

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR APPROVAL)
OF GDSM FACTORS FOR GAS SERVICE FOR) CAUSE NO. 44001 GDSM 1
THE MONTHS OF JULY THROUGH DECEMBER)
2012 IN ACCORDANCE WITH THE ORDER OF) APPROVED:
THE COMMISSION IN CAUSE NO. 44001.) JUN 27 2012

ORDER OF THE COMMISSION

Presiding Officers:

Kari A.E. Bennett, Commissioner

Loraine L. Seyfried, Chief Administrative Law Judge

On April 3, 2012, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed with the Indiana Utility Regulatory Commission (“Commission”) its initial semi-annual request for approval of Gas Efficiency Factors (“GDSM Factors”) for gas service to be effective for the period of July through December 2012. On April 3, 2012, Petitioner prefiled its case-in-chief. On May 11, 2012, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled its case-in-chief. Petitioner prefiled its rebuttal evidence on May 21, 2012. On May 25, 2012, the Presiding Officers issued a Docket Entry directing Petitioner to respond to questions, and Petitioner responded on May 29, 2012, with subsequent corrections filed on June 5 and June 7, 2012.

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 May 31, 2012 at 1:30 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the Hearing, NIPSCO’s and the OUCC’s evidence, including Petitioner’s responses to the Commission’s May 25, 2012 Docket Entry questions, were admitted into the record without objection. No members of the general public appeared or participated at the hearing.

Based upon the evidence presented and applicable law, 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 Indiana Code § 8-1-2-1, and is subject to the jurisdiction of the Commission. Therefore, the Commission has jurisdiction over the Petitioner and the subject matter of this proceeding.

2. Petitioner’s Characteristics. Petitioner is a public utility organized and existing under the laws of the State of Indiana, and its principal office is located at 801 East 86th Avenue, Merrillville, Indiana. Petitioner is engaged in rendering natural gas and 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. The plant and equipment is used for the distribution and furnishing of natural gas utility service to the public and for the generation, transmission, distribution and furnishing of electric utility service to the public within its assigned service territories.

3. **Background.** In this proceeding, Petitioner requests Commission approval of GDSM Factors for gas service for the months of July through December 2012 in accordance with the Commission's December 28, 2011 Order in Cause No. 44001 ("44001 Order"). In the 44001 Order, the Commission approved, among other things, Petitioner's proposed gas demand side management ("DSM") programs¹ and their projected budgets; request to recover all start-up, implementation (program), and administrative costs associated with the gas DSM programs; and request to modify the existing tracking mechanism previously approved in Cause No. 43051 to provide for semi-annual reconciliations to coincide with similar filings made for NIPSCO's electric DSM programs.

4. **Implementation of DSM Programs.** NIPSCO witness Kevin A. Kirkham provided a description of NIPSCO's gas energy efficiency programs to be offered beginning May 1, 2012. He also provided a status update for the programs, including the expected implementation schedule by program. NIPSCO is contemplating additional gas energy efficiency programs. He stated NIPSCO is planning to offer a Home Audit Program, School Energy Education Program and Low Income Weatherization Program in conjunction with GoodCents, the Third Party Administrator ("TPA") for the statewide Core electric DSM programs as approved in Phase II of Cause No. 42693. In preparing this filing, NIPSCO assumed GoodCents would provide these gas programs as well. Petitioner responded to the Presiding Officers' May 25, 2012 Docket Entry indicating that the Oversight Board approved GoodCents's proposal on May 25, 2012, and NIPSCO anticipates that the contract will be signed by August 1, 2012. Further, Petitioner has signed a contract that will enable Franklin Energy to offer the Commercial and Industrial programs. Opower has had its Conservation program contract in place since 2010, and the CLEAResult contract is expected to be signed by July 1, 2012.

5. **Recovery of Costs.** In its 44001 Order, the Commission approved NIPSCO's request to recover all start-up, program implementation and administrative costs associated with the gas DSM programs, along with costs associated with the evaluation, measurement and verification of those programs through Rider 472 – Energy Efficiency Rider. The Commission also approved the associated ratemaking treatment of those costs, including authority to defer certain expenses through the date of the 44001 Order for future recovery. On an ongoing basis, 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 GDSM Factors. 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.

¹ In this Order, the terms "DSM" and "energy efficiency" are used interchangeably.

NIPSCO witness Alison M. Becker explained that in this initial semi-annual filing, NIPSCO proposes the necessary and appropriate treatment of gas energy efficiency costs to implement NIPSCO's gas DSM programs as approved in the 44001 Order. Specifically, NIPSCO is proposing to implement the initial GDSM-1 filing by placing a set of factors into effect from July 1, 2012 to December 31, 2012, or until another approved set of GDSM Factors become effective. She stated the proposed factors are intended to capture all of the estimated costs associated with gas energy efficiency programs for this period, along with a portion of the deferred expenses.

Ms. Becker described NIPSCO's proposal to recover the expenses for which deferred accounting treatment was approved in the 44001 Order. She testified that deferred expenses for which accounting treatment was approved in the 44001 Order were incurred between March 1, 2011 (the date NIPSCO's petition was filed in Cause No. 44001) and December 28, 2011 (the date of the 44001 Order), and totaled \$304,813. She stated NIPSCO proposes to recover those deferred expenses over twelve months, from July 1, 2012 through June 30, 2013.

Mr. Kirkham sponsored Schedule 1, which shows a breakdown of projected costs for the recovery period being requested. He stated the projected program costs include forecasted expenses from July 2012 through December 2012. The costs also include forecasted expenses from March 2012 for Conservation and April 2012 for Commercial and Industrial programs approved in Cause No. 44001. He testified that the estimated program costs and forecasts were based on the best available information at the time of the filing in this Cause. Mr. Kirkham testified that the estimated costs also include recovery of approximately one-half of the deferred expenses approved by the 44001 Order. The amount of deferred expenses to be recovered in this filing is \$152,407.

6. Reconciliation of Estimated and Actual Expenses and Revenue. Ms. Becker testified that the GDSM Factors proposed in the next semi-annual filing will recover projected costs from January 1, 2013 to June 30, 2013. It will also reconcile collections from Program Year 5 (May 2011 through April 2012) of the gas programs approved in Cause No. 43051 and continued under Cause No. 43894, as well as actual expenses for May and June 2012 of the gas DSM programs approved in the 44001 Order. She stated that this will allow NIPSCO to transition from the annual factor update utilized under Cause No. 43051 to the semi-annual process approved by the 44001 Order. As part of this transition, NIPSCO will reconcile the collections for Program Year 5 after the close of the program year, which will not occur in time to be included in this filing. Therefore, NIPSCO will reconcile those collections in the factor that goes into effect on January 1, 2013. She stated that going forward, reconciliation of estimated and actual costs will always be lagging by one period in a manner similar to that used in NIPSCO's electric DSM adjustment filings.

OUC witness Bradley E. Lorton supported NIPSCO's efforts to better integrate and coordinate its gas and electric DSM programs but said the information NIPSCO used to estimate its projected costs for gas DSM programs it plans to offer needs to be updated. He testified that while the difference should not impact the proposed GDSM Factors in this proceeding, it can be expected to impact the calculation of projected and actual future energy savings from NIPSCO's joint gas and electric DSM programs. Mr. Lorton recommended that all planning assumptions

for this six-month reconciliation period should be finalized soon to: (1) better gauge the cost effectiveness of Petitioner's current gas DSM portfolio, (2) increase the accuracy of information used to set GDSM Factors during the next six-month reconciliation period, and (3) adjust for past over- or under-collections by NIPSCO as actual data replaces earlier estimates used to calculate NIPSCO's current and past GDSM Factors.

Ms. Becker responded to Mr. Lorton's concern about the planning assumptions utilized for the six-month reconciliation period. She stated that NIPSCO continues to work closely with the Oversight Board to finalize various program offerings. Ms. Becker pointed out that while Mr. Lorton is correct that information has evolved since the filing, NIPSCO works diligently to obtain Oversight Board approval of these various items and all of the contracts will likely be in place by the next factor filing. Furthermore, she noted that the reconciliation process requires NIPSCO to adjust for any under- or over-collections so NIPSCO's ratepayers will only pay for the cost of the programs that have been offered. She stated that as contracts are finalized, the planning assumptions will only be improved, but the reconciliation process protects the customers.

OUCC witness Sherry L. Beaumont testified about the timing of the reconciliation of prior program expenditures and cost recovery for gas DSM programs approved in Cause Nos. 43051 and 43894, which would not occur until after the GDSM Factor proposed in this proceeding is approved and implemented. She also testified regarding her concern that the remainder of the deferred expenses approved in Cause No. 44001 will be recovered under Petitioner's next GDSM filing (effective January 1, 2013 through June 30, 2013).

Ms. Becker testified NIPSCO does not plan to reconcile these amounts in a way different from other expenses. NIPSCO is not reconciling prior program expenditures and cost recovery in this filing because the previous program year was not complete. Thus, NIPSCO did not have the information needed to perform a complete reconciliation. She stated the reconciliation of prior program expenditures will be handled the same way as those for the current programs, and NIPSCO will provide detailed information regarding anticipated expenditures and cost recovery as well as actual expenditures and revenue collections. She said this data will be shown on Schedule 1 of NIPSCO's exhibits filed in support of the semi-annual factor filing, with actual program expenditures by month shown in the workpapers that are filed with the Commission and provided to the OUCC.

Ms. Beaumont proposed that after the reconciliation is completed, Petitioner should file a confirmation of the results with supporting documentation for all computations showing how any over- or under-recovery in the reconciliation results will be factored into Petitioner's next semi-annual GDSM Factor. Also, all supporting documentation and workpapers for each future reconciliation period should be filed at the same time NIPSCO files each GDSM petition. Ms. Beaumont testified that the additional documentation should include: (1) monthly sales reports divided by rate class, the dekatherms per rate class, and the number of customers in each rate class by month; (2) identify the rates (e.g., 411, 421) that make up each rate class for NIPSCO's residential and commercial and industrial rate classes; (3) supporting documents used in estimating the dekatherms per rate class on a going-forward basis; and (4) copies of vendor

invoices, including dates, dollar amounts, and accurate descriptions of goods and services covered by each invoice, to support and reconcile all expenses in subsequent semi-annual filings.

Ms. Becker testified that NIPSCO welcomes the opportunity to provide the information requested by the OUCC. NIPSCO intends to provide the monthly sales reports, along with a schedule of the rates for each rate class (residential and commercial and industrial), supporting documents used in estimating the dekatherms per rate class, and copies of invoices to support and reconcile all expenses. She stated NIPSCO will also continue to work with the OUCC to provide any additional information that is helpful in its analysis.

7. **Resulting GDSM Factors.** NIPSCO witness Curt A. Westerhausen testified that the calculations of the proposed GDSM Factors were prepared in conformity with the 44001 Order. He said the costs are allocated by program to the individual rate classes eligible to participate in the program and are based on the number of customers in each eligible class. In future filings, any program reconciliation amounts will be treated the same as program costs and allocated by program to the individual, eligible rate classes. Once the program dollars have been allocated to the rate classes and a reconciliation of revenue collection performed, the GDSM Factors are then calculated by dividing the cost per rate class by the respective forecasted usage. The resulting GDSM Factors are then adjusted to reflect Utility Receipts Tax on Retail Sales. Mr. Westerhausen sponsored Exhibit 2 attached to the Verified Petition, which shows the calculation of the proposed GDSM Factors as follows:

Residential Service: Rate 411

(with associated Rate 451, Rider 480 and Rider 481)

A charge of \$0.023290 per therm per month

Multiple Family Housing Service: Rate 415

(with associated Rate 451, Rider 480 and Rider 481)

A charge of \$0.014898 per therm per month

General Service: Rates 421 and 425

(with associated Rate 451, Rider 480 and Rider 481)

A charge of \$0.009936 per therm per month

Pursuant to Indiana Code § 8-1-2-42, the resulting GDSM Factors will become effective for the beginning of the first billing cycle for the billing month of July 2012. The estimated average monthly bill impact for a typical residential customer using 72 therms per month is \$1.67.

Mr. Lorton recommended approval of Petitioner's requested GDSM Factors for the second half of this calendar year, from July 1 through December 31, 2012.

8. Other Issues. Mr. Lorton testified Petitioner's filing does not include any evidence on the annual gas usage savings NIPSCO expects to achieve under its expanded gas DSM program portfolio. He recommended that savings goals be finalized as soon as possible because they are key indicators of program performance. He stated that the advance setting of goals and close monitoring of cost-benefit test results will help ensure the success of NIPSCO's new gas DSM program portfolio and will increase the transparency and accountability of program plans and budgets and the cost-effectiveness of achieved results.

In response to Mr. Lorton's recommendation and the Presiding Officers' May 25, 2012 Docket Entry requesting the same information, on June 6, 2012, Petitioner filed gas savings goals by program and year, including program budgets. Petitioner also provided a more detailed explanation of how the therm bank will operate. In essence, the therm bank allows gas utilities to purchase the gas savings created by the electric Core DSM programs. This allows utilities to offer one integrated gas and electric DSM program, instead of identical but separate gas and the electric offerings, thus reducing customer confusion and cost inefficiency.

Mr. Lorton testified the changes in GoodCents's estimations regarding overlap in NIPSCO's service territory could be expected to impact the calculation of projected and actual future energy savings from NIPSCO's joint gas and electric DSM programs.

Ms. Becker responded by explaining how that overlap is utilized. She stated that in developing its projections, GoodCents looked at the electric companies from which each of the gas utilities would purchase savings. As Mr. Lorton states, GoodCents originally estimated that NIPSCO's gas company would purchase 75% of its savings from NIPSCO's electric company. After obtaining better data, GoodCents revised that number to reflect that 46.5% of the savings would be purchased from NIPSCO's electric company, with the rest coming from other jurisdictional electric utilities. Ms. Becker stated that this update in no way impacts the calculation of the projected or actual savings; it merely changes the source of the therms purchased by NIPSCO's gas company.

9. Commission Discussion and Findings. Based on the evidence presented in this Cause, the Commission approves Petitioner's proposed GDSM Factors. For each future reconciliation period, Petitioner shall also file all supporting documentation and workpapers as described by the OUCC at the time Petitioner files each GDSM petition and supporting testimony.

With respect to the issue of savings goals, in our 44001 Order we stated, "In its next Petition concerning its gas DSM programs, NIPSCO shall present evidence regarding an annual gas usage savings goal" 44001 Order at 25. In response to the Presiding Officers' May 25, 2012 Docket Entry Petitioner provided gas savings goals by program and year, including program budgets. According to Exhibit IURC 1-004 Revised Attachment A filed with the Commission on June 7, 2012, the savings goals and budgets are as follows:

	2012	2013	2014
Forecast (Budget)	\$9,399,039	\$9,050,691	\$9,138,133
Gross Savings (therms)	4,042,074	4,872,966	5,141,177
Net Savings (therms)	3,741,637	4,517,753	4,756,310

The Commission finds that these updated savings goals filed by Petitioner shall be used as a benchmark to evaluate gas DSM program results.

10. Procedural Schedule for Future Filings. At the hearing, the parties presented an agreed procedural schedule for subsequent GDSM tracker proceedings. We find Petitioner's and the OUCC's agreed proposal for future filings to be reasonable and should be approved. Accordingly, we find that the following procedural schedule shall apply for future filings in Cause No. 44001-GDSM-X, eliminating the need to conduct prehearing conferences in NIPSCO's future semi-annual GDSM tracker filings under the 44001 Order:

- (a) Petitioner will file its case-in-chief (including a verified petition, proposed tariff revisions and supporting testimony) and provide the OUCC and any Intervenors with copies of all supporting workpapers no less than three months before the effective date of Petitioner's next semi-annual GDSM tariff update. Petitioner's case-in-chief will not be considered complete until all items listed above are filed (or, in the case of workpapers, submitted).
- (b) The OUCC and any Intervenors will file their cases-in-chief approximately six weeks (forty-two days) after Petitioner files its completed case-in-chief;
- (c) Petitioner will file its rebuttal testimony (if any) approximately ten calendar days after the OUCC and any Intervenors file their respective cases-in-chief;
- (d) Unless otherwise agreed to by the parties, NIPSCO will use best efforts to provide the OUCC a draft proposed order three business days in advance of the evidentiary hearing and the OUCC will use best efforts to review and provide comments on the proposed order at or before the hearing;
- (e) Any response or objection to a discovery request should be made within three business days of the receipt of such request;
- (f) The parties will utilize electronic service for all filings and all discovery requests and responses; and

- (g) An evidentiary hearing will be held approximately sixty days after Petitioner files its completed case-in-chief, with a proposed order submitted as soon thereafter as possible, to facilitate Commission issuance of an order within thirty days.

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

1. The Verified Petition of Northern Indiana Public Service Company for approval of GDSM Factors, as set forth in Finding No. 7 above, shall be and is hereby approved.
2. The procedural schedule for future GDSM Factor filings shall be as set forth in Finding No. 10 above.
3. Northern Indiana Public Service Company shall file with the Commission under this Cause, prior to placing in effect the GDSM 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.
4. 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**