

May 25, 2018

Via Email Transmission (URCComments@urc.in.gov)

Ms. Beth E. Heline
General Counsel
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 East
Indianapolis, IN 46204

RE: Commission Inquiry on Back-Up, Maintenance and Supplemental Power Rates

Dear Ms. Heline:

Northern Indiana Public Service Company LLC (“NIPSCO”) appreciates the opportunity to respond to the comments made by various stakeholders in the Backup, Maintenance, and Supplemental Power Rate Review under General Administrative Order GAO 2017-3. NIPSCO is not responding to every point raised by the commenters. Some of the comments relate to other utilities, and NIPSCO is not in a position to address those comments. In general, the comments were supportive of NIPSCO’s current Rider 776 – Back-Up, Maintenance and Temporary Industrial Service Rider and NIPSCO’s customers have not expressed concerns with the program. This observation should lead to recognition that each utility should maintain the flexibility to approach back-up and maintenance tariffs in a manner unique to its own cost structure and service territory. A state-wide review of back-up and maintenance tariffs would be difficult because each utility is uniquely situated. Consistent with this approach, utilities in other states in the Midwest have unique tariffs within their own states.

The Midwest Cogeneration Association (“MCA”) broadly contends that its members “report” that the “number one” reason otherwise economically viable combined heat and power (“CHP”) projects are not built in the Midwest is poorly designed back-up and maintenance tariffs. As has frequently been noted, the service territories vary widely and each company has developed programs to meet the unique needs of its customers. NIPSCO is no exception. Rider 776 was developed with customer input, which is key to NIPSCO’s successful program. Contrary to MCA’s contention, NIPSCO’s interaction with customers has shown that the primary road-block to further CHP installations is the significant up-front capital cost a customer must incur, which requires a long-term commitment to the facility to justify the investment which creates risks for the customer. NIPSCO would note that it currently has more than 802

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megawatts deployed in its service territory, and would assert that individual utilities should be allowed to design programs that meet their customers' needs.

The Indiana Industrial Energy Consumers, Inc. ("INDIEC") observe that the CHP can help reduce costs for all ratepayers by reducing the need for incremental investment by utilities in new plants. However, CHP can also leave all other retail customers paying for costs already invested to serve an industrial customer that elects to construct a CHP facility. Utilities make long term investments in generation and transmission facilities, potentially leaving retail customers paying over many years for generation and transmission that was built to serve a customer that decides to construct its own generation. Any effort to encourage further CHP should also consider efforts to minimize this impact on all other customers.

Also, it appears that the commenters want any size customer to be able to participate in a one-size-fits-all utility-offered back-up, maintenance and supplemental power program. Unfortunately, that is simply not feasible. For example, the customer would need to invest in the metering equipment necessary for time-of-use rates in order to have the energy charge assessed, and for the types of facilities apparently being advocated by the Alliance for Industrial Efficiency and Midwest Cogeneration Association, this is likely not an investment the customer is going to make. The commenters should recognize that customers need to be of a certain size and sophistication for tariffs, such as NIPSCO's Rider 776, to be appropriate.

In conclusion, NIPSCO believes its Rider 776 is properly designed to serve customers who decide to install CHP or other forms of customer-owned generation. It was designed in a collaborative fashion with its affected customers. NIPSCO agrees that cost-of service principles should guide the costs charged for its Rider 776 and will work with its stakeholders to determine whether any changes are necessary when it initiates its next base rate case. NIPSCO believes that it is important that the Commission continue to allow utilities to offer programs that meet the needs of their unique service territories and not mandate a uniform program across the state.

Sincerely,



Claudia J. Earls
Chief Counsel

Northern Indiana Public Service Company LLC