

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN)
 INDIANA PUBLIC SERVICE COMPANY)
 FOR APPROVAL OF DEMAND SIDE)
 MANAGEMENT ADJUSTMENT FACTORS) CAUSE NO. 43618 DSM 2
 FOR ELECTRIC SERVICE FOR THE)
 MONTHS OF JULY THROUGH DECEMBER) APPROVED: JUN 27 2012
 2012 IN ACCORDANCE WITH THE)
 ORDERS OF THE COMMISSION IN CAUSE)
 NOS. 43618 AND 43912.)

ORDER OF THE COMMISSION

Presiding Officers:
Kari A.E. Bennett, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On March 30, 2012, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its semi-annual request for Commission approval of Demand Side Management Adjustment (“DSMA”) Factors to be effective for the period July through December 2012. On March 30, 2012, Petitioner filed its case-in-chief, including direct testimony and exhibits supporting the proposed DSMA Factors and the underlying costs for which cost recovery is requested. On May 11, 2012, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and schedules of Wes R. Blakley.

Pursuant to notice given as provided by law, proof of which was incorporated into the record, an evidentiary hearing was held in this matter on June 12, 2012 at 9:30 a.m., Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the prefiled evidence of NIPSCO and the OUCC were admitted into the record without objection and all parties waived cross-examination of all witnesses. No members of the general public appeared or participated at the hearing.

Based upon the applicable law and being duly advised in the premises, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted herein was given and published by the Commission as required by law. Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1(a), and is subject to the jurisdiction of the Commission. Therefore, the Commission has jurisdiction over the Petitioner and the subject matter of this proceeding in the manner and to the extent provided by the laws of the State of Indiana.
2. **Petitioner’s Characteristics and Generating System.** Petitioner is a public utility organized and existing under the laws of the State of Indiana and having its principal

office at 801 East 86th Avenue, Merrillville, Indiana. Petitioner provides electric public utility service in the State of Indiana and owns, operates, manages and controls, among other things, plant and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of electric power to the public.

3. **Background.** On May 25, 2011, the Commission issued an Order in Cause No. 43618 (“43618 Order”) approving NIPSCO’s request for approval of Rule 52 of the General Rules and Regulations and Appendix G – Demand Side Management Adjustment Mechanism Factor. On July 27, 2011, the Commission issued an Order in Cause No. 43912 (“43912 Order”) approving, among other things, NIPSCO’s proposed Core and Core Plus energy efficiency programs and their projected budgets.

4. **Implementation of DSM Programs.** NIPSCO Witness Kevin A. Kirkham explained the actions that NIPSCO has taken subsequent to the 43912 Order with regard to delivery of its Core and Core Plus programs. Mr. Kirkham provided the expected implementation schedule by program. He also explained that the expenses relating to NIPSCO’s start-up and implementation of the Core and Core Plus programs have been prudently and reasonably incurred. He stated that the unamortized expenses included in this filing (September 2010 through October 2011) include expenses related to offering NIPSCO’s Elementary Education, Low Income Weatherization and Home Energy Audit programs concurrent with its gas offerings. He noted that these expenses also include the costs of the Residential Lighting program that NIPSCO offered from May 2011 through November 2011.

Mr. Kirkham also described the timing and the forecasted spending related to the implementation of the Core and Core Plus programs for the period July 1, 2012 through and including December 31, 2012. Mr. Kirkham explained the current status of the contract for the administration of the Core programs. He testified the actual and estimated expenses for the period July 1, 2012 through and including December 31, 2012 do not include lost margins or performance incentives.

5. **Recovery of Costs.** In the 43912 Order, the Commission authorized NIPSCO to recover the costs associated with its approved Core and Core Plus programs through the DSMA Rider. NIPSCO will make semi-annual filings for factors to be effective January through June and July through December of each year. These filings will reflect estimated costs and DSMA Factors and recovery will be over a six-month period which coincides with the estimation period. Reconciliation to actual expenditures will be made in a subsequent semi-annual filing.

Mr. Kirkham testified that as approved by the Commission in Cause No. 43618 DSM 1, NIPSCO continues to recover costs associated with the time period of June 2010 through October 2011. He stated that NIPSCO received approval to recover these costs over a period of 18 months, meaning the recovery will continue through April 2013. OUCC witness Mr. Blakley agreed.

Mr. Kirkham stated this filing also includes the estimated costs for the period July 2012 through December 2012, with recovery over the same six months and reconciliation taking place beginning in July 2013. Mr. Kirkham sponsored Schedule 1 of Exhibit 1 attached to NIPSCO’s Verified Petition showing the program breakdown of projected costs for the recovery period July

1, 2012 through and including December 31, 2012, which are based on the goals set for the programs approved by the oversight Board. He discussed the amortized costs from the expenses incurred from June 2010 through October 2011 that are included in the costs to be collected in this filing.

6. Reconciliation of Estimated and Actual Expenses and Revenue. Mr. Kirkham stated that there are no previous periods to reconcile in this filing, but that future reconciliations will recover or return the difference between estimated DSM program expenditures and revenues and those amounts actually realized in the period. He stated the first time the expenses will be reconciled will be the next DSMA filing that will reconcile expenses incurred from November 1, 2011 through June 30, 2012 and will include projected expenses for January through June 2013.

7. Resulting DSMA Factors. NIPSCO witness Mr. Westerhausen testified the calculations of the proposed DSMA Factors were prepared in conformity with the 43618 and 43912 Orders. Mr. Westerhausen testified the projected costs are allocated by program to the individual rate classes based on the number of customers in each eligible class. He noted that in future filings, any program cost reconciliation amounts will also be included in this allocation. Once the program expenditures have been allocated to the individual rate classes, the DSMA Factors are then calculated by dividing the cost per rate class by the respective forecasted usage. The resulting DSMA Factors are then adjusted to reflect Utility Receipts Tax on Retail Sales. Mr. Westerhausen sponsored Exhibit 2 to the Verified Petition showing the calculation of the proposed DSMA Factors, as follows:

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|---------------|---|
| Rate 611 | A charge of \$0.004440 per kwh used per month |
| Rate 612 | A charge of \$0.002509 per kwh used per month |
| Rate 613 | A charge of \$0.005750 per kwh used per month |
| Rate 620 | A charge of \$0.004515 per kwh used per month |
| Rate 621 | A charge of \$0.004299 per kwh used per month |
| Rate 622 | A charge of \$0.004487 per kwh used per month |
| Rate 623 | A charge of \$0.005494 per kwh used per month |
| Rate 624 | A charge of \$0.000367 per kwh used per month |
| Rate 625 | A charge of \$0.000103 per kwh used per month |
| Rate 626 | A charge of \$0.000406 per kwh used per month |
| Rate 632 | A charge of \$0.000008 per kwh used per month |
| Rate 633 | A charge of \$0.000004 per kwh used per month |
| Rate 634 | A charge of \$0.000001 per kwh used per month |
| Rate 641 | A charge of \$0.003625 per kwh used per month |
| Rate 644 | A charge of \$0.000124 per kwh used per month |
| Rate Code 647 | A charge of \$0.000005 per kwh used per month |
| Rider 676 | A charge of \$0.000000 per kwh used per month |

The Rate Code 647 Demand Side Management Adjustment Mechanism (DSMA) Factor is applicable to all customers billed under this rate code under contracts approved by the Commission.

The DSMA Factor for Rider 676 will be the adjustment factor associated with the appropriate firm service rate schedule, either Rate 632, 633, or 634, being used in conjunction with this Rider.

Pursuant to Ind. Code § 8-1-2-42(a), the resulting DSMA Factors will be effective for all bills rendered for electric service beginning with the first billing cycles for the July 2012 billing month. The estimated average monthly bill impact for a typical residential customer using 688 kWh per month is \$3.05, which is a \$0.22 increase over what a customer would pay today using the current DSMA Factor.

Mr. Blakley testified that the exhibits filed by Petitioner support the figures used in calculating the DSMA Factor.

8. Commission Findings. The evidence presented in this Cause supports approval of Petitioner's proposed DSMA Factors. Accordingly, we find that the DSMA Factors requested herein should be approved.

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

1. The Verified Petition of Northern Indiana Public Service Company for approval of Demand Side Management Adjustment Factors, as set forth in Finding No. 7 above, shall be and is hereby approved.

2. Northern Indiana Public Service Company shall file with the Electricity Division of this Commission, prior to placing in effect the DSMA Factors herein approved, a separate amendment to its rate schedules with a reasonable reference therein reflecting that such charge is applicable to all of its filed rate schedule, as shown in Exhibit 2 to the Verified Petition.

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED: JUN 27 2012

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


Brenda A. Howe
Secretary to the Commission