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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR)
APPROVAL OF ANNUAL DEMAND,) CAUSE NO. 41338 GCA 11
TAKE-OR-PAY, TRANSITION AND)
STORAGE AND TRANSMISSION COSTS) INTERIM ORDER
TO BE APPLICABLE IN THE TWELVE-)
MONTH PERIOD, BEGINNING) APPROVED: DEC 02 2009
NOVEMBER 1, 2009)

BY THE COMMISSION:

James D. Atterholt, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On August 27, 2009, pursuant to the Commission's August 18, 1999 Order in Cause No. 41338, Northern Indiana Public Service Company ("Petitioner" or "NIPSCO") filed its verified Petition in this Cause for approval of the annual demand, storage and transmission costs of NIPSCO's gas rates, to be applicable during the twelve-month period beginning November 1, 2009.

On September 1, 2009, a *Petition to Intervene* was filed by Mittal Steel USA, Praxair, Inc., and U.S. Steel Corporation (collectively called "NIPSCO Industrial Group"). On October 6, 2009, a *Petition to Intervene* was filed by the City of Hammond. The Petitions to Intervene of the NIPSCO Industrial Group and City of Hammond were granted in docket entries issued by the Presiding Officers on September 9, 2009 and October 14, 2009, respectively.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a Prehearing Conference and Preliminary Hearing was held in this Cause on October 7, 2009 at 1:30 P.M. EDT in Room 224 of the National City Center, Indianapolis, Indiana. On October 28, 2009, the Commission issued a prehearing conference order which established a procedural schedule for this Cause, including an Evidentiary Hearing on February 9, 2010.

On October 19, 2009, NIPSCO filed its *Unopposed Motion to Make Rates Effective Subject to Refund* ("Motion"). In its *Motion*, NIPSCO proposed that the rates as contained in its August 27 Petition be made effective November 1, 2009, on an interim basis, subject to refund and the Commission's determination of GCA 10. The Motion stated that the estimated GCA demand costs of \$80,901,255, represents an approximate \$488,200 increase from the total GCA demand costs of \$80,413,055 as approved by the Commission's Interim Order of November 20, 2008 in Cause No. 41338 GCA10. The *Motion* also stated that the Office of Utility Consumer Counselor, the NIPSCO Industrial Group, and the City of Hammond do not object to the *Motion*.

On October 21, 2009, the Commission issued its Order in Cause No. 41338 GCA 10.

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

1. **Notice and Jurisdiction.** Petitioner owns and operates a public utility which is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended.

In Cause No. 41338, the Commission's August 18, 1999 Order approved a proposed redesigned mechanism consisting of two parts: a monthly commodity filing and an annual demand charge filing. Under the GCA mechanism, NIPSCO will make a monthly commodity filing that will determine the gas commodity component of the GCA factor for a calendar month with twelve monthly filings being made each year. NIPSCO began making these monthly commodity filings on September 1, 1999. Also, under the redesigned GCA mechanism as approved by the Commission, NIPSCO is required to make an annual filing three working days prior to September 1 of each year to determine the demand component of its gas costs for the twelve months to be effective on November 1 of the year in which the annual filing is made. Petitioner's August 27, 2009 Petition represents the eleventh annual filing pursuant to the redesigned GCA mechanism as approved by the August 18, 1999 Order. This Commission has jurisdiction over the parties and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is engaged in rendering natural gas utility service to the public within the State of Indiana and owns, operates, manages and controls plant and equipment used for distribution and furnishing such service.

3. **NIPSCO's Motion.** NIPSCO submitted its Motion because the evidentiary hearing in this matter will not be held until February 9, 2010. Accordingly, NIPSCO proposes, without objection, that the proposed factors as contained in its August 27, 2009 Petition be made effective, subject to refund, pursuant to the Commission's determination in this proceeding and GCA 10.

Combining the total pipeline demand cost of gas to be recovered of \$43,385,235 with the contracted storage and transmission costs of \$37,407,200 and \$108,820, results in total estimated annual demand costs of \$80,901,255 for the twelve-month recovery period beginning with the November, 2009 billing cycle. After dividing by estimated annual sales, the requested annualized demand costs per therm are calculated for the November 1, 2009 - October 31, 2010 period as follows:

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|---|----------|
| Class 1 Residential | \$0.0988 |
| Class 2 General Service and Class 4 CNG | \$0.0793 |
| Class 3 | \$0.0000 |

With regard to the additional costs associated with Storage and Transmission, NIPSCO offered evidence supporting the following charges:

FDTS a charge of \$0.0177/Therm

The Commission finds that NIPSCO's proposal for implementing the proposed factors listed above on an interim basis, subject to refund, is reasonable and NIPSCO's *Motion* should be granted. These factors will become effective in accordance with the procedures set forth below and remain effective, subject to refund, until the Commission's final determination in this Cause.

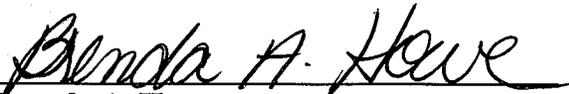
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The determinations set forth in Finding Nos. 1 through 3 of this Order are made a part of the record in this Cause and shall be binding on all present and future parties of record during the proceedings in this Cause.
2. NIPSCO's October 19, 2009 *Unopposed Motion to Make Rates Effective Subject to Refund* shall be, and hereby is, granted.
3. The proposed factors listed in Finding Paragraph No. 3 shall take effect on November 1, 2009, subject to refund and the terms of the October 21, 2009 Order in Cause No. 41338 GCA 10, and remain effective, subject to refund, until the Commission's final determination in this Cause.
4. Petitioner shall file with the Natural Gas Division of this Commission, prior to placing in effect the annual demand, storage and transmission costs herein approved, and the tariff changes approved herein.
5. This Order shall be effective on and after the date of its approval.

ATTERHOLT, GOLC, AND LANDIS CONCUR; HARDY AND ZIEGNER ABSENT:

APPROVED: DEC 02 2009

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


Brenda A. Howe
Secretary to the Commission