

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR APPROVAL OF)
DEMAND SIDE MANAGEMENT ADJUSTMENT) CAUSE NO. 43618 DSM 3
FACTORS FOR ELECTRIC SERVICE FOR THE)
MONTHS OF JANUARY THROUGH JUNE 2013 IN)
ACCORDANCE WITH THE ORDERS OF THE) APPROVED: DEC 27 2012
COMMISSION IN CAUSE NOS. 43618, 43912 AND)
44154.)

ORDER OF THE COMMISSION

Presiding Officers:

Kari A.E. Bennett, Commissioner

Aaron A. Schmoll, Senior Administrative Law Judge

On September 28, 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 January through June 2013. On September 28, 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 October 17, 2012, NIPSCO filed corrected exhibits and workpapers. On November 9, 2012, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and schedules of Wes R. Blakley. On December 6, 2012 the Commission issued a docket entry directing Petitioner to respond to questions, to which Petitioner responded on December 10, 2012. On December 10, 2012, NIPSCO filed corrected testimony, exhibits and workpapers.

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 December 11, 2012 at 10:00 a.m., local time, in 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. On August 8, 2012, the Commission issued an Order in Cause No. 44154 ("44154 Order") authorizing NIPSCO to recover lost margins associated with its approved Core and Core Plus programs through the DSMA Rider.

4. **Implementation of DSM Programs.** NIPSCO Witness Kevin A. Kirkham provided an overview of the performance of NIPSCO's Core and Core Plus programs. 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. 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.

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 noted that NIPSCO received approval to recover these costs over a period of 18 months, meaning the recovery will continue through April 2013. Mr. Kirkham described the estimated program expenses related to NIPSCO's Core and Core Plus programs for the period January through June 2013. Mr. Kirkham sponsored Schedule 1 of Exhibit 1 attached to the Company's Verified Petition showing the breakdown of projected costs for the recovery period January through June 2013 for the programs approved by the Commission and the Oversight Board.

Mr. Kirkham stated that in accordance with the Commission's August 8, 2012 Order in Cause No. 44154, NIPSCO is authorized to collect lost margins on its net energy and demand reductions resulting from its energy efficiency programs. He stated NIPSCO was authorized to defer lost margins associated with its Core Programs from February 2012 through December 2012 and associated with its Core Plus program from the date of the order (August 8, 2012) through December 2012. Mr. Kirkham testified that half of these deferred amounts is included for recovery in this DSM-3 filing, with the remainder to be included in DSM-4. He stated this filing also includes projected lost margins for the period January through June 2013. Mr. Kirkham sponsored Second Revised Schedule 3 of Exhibit 1 attached to the Company's Verified Petition showing the energy and demand forecasts used in the calculation of lost margins.

NIPSCO witness Alison M. Becker added additional testimony that addressed the reconciliation of lost margins. She testified that NIPSCO will reconcile estimated lost margins with actual data received from its Evaluation, Measurement and Verification ("EM&V") vendor and that lost margin collections will always be based on actual energy savings taking EM&V results into account. She added that NIPSCO conservatively reduced the Net-to-Gross ("NTG") factor down to 0.76 in its C&I Custom Rebate Program after reviewing the early results of its draft EM&V report for that program, and that its estimated lost margins were based on that reduced NTG factor.

6. Reconciliation of Estimated and Actual Expenses and Revenue. Mr. Kirkham stated that this filing reconciles expenses incurred from November 2011 through June 2012 and includes projected expenses for January through June 2013. He also stated this filing reconciles four months of the eighteen month deferral authorized by the Commission in Cause No. 43912. Mr. Kirkham noted the reconciliation resulted in an over-collection. He stated the majority of the over-collection was associated with underperformance of four programs: the Commercial and Industrial ("C&I") Custom Program, the C&I Prescriptive Program, the Core Home Energy Assessment Program and the AC Cycling Program.

7. Resulting DSMA Factors. NIPSCO Witness Derric J. Isensee testified the calculations of the proposed DSMA Factors were prepared in conformity with the 43618, 43912 and 44154 Orders. Mr. Isensee testified the projected costs are allocated by program to the individual rate classes based on the number of customers in each eligible class. He stated the projected lost margins are allocated by program to the individual rate classes based on either the number of customers in each eligible class or the energy forecasts related to each eligible rate class consistent with the methodology approved by the Commission in Cause No. 44154. He stated that in future filings, any lost margin reconciliation amounts will also be included in this allocation. Once the program expenditures and lost margins 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. Isensee sponsored Second Revised Exhibit 2 to the Verified Petition showing the calculation of the proposed DSMA Factors, as follows:

Rate 611	A charge of \$0.006441 per kwh used per month
Rate 612	A charge of \$0.004104 per kwh used per month
Rate 613	A charge of \$0.007620 per kwh used per month
Rate 620	A charge of \$0.000734 per kwh used per month
Rate 621	A charge of \$0.000958 per kwh used per month
Rate 622	A charge of \$0.000970 per kwh used per month
Rate 623	A credit of \$0.001817 per kwh used per month
Rate 624	A charge of \$0.000146 per kwh used per month
Rate 625	A charge of \$0.000011 per kwh used per month
Rate 626	A credit of \$0.000046 per kwh used per month
Rate 632	A charge of \$0.000658 per kwh used per month
Rate 633	A charge of \$0.000160 per kwh used per month
Rate 634	A charge of \$0.000266 per kwh used per month
Rate 641	A charge of \$0.001187 per kwh used per month
Rate 644	A charge of \$0.000125 per kwh used per month
Rate Code 647	A charge of \$0.000000 per kwh used per month
Rider 676	A charge of \$0.000000 per kwh used per month

The Rate Code 647 DSMA Factor is applicable to all customers billed under this rate code under contracts approved by the Commission.

The DSM adjustment 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 January 2013 billing month. The estimated average monthly bill impact for a typical residential customer using 688 kWh per month is \$4.43, which is a \$1.38 increase over what a customer would pay using the current DSM factors.

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

8. Commission Discussion and Findings. Although we find that the DSMA Factors requested herein should be approved, we expect future filings will include a full accounting and basis for the factors being proposed to provide increased transparency and clarity for the review process. In this case, the evidence lacked worksheets that were clearly labeled and lacked a basis or foundation for the data. While NIPSCO responded to the Commission's Docket Entry and the factors were revised due to an error by NIPSCO, NIPSCO did not submit complete revisions to its testimony that typically accompany changes or corrections to the factors being presented for approval, i.e., the impact of the changes on the total amount being recovered in this proceeding.

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 schedules, as shown in Exhibit 2 to the Verified Petition.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: DEC 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