendered for the

billing months of January through June 2026, pursuant to Ind. Code § 8-1-8.4-7(c)(1) and the 45560 Order and 45703 Order (collectively, the “Compliance Projects Orders”); and (2) authority to defer 20% of the federally mandated costs, including ongoing carrying charges on all deferred federally mandated costs, for recovery in Petitioner’s next general rate case pursuant to Ind. Code § 8-1-8.4-7(c)(2) and the Compliance Projects Orders.

5. FMCA.

A. Capital Projects. The total cost of the Pipeline Safety III Compliance Project capital projects incurred as of June 30, 2025, upon which Petitioner is authorized to earn a return is \$21,858,831 (Petitioner’s Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 1, Page 2, Line 30, Column H), which includes Allowance for Funds Used During Construction (“AFUDC”) and other indirect costs, and is net of accumulated depreciation. Mr. Harmon testified that Petitioner computes AFUDC amounts and relevant AFUDC rates in accordance with the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts. He testified that if the Commission approves the proposed ratemaking treatment for the total net book value of eligible federally mandated capital costs related to the Pipeline Safety III Compliance Project as of June 30, 2025, then Petitioner will cease accruing AFUDC on those costs once the incurred costs receive ratemaking treatment, through base gas rates, or recovered through the FMCA, or the project is placed in service, whichever occurs first.

Mr. Harmon explained that the weighted average cost of capital (“WACC”) used to calculate post-in-service carrying charges (“PISCC”). The updated total weighted cost of capital as of June 30, 2025 is 7.08% (Petitioner’s Exhibit No. 1, Attachment 1-A, Attachment 2, Schedule 1, Line 8, Column E).

Mr. Harmon explained the calculation of the “return on” portion of Petitioner’s 6-month revenue requirement for capital costs as of June 30, 2025. He stated that the annual revenue requirement for the return on capital is calculated by multiplying the total eligible net book value of federally mandated capital costs as of June 30, 2025 by the debt and equity components of its WACC as of June 30, 2025. He stated that the product of this calculation is then multiplied by 50% in order to calculate a six-month revenue requirement.

Mr. Harmon described Petitioner’s proposed methodology for revenue prioritization. He explained that in terms of accounting, the first recovered dollar represents Petitioner’s full return on the investments and the remaining recovered amounts cover a portion of Petitioner’s incremental expenses. He testified that employing this methodology is required to ensure Petitioner receives the return on its investments as required pursuant to Ind. Code ch. 8-1-8.4 and in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 980. He sponsored Petitioner’s Exhibit 1, Attachment 1-B, which illustrates the prioritization methodology of recovery for Petitioner’s 80% total revenue requirement.

Mr. Harmon explained that PISCC is calculated by multiplying the net book value of completed project costs that have been placed in service, which are not receiving Construction Work in Progress ratemaking, by Petitioner’s effective WACC rate for the period in which the costs are in-service. He stated that the PISCC amount is added to the six-month revenue

requirement to get a combined total capital revenue requirement. He explained that the resulting PISCC amount is then shown on Petitioner's Exhibit 1, Attachment 1, Schedule 5 to determine the proposed revenue requirement to be recovered for bills rendered during the months of January through June 2026.

Mr. Harmon explained that the computation of the weighted average revenue conversion factor used to compute the revenue requirement before income tax as reflected on Petitioner's Exhibit 1, Attachment 1, Schedule 5. He stated that the revenue conversion factor is calculated for debt and equity in order to properly synchronize interest for the purpose of calculating the revenue requirement.

Mr. Krieger provided an analysis and recommendation for recovery of capital costs associated with the Approved Compliance Plans. He stated that his analysis indicates Petitioner has supported its compliance project costs included for recovery, including all capital costs incurred as of June 30, 2025. Mr. Krieger recommended approval of Petitioner's project updates for both Plans.

Based on the evidence presented, we approve Petitioner's total cost of the Pipeline Safety III Compliance Project capital projects incurred as of June 30, 2025.

B. Operations and Maintenance ("O&M") Expense. Petitioner requests approval of \$6,179,654 in O&M expense related to the Approved Compliance Projects for the period of January through June 2026, as documented in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 4. This amount is the total sum of the O&M expenses associated with the Pipeline Safety II Compliance Project and the Pipeline Safety III Compliance Project for this time period.

Mr. Krieger provided an analysis and recommendation for recovery of O&M costs associated with the Approved Compliance Plans. He stated that his analysis indicates Petitioner has supported its compliance project costs included for recovery, including all O&M costs incurred from January through June 30, 2025.

Based on the evidence presented, we approve Petitioner's total projected O&M expense of \$6,179,654 for the period of January through June 2026.

C. Depreciation Expense. Petitioner requests approval of \$518,458 in total projected depreciation expense associated with assets related to the Approved Compliance Projects for the period January through June 2026, as documented in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 4. This amount consists solely of the depreciation expense associated with the Pipeline Safety III Compliance Project for this same time period. Mr. Harmon stated that the projection of depreciation expense is based on projected in-service dates, FERC account unitization, and the related FERC account depreciation rates approved in Petitioner's gas rate case in Cause No. 45967. Based on the evidence presented, we approve Petitioner's total projected depreciation expense of \$518,458 for the period January through June 2026.

D. Property Tax Expense. Petitioner requests approval of \$113,640 in total projected property tax expense associated with assets related to the Approved Compliance Projects for the period January through June 2026, as documented in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 4. This amount consists solely of the property tax expense associated with the Pipeline Safety III Compliance Project for this same time period. Based on the evidence presented, we approve Petitioner's total projected property tax expense of \$113,640 for the period January through June 2026.

E. Allocation of Federally Mandated Costs. Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 2, Schedule 4 shows the allocation percentages used to allocate the federally mandated costs associated with the Pipeline Safety II Compliance Project and the Pipeline Safety III Compliance Project. This schedule also indicates there was no significant migration of customers among the various rate schedules to cause a change in the allocation percentages. As such, Mr. Harmon stated that Petitioner has not proposed any adjustment to its allocation percentages associated with the Compliance Projects in this filing.

Based on the evidence presented, we find that Petitioner's FMCA factors were properly allocated in accordance with our Compliance Project Orders.

F. Reconciliation. Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 6 shows the reconciliation of the allocated prior FMCA revenue requirement to actual FMCA revenues and prior period expense variance relating to the Pipeline Safety II Compliance Project and the Pipeline Safety III Compliance Project for the period of January through June 2025. This schedule also provides the total expense variance relating to each Compliance Project, which is a combination of the prior FMCA reconciliation of projected expenses as shown in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 3 and the reconciliation of expense revenues as shown in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 6.

G. Total Revenue Requirement. Based on the evidence presented, we find that Petitioner's request to begin earning a return on the \$21,858,831 from the value of the Approved Compliance Projects capital projects complies with the Compliance Project Orders. We further find that Petitioner's proposed six-Month Return on Capital Revenue Requirement of \$773,803 was properly calculated.

Based on the evidence presented, we find that Petitioner's proposed Return of Expense Revenue Requirement of \$6,811,752 was properly calculated.

Therefore, we approve Petitioner's request to begin earning a return on the value of the Approved Compliance Projects capital projects and a return of the expenses for the Approved Compliance Projects and recovery of 80% of the proposed total revenue requirement through the FMCA mechanism for bills rendered starting with the billing month of January 2026, to remain in place until replaced by different factors approved in a subsequent filing. The remaining 20% of the proposed total revenue requirement will be deferred and recovered in Petitioner's next general rate case.

H. Calculation of FMCA Factors. Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 8 shows the calculation of the FMCA factors by rate code based on the previously calculated revenue requirements from the Pipeline Safety II Compliance Project and the Pipeline Safety III Compliance Project totaling \$3,114,230. The factors are calculated by combining the various components of the revenue requirement, which are allocated by rate code, and dividing those components by projected volumes to compute a billing factor for bills rendered starting with the billing month of January 2026, to remain in place until replaced by different factors approved in a subsequent filing.

Mr. Harmon sponsored Petitioner's Exhibit No. 1, Attachment 1-A, Revised Attachment 3, showing the FMCA factors proposed to be applicable for bills rendered starting with the billing month of January 2026, to remain in place until replaced by different factors approved in a subsequent filing. Mr. Harmon testified that the proposed factor will add \$0.34 to a 71 therms per month residential bill (which is the average usage level during the test year in Petitioner's last rate case), a decrease of \$1.01 compared to the factor currently in effect.

Mr. Grosskopf testified that he reviewed the calculations and flow of inputs in Petitioner's Attachment 1, Schedules 1 through 9 and Attachment 2, Schedules 1 through 4. Mr. Grosskopf recommended approval of Petitioner's rate factors reflected on Petitioner's Attachment 1, Schedule 8 and reflected on Attachment 3, Appendix G.

Based on the evidence presented, we approve the proposed FMCA factors in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 8 for services on or after the date of this Order, to remain in place until replaced by different factors approved in a subsequent filing. These FMCA factors are as follows:

FMCA-5 Rider Factors

Rate Schedule	FMCA Factor per Therm per Month
Rate 311 (with associated Rate 351, Rider 380 and Rider 381)	A charge of \$0.004728
Rate 315 (with associated Rate 351, Rider 380 and Rider 381)	A charge of \$0.004800
Rate 321 (with associated Rate 351, Rider 380 and Rider 381)	A charge of \$0.002884
Rate 325 (with associated Rate 351, Rider 380 and Rider 381)	A charge of \$0.001856
Rate 328 DP	A charge of \$0.000026
Rate 328 HP	A charge of \$0.000303
Rate 338	A charge of \$0.001133

6. Deferred Federally Mandated Costs. In the Compliance Project Orders, we authorized Petitioner to (1) defer 20% of the federally mandated costs incurred in connection with the Approved Compliance Projects for recovery in its next general rate case as allowed by Ind. Code § 8-1-8.4-7, and (2) record ongoing carrying charges based on Petitioner's overall cost of capital on all deferred federally mandated costs until the deferred federally mandated costs are included for recovery in Petitioner's base rates in its next general rate case.

In this proceeding, Mr. Harmon sponsored Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 9, which is an illustrative ratemaking schedule that accumulates deferred federally mandated costs as well as the ongoing carrying charges on all deferred federally mandated costs until such time as the costs can be recovered as part of Petitioner's next general rate case. As shown in Attachment 1, Schedule 9, the amounts represent 20% of the total revenue requirement calculated in Attachment 1, Schedule 5 for expense, capital, and total variance related expense revenue requirements calculated in Attachment 1, Schedule 3. The amounts included in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 9, Column E represent the ongoing carrying charges calculated by multiplying the deferred recoverable costs by the current overall WACC.

Mr. Grosskopf recommended approval of the Deferred Revenue Requirement as of June 30, 2025, as documented in Petitioner's Exhibit 1, Attachment 1, Schedule 9.

Based on the evidence presented and pursuant to the Compliance Project Orders, we find the Cause No. 45703 FMCA 5 costs, to be deferred and recovered in Petitioner's base rates in its next general rate case, are \$1,037,615 and the total to-date costs to be deferred and recovered in Petitioner's base rates in its next general rate case are \$3,325,749.

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

1. Petitioner is authorized to defer and recover 80% of the approved federally mandated costs incurred in connection with the Approved Compliance Projects, identified in Finding No. 5 above, in its rates and charges for gas service in accordance with Petitioner's FMCA beginning with the January 2026 billing month.

2. Petitioner is authorized to recover the FMCA factors in Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 8 for services rendered on or after the date of this Order, to remain in place until replaced by different factors approved in a subsequent filing, as set out in Finding No. 5 above.

3. Prior to implementing the rate approved herein, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such factors shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

4. Petitioner is authorized to defer 20% of the federally mandated costs incurred in connection with the federally mandated Approved Compliance Projects, described in Finding No. 6 above, and to recover those deferred costs in its next general rate case. Petitioner is authorized to record ongoing carrying charges based on the current overall WACC on all deferred federally mandated costs until the deferred federally mandated costs are included for recovery in Petitioner's base rates in its next general rate case.

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

HUSTON, VELETA, AND ZIEGNER CONCUR:

APPROVED: DEC 23 2025

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

**Dana Kosco
Secretary of the Commission**