ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF NORTHERN INDIANA FUEL AND LIGHT COMPANY INC. AND KOKOMO GAS AND FUEL COMPANY FOR APPROVAL OF DEMAND SIDE MANAGEMENT AND ENERGY EFFICIENCY PROGRAMS, AND APPROVAL OF NATURAL GAS EFFICIENCY RIDERS PURSUANT TO IND. CODE 8-1-2-42(a)	)	CAUSE NO. 43745 APPROVED: MAR 3 1 2010

BY THE COMMISSION:
James D. Atterholt, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On July 23, 2009, Northern Indiana Fuel and Light Company Inc. ("NIFL") and Kokomo Gas and Fuel Company ("Kokomo") (collectively, "Joint Petitioners") filed their Joint Petition with the Indiana Utility Regulatory Commission ("Commission") in this matter.

Pursuant to public notice duly given and published, proof of which was incorporated into the record by reference and placed in the Commission's official file, a Prehearing Conference was held in this Cause on September 9, 2009 at 11:15 a.m. in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Counsel for the Petitioner and the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") appeared. No members of the general public attended the hearing. The Commission issued a Prehearing Conference order on September 16, 2009.

Pursuant to public notice duly given and published, proof of which was incorporated into the record by reference and placed in the Commission's official file, a public hearing was held in this Cause on November 2, 2009 at 1:30 p.m. in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Petitioner's and the OUCC's prefiled testimony and exhibits were admitted into evidence without objection from any party. No members of the general public attended the hearing.

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

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted herein was caused to be published by the Commission. Each of the Joint Petitioners is a public utility within the meaning of Indiana Code § 8-1-2-1 of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission. The Commission has jurisdiction over Joint Petitioners and the subject matter of this Cause in the manner and to the extent provided by the laws of the State of Indiana.

2. **Relief Requested.** Joint Petitioners request that the Commission approve three energy efficiency programs ("EE Programs"): Residential Energy Efficiency Rebates, Residential Low-Income Weatherization, and Energy Efficiency Education. As initially proposed, the three EE Programs would have been identical to three programs already offered by

Northern Indiana Public Service Company ("NIPSCO"), an affiliate of Joint Petitioners. However, in response to input from the OUCC, Joint Petitioners modified their initial proposal in the Supplemental Rebuttal Testimony of Kevin Kirkham to eliminate certain residential rebate programs that did not have a Total Resource Cost ("TRC") of 1.0 or higher. Joint Petitioners seek approval to fund the proposed EE Programs through a natural gas efficiency rider to be approved pursuant to Ind. Code § 8-1-2-42(a).

3. **Joint Petitioners' Direct Evidence**. Kevin Kirkham, Director of Regulatory Strategic Analysis, discussed the Joint Petitioners' proposed natural gas EE Programs, the natural gas energy efficiency implementation plan, and Joint Petitioners' proposal to implement a Natural Gas Efficiency Rider ("Rider") within their tariffs.

Mr. Kirkham explained that it is Joint Petitioners' intent to model the three EE Programs after existing NIPSCO programs. Doing so will allow Joint Petitioners' customers to take advantage of the research and implementation already performed by NIPSCO and allow customers to benefit from Joint Petitioners' implementation of tested EE Programs. In addition, it is likely that the costs of administration would be reduced due to the similarities between the NiSource's Northern Indiana Energy ("NIE") EE Programs. Mr. Kirkham testified that Joint Petitioners have not performed a market potential study, which he believes would cost approximately $200,000 for the combined utilities. However, he noted that the NIFL and Kokomo market areas are relatively similar to NIPSCO's market area in regard to demographics, housing stock and customer requirements. For this reason, he suggested that a Gas Energy Efficiency Initiative performed for NIPSCO in 2006 by Stone and Webster Management Consultants, Inc. applies to Joint Petitioners' customers as well, due to similar EE Program objectives and proximity between the service territories. Mr. Kirkham testified that the proposed annual expenditures are estimated to be $254,749 for NIFL and $201,325 for Kokomo, and the impact of the proposed rider would average approximately $0.60 per month per residential customer for both NIFL and Kokomo.

Mr. Kirkham described each of the three EE Programs that Joint Petitioners propose to implement:

<u>Residential Energy Efficiency Rebate Program</u>

> <u>Natural Gas Furnace:</u> A $250 rebate will be offered to consumers who upgrade or install a new 92% Annual Fuel Utilization Efficiency ("AFUE") heating furnace.
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> <u>Programmable Thermostat:</u> A $20 rebate will be offered to consumers who upgrade or install a new Energy Star programmable thermostat.
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> <u>Tank-less Water Heater:</u> A $150 rebate will be offered to consumers who upgrade or install a new 0.82 Energy Factor ("EF") tank-less water heater.
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> <u>Storage Water Heater:</u> A $100 rebate will be offered to consumers who upgrade or install a new 0.62 EF storage water heater.
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> <u>Natural Gas Boiler:</u> A $500 rebate will be offered to consumers who upgrade or install a new 90% AFUE boiler.

Direct Hot Water/Boiler Combination Unit: A $750 rebate will be offered to consumers who upgrade or install a new 90% AFUE combination unit.

Energy Efficiency Low-Income - Weatherization Program

Low-income customer homes will be weatherized to provide opportunities for low-income residential customers to reduce their overall energy consumption and as a result, lower their energy bills. Low-income customers earning less than 150% of the Federal Poverty Level will be eligible to receive this benefit. Existing programs currently offered to low-income residential customers with State and Federal weatherization programs will be combined with the Joint Petitioners' gas weatherization program. A fund will be set up to help weatherize approximately 20 (11 for NIFL and 9 for Kokomo) homes per year estimated at a cost of $5,000 per home. The Indiana Community Action Association (INCAA) will qualify customers for weatherization based on their eligibility to participate in the state's Energy Assistance Program. Once identified, these customers will receive services through the low-income weatherization program. Weatherization will focus on the following options, depending on each customer's assessed level of eligibility:

- Health and safety measures to verify that combustion appliances are in safe operating condition. Units may be repaired or replaced as indicated
- Blower door directed air sealing of major shell leaks, bypasses, and leaks in ductwork
- Install water heater tank wraps and pipe insulation
- Install low-flow showerheads and faucet aerators
- Complete in-home customer education
- Insulate attics with existing R-19 insulation or less up to R-38
- Insulate heating/cooling ducts that are outside the thermal boundary
- Insulate using high density tube-in approaches where insulation is not present
- Insulate box sill to R-19
- Install foundation insulation
- Complete other approved repairs or minor air-sealing

Energy Efficiency Education Program

This educational outreach is intended to help Joint Petitioners' customers take advantage of programs while educating them about opportunities for efficiency and management of their energy consumption. This program will be administered by a third party with the goal of increasing awareness with regard to (1) general energy efficiency education, including the financial and environmental benefits of energy efficiency improvements; and (2) EE Programs offered by Joint Petitioners; The delivery mechanisms the Joint Petitioners will use for this purpose will be:

1. Annual energy efficiency educational programs at school systems with a focus on 5th graders:

    - The Elementary Education Program is designed to influence students and their families to focus on conservation and the efficient use of natural gas and electricity. This program is also sponsored by Citizens Gas, Indianapolis Power and Light, and Vectren - Indiana which provides a great example of a program that can be delivered throughout the state while allowing enough flexibility to accommodate the needs of various utilities. This program is conducted in conjunction with the National Energy Foundation ("NEF"),

    - The target market for this program is the Joint Petitioners' customers, specifically children in the 5th grade. These customers will be reached through a collaborative effort with area grade schools,

    - By targeting educational efforts to 5th grade students attending schools in the NIFL and Kokomo service territory, their families become involved in the program through a "take-home" kit that works to raise awareness about how individual actions and low-cost measures can provide significant reductions in energy and water consumption. An estimated 2,000 students and teachers will participate in the program,

    - Below is an example of the measures that could be included in the "take-home" kit:

        High Efficiency Shower Head
        Filter Tone Alarm
        Kitchen Aerator
        Shower Timer
        Flow Rate Test Bag
        Water Temperature Check Card
        Fun facts Slide Chart
        Light Switch

2. Energy Education training to Joint Petitioner's employees that have customer interfacing roles;

3. Quarterly bill inserts;

4. Expanded information on the Joint Petitioners' websites to include:

    - Financial and economic benefits of energy efficiency
    - Available funding
    - Joint Petitioners' sponsored EE Programs
    - Links to other useful efficiency sites.

With regard to the implementation of the EE Programs, Mr. Kirkham testified that Joint Petitioners plan to use in-house staff, and propose to retain Wisconsin Energy Conservation Corporation ("WECC"), which already has experience administering the NIPSCO EE Programs. Mr. Kirkham testified that WECC's participation should result in reduced implementation costs and a shortened time to market. He stated that the intent is to retain WECC until April 30, 2011 (the initial term). At that time both NIPSCO and the Joint Petitioners would obtain competitive bids for any future EE program implementer.

Mr. Kirkham testified that a third party independent evaluator would complete the program evaluation, measurement, and verification annually. Joint Petitioners are hopeful that the same third party independent evaluator would be authorized to complete a detailed evaluation, measurement, and verification plan like that currently utilized with the NIPSCO gas EE Program. Each Joint Petitioner would then file a program report shortly after the conclusion of the EE Programs in April 2011, summarizing the accomplishments of its EE Programs. In addition, Joint Petitioners propose to use an oversight board, similar to the oversight board utilized for NIPSCO's gas EE Programs. Similar to authority granted to the NIPSCO oversight board, Joint Petitioners request that their respective oversight boards be given the flexibility to make the following changes:

1. Flexibility to shift costs within a program budget as needed. For example, experience may indicate that it is more effective to reduce incentives and increase expenditures on technical assistance.

2. Flexibility to shift funds among programs. For example, experience may indicate that the goals for the Residential Energy Efficiency Rebate Program can be met with lower overall expenditures, but the Energy Efficiency Low-Income - Weatherization Program needs additional funding. The funding among budgets could be shifted as long as the programs still pass the Total Resource Cost test and the overall energy efficiency budget is not exceeded.

3. Flexibility to have the opportunity to review initial program results as reported by a third party vendor. Based on those results, each oversight board may consider appropriate modifications to the program portfolio on a prospective basis, including reallocation of funding between programs. Programs found no longer cost effective would be modified or terminated by the oversight board.

4. Flexibility to consider the design and implementation of new programs as long as they pass the Total Resource Cost test and the overall energy efficiency budget is not changed.

5. Flexibility to adopt changes proposed by NIPSCO's oversight board, if doing so will preserve the consistency of program offerings across the NIE companies.

Michael J. Martin, Director, Regulatory and Governmental Policy for NiSource Corporate Services Company, testified about the benefits of EE Programs, the importance of allowing Joint Petitioners to offer EE Programs identical to programs already being offered by NIPSCO, and the creation of a rider to recover program costs.

Mr. Martin explained that energy efficiency directly benefits consumers adopting efficiency measures because it reduces their gas consumption and in turn their individual utility bills. He testified that energy efficiency has been promoted by officials in the State of Indiana as a means of keeping money in the state. A majority of the dollars spent by customers on natural gas bills and by Joint Petitioners on gas purchased for customers ultimately leave the state to suppliers from Canada or states near the Gulf of Mexico. Avoiding natural gas costs allows consumers to direct their money elsewhere, and possibly stimulate the state's economy.

Mr. Martin testified that the NiSource Indiana LDC's of NIPSCO, NIFL and Kokomo, referred to as NIE, have made continuing efforts in the last several years to align and consolidate many operations to improve the collective efficiencies of the three utilities. However, while the NIPSCO gas energy efficiency program was approved on May 9, 2007 in Cause No. 43051, there are no comparable programs in place for NIFL or Kokomo. As a result, he testified some confusion has taken place with customers of NIFL and Kokomo who are interested in such programs but then find out that no such programs are available to them. In some cases, marketing and external communication of the NIPSCO energy efficiency programs overlaps into the NIFL and Kokomo service territories and when customers of those utilities attempt to participate in such programs, participating vendors have unfortunately turned them away. In order to satisfy customer expectations and take advantage of favorable marketing and communication initiated by NIPSCO, Mr. Martin testified it makes sense to propose similar energy efficiency programs to customers of NIFL and Kokomo and reduce customer confusion.

Mr. Martin acknowledged that unless the Joint Petitioners are able to adjust their base rates on a timely basis to make up for the lost sales/revenues created by energy efficiency reduced usage, or the Joint Petitioners are granted a "decoupling mechanism" as adopted by the other Indiana companies with Energy Efficiency programs, the Joint Petitioners operating income will be negatively impacted in the short-run. Nevertheless, he stated that Joint Petitioners are not requesting a decoupling mechanism at the present time. He explained that because this represents the Joint Petitioners' first experience with energy efficiency programs, NIFL and Kokomo plan to evaluate the results of their programs and consider margin adjusting mechanisms thereafter.

Mr. Martin testified that Joint Petitioners plan to recover program costs by requesting a Rider be approved by the Commission to recover fully the costs of the Programs. This Rider will be assessed to all residential customers of Joint Petitioners and would be implemented on the first day of the first month following the issuance of an order in this Cause. Mr. Martin testified that Joint Petitioners intend to true-up any over- or under-collections of program funds. He explained that similar to the NIPSCO program, Joint Petitioners plan to file an adjusted Rider in accordance with the 30-day filing procedures in 170 IAC 1-6-1 in approximately mid-July in order to adjust the Rider for any amounts over-collected or under-collected for the months of January through April 2010. If the EE Programs are discontinued in 2011, the Rider would remain in effect for another year in order to true-up program costs. After the final true-up, the Rider would be discontinued.

4. **<u>OUCC's Testimony</u>**. April M. Paronish, a Utility Analyst in the Resource Planning, Emerging Technologies and Telecommunications Division of the OUCC, testified in her October 9th direct testimony that the Joint Petitioners had not provided sufficient data to allow the OUCC to determine whether the proposed programs are cost effective.

Ms. Paronish stated it was unclear in the current economic climate whether a broad cross-section of customers would be in a financial position to take advantage of the proposed Energy Efficiency Rebate program.

Ms. Paronish identified three main issues. First, she stated that adequate TRC studies were not provided by Joint Petitioners. She recommended that satisfactory TRC test results be obtained for each proposed program prior to its approval. Second, Ms. Paronish recommended that Joint Petitioners' proposed program portfolios should be expanded to include all programs currently offered by NIPSCO. In addition, she recommended that programs for commercial and industrial customers should be considered. Third, Ms. Paronish recommended that if the low-income weatherization program underperforms, any unspent funds should not be eligible for other EE Programs.

5. **<u>Rebuttal and Supplemental Rebuttal Testimony</u>.** In his rebuttal testimony, Mr. Martin disagreed with Ms. Paronish's concern that the current economic climate might impact customers' financial ability to take advantage of the Energy Efficiency Rebate program. He stated there is considerable evidence that rebate programs continue to be utilized by customers, even in these hard economic times. He pointed to the NIPSCO rebate programs, which continue to have customers take advantage of the rebates as evidenced by the program Scorecard shared monthly with the Oversight Board and filed with the Commission. He further noted that Citizens Gas and Vectren Energy Delivery have similar programs, and a review of the monthly scorecards filed at the Commission under Cause Nos. 42767 and 43046, respectively, show that these programs appear to be having success in customer participation.

Mr. Martin testified that TRC tests should not be the sole determinant of whether a proposed EE Program should be approved. He testified that in addition to considering TRC tests, the Commission should take into account other attributes of the three proposed programs, which include the capability of being quickly implemented once approved by the Commission, and the flexibility to adapt as needed, if programs need improvement. Mr. Martin argued that by focusing attention on the TRC test, the OUCC was taking a position against low-income weatherization programs. He testified that Joint Petitioners are aware that low-income weatherization programs often produce TRC results less than 1.0 and therefore some would question whether such programs are cost-effective. According to Mr. Martin, if a TRC test were the sole determinant that qualifies programs, then it would have been prudent for the Joint Petitioners to exclude low-income weatherization from the proposed Energy Efficiency program. However, because the OUCC has recognized NIFL and Kokomo customers would benefit from low-income weatherization and would prefer that the amount of money allocated to this group be larger, Mr. Martin stated Joint Petitioners believe the overall Energy Efficiency program is better balanced if a low-income weatherization program is kept in the portfolio of programs, even though the inclusion of a weatherization program pulls down the overall TRC calculation.

Mr. Kirkham testified in rebuttal that both NIFL's and Kokomo's overall TRC results come in at 1.0. This means that the benefits of the programs are equal to the costs of the programs. He further testified that the Weatherization Programs come in at approximately 0.7, which means that the costs slightly outweigh the benefits of the programs. He stated that this was to be expected and is made up by other programs whose benefits outweigh the costs to get to the overall program TRC score of 1.0 as the composite score of all of the programs.

Mr. Kirkham provided information about rebates claimed by NIPSCO customers during the most recent four months, and observed that the NIPSCO results indicate a similar number of participants were seen in 2008. From this observation, he stated his belief that even in the current economic climate, energy efficiency appliances and equipment are still in demand and that customers are in a financial position to take advantage of the program offerings.

Mr. Kirkham explained why Joint Petitioners decided to implement only some of the NIPSCO programs. He stated that looking out over a longer term horizon, it is NIE's plan to propose to expand the program opportunities for NIFL's and Kokomo's EE Programs, along with NIPSCO's, in a subsequent filing. This way all three companies' programs can go out for bid at the same time and all three companies' programs will have similar program offerings, assuming that the offerings make sense in all of the territories. Mr. Kirkham noted that NIPSCO's gas programs expire April 2011. Even though this is not a long timeframe, he stated Joint Petitioners did not want to wait until April 2011 to begin to offer at least some of the NIPSCO programs to NIFL and Kokomo customers. Joint Petitioners decided to pursue approval of select programs that could be implemented quickly and demonstrate a significant level of customer savings. In doing so, Joint Petitioners chose the Prescriptive Rebate Programs, the Energy Education Programs and the Low Income Weatherization Programs. These programs were also the first programs offered in the NIPSCO territory during Program Year 1. Mr. Kirkham stated that one of the reasons these programs were offered first for NIPSCO, is the same reason here, in that these are some of the easiest and fastest programs to implement in a new territory.

Mr. Kirkham explained that programs were not offered to nonresidential customers in this filing because Joint Petitioners wanted programs to be up and running quickly since the programs will only be in effect for this filing through April 2011. He stated that Joint Petitioners intend to use the infrastructure already in place from NIPSCO's programs to help accomplish this. NIPSCO's programs currently being offered are only to residential customers and therefore all of the systems coding and program literature are only designed for a residential program offering. Mr. Kirkham testified that offering programs now to nonresidential customers would be more difficult and take a longer time to implement, so therefore it was decided to only offer programs at this time to residential customers.

Following the filing of rebuttal testimony on October 20, 2009, Joint Petitioners had discussions with the OUCC that resulted in Joint Petitioners filing an Unopposed Motion to Supplement Rebuttal Testimony. Mr. Kirkham explained that the purpose of his Supplemental Rebuttal Testimony was to discuss changes Joint Petitioners would like to make to their proposal, including (1) modification of certain program offerings, (2) updating the budgets and

TRC test scores associated with those changes, and (3) elimination of the ability of the Oversight Board to move funding dollars out of the Low Income Weatherization Program.

Mr. Kirkham testified that after discussions with the OUCC, Joint Petitioners decided to modify the Residential Prescriptive Rebate Program offerings to remove the following three programs being offered at this time:

- 90% AFUE Boiler
- .62 or Higher EF Water Heater
- Indirect DHW Tank Combo with Boiler

Mr. Kirkham explained that the TRC tests for the above prescriptive programs were at 1.0, which means that the benefits equal the costs of the programs as a portfolio of rebate programs being offered. In order to increase the cost effectiveness of overall prescriptive program offerings, Mr. Kirkham stated that Joint Petitioners would like to remove these selected programs from the offering because each of these programs have individual TRC test scores of less than 1.0.

Mr. Kirkham further testified that Joint Petitioners wanted to modify the Energy Efficiency Education Program. The original plan was to train 50 employees at each company. However, that number is now being reduced to 25 employees per company, with roughly half of the funds previously allocated to Employee Education moved into the NEF Elementary Education Program. The Employee Training Program is used to train Customer Service Representatives ("CSRs") and Operations employees. It was determined that since NIFL's and Kokomo's call center is based out of NIPSCO's call center, most of the CSRs have already received energy efficiency training through NIPSCO.

Mr. Kirkham sponsored Exhibit KK-S2, which updated the budget numbers for the programs now proposed to be offered by Joint Petitioners. Mr. Kirkham also sponsored Exhibits KK-S7 and KK-S8, which contained updated TRC tests for the revised program offerings. The revised TRC calculations include measurement and verification ("M&V") costs. Mr. Kirkham stated that Joint Petitioners agree that TRC scores typically should exceed one (1.0) before a proposed DSM measure or program is approved. However, because the portfolios proposed in this proceeding are short-term, sixteen-month pilot programs, because neither Joint Petitioner is seeking recovery of lost margins or incentives, and because there are M&V budgets in place and an Oversight Board that will monitor and re-evaluate the programs, Mr. Kirkham stated the Joint Petitioners believe that under these unique circumstances, no customers or members of the public will be harmed by allowing them to introduce programs with TRC scores that meet, but do not exceed, one (1.0) on a pilot program basis.

Mr. Kirkham concluded his supplemental rebuttal testimony by stating that he agreed with the OUCC's position that there are public policy interests that weigh in favor of continuing support for low-income programs at an agreed level, especially in light of current unemployment rates and economic challenges facing Indiana and the rest of the country. Therefore, although he continued to support the ability for program funds to be reallocated between programs with

Oversight Board approval, he stated he no longer supported reallocating funds from the Low-Income Weatherization Program to other programs.

At the November 2, 2009 hearing, Ms. Paronish testified that she reviewed Joint Petitioners' supplemental rebuttal testimony, and certain EE Programs initially proposed by Joint Petitioners were no longer included in Joint Petitioners' revised program portfolios. Ms. Paronish testified that she reviewed the TRC test results for Joint Petitioners' revised EE Programs. Ms. Paronish testified administrative and M&V costs are now allocated to the revised EE Programs that had not been allocated to the initially proposed programs.

6. <u>Commission Discussion and Findings</u>. The Commission found in Cause 43180 that:

> Rate design alternatives to traditional volumetric rate design offer solutions to declining usage and increasing demand for energy efficiency and conservation. However, decoupling is not energy efficiency. While a rate design that decouples a utility's fixed costs from the volume of gas sold relieves the utility from declining usage and lost margins, utilities should include measurable energy efficiency programs in their rate designs. For Citizens, Vectren, and NIPSCO, Indiana's three largest gas utilities, each has implemented energy efficiency programs involving an Oversight Board. Each Board oversees and evaluates the proposed energy efficiency programs, costs, and benefits.
>
> In general, we find that the parties' comments as they relate to addressing rate design in base rate cases to be reasonable. In the context of a rate case, parties, and ultimately this Commission, can address and thoroughly review issues regarding revenues, expenses, and cost of service. Further, we agree with the OUCC's comments that decoupling mechanisms clearly shift risk from the utility to ratepayers, and that reduction of risk should be considered in determining the appropriate return on equity of for-profit gas utilities.
>
> While the Commission need not standardize the type of decoupling used by utilities, any proposed mechanism must be fair and equitable to all customers. Based on the comments made by smaller gas utilities Midwest and Indiana Natural Gas, increased customer charges through a decoupling mechanism could make gas less competitive compared to other energy options. Decoupling may not be advantageous in some markets. The impacts of decoupling on ratepayers should be analyzed through a rate case with protective measures and conservation alternatives recommended.
>
> Going forward, the Commission finds that straight-fixed variable rate designs are attractive because they align basic cost causation principals of ratemaking. However, these designs do present concerns regarding rate shock and conservation efforts. Issues of rate shock could be tempered in a phased manner through a steady transition, reducing volumetric rate design by a fixed percentage in each rate case. This transition period would be consistent with

> Commission efforts to reduce inter-class subsidies, i.e., gradualism. The placement of efficiency or low-income assistance program charges on the higher usage block rates may be a reasonable means of designing intra-class subsidies while creating an inclining block rate structure conducive to conservation. All of these concerns should be addressed in the context of base rate cases.

In re Investigation on the Commission's Own Motion Into Rate Design Alternatives and Energy Efficiency Measures for Natural Gas Utilities, Cause 43180, at 10 (Oct. 21, 2009).

Joint Petitioners NIFL and Kokomo request approval of three EE Programs—Residential Energy Efficiency Rebates, Residential Low-Income Weatherization, and Energy Efficiency Education—that are modeled after programs currently operated by their affiliate, NIPSCO. However, Joint Petitioners did not make their request in the context of a rate case or seek approval of a decoupled rate structure. As such, Joint Petitioners' proposals appear to create potential benefits to certain participating ratepayers without sending accurate price signals through appropriate rate design, contrary to the Commission's findings in Cause 43180.

While Joint Petitioners' proposals are modest in scale, the Commission now finds that Joint Petitioners would be better-served by seeking to implement such programs in the context of a rate case that also addresses rate design. By doing so, Joint Petitioners' efforts to promote energy efficiency will be supported by the correct price signals to its customers. Accordingly, we hereby deny Joint Petitioners' request to approve the proposed programs. However, nothing in this Order precludes Joint Petitioners from offering programs, at shareholder expense, pending a new request for approval of such programs in the context of a rate case.

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

1. Joint Petitioners Northern Indiana Fuel and Light Company Inc. and Kokomo Gas and Fuel Company requested relief is hereby denied.

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

HARDY, ATTERHOLT, LANDIS, MAYS, AND ZIEGNER CONCUR:

APPROVED: MAR 31 2010

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission