

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR APPROVAL)
OF GAS EFFICIENCY FACTORS FOR GAS)
SERVICE FOR THE MONTHS OF JANUARY)
THROUGH JUNE 2013 IN ACCORDANCE WITH)
THE ORDER OF THE COMMISSION IN CAUSE)
NO. 44001.)

CAUSE NO. 44001 GDSM 2

APPROVED: DEC 27 2012

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 second semi-annual request for Commission approval of Gas Demand Side Management Factors (“GDSM Factors”) for gas service to be effective for the period of January through June 2013. On September 28, 2012, Petitioner prefiled its case-in-chief, including direct testimony, workpapers, and exhibits supporting the proposed GDSM Factors and the underlying costs for which cost recovery is requested. On October 31, 2012, NIPSCO filed corrected testimony, exhibits, and workpapers. On November 20, 2012, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony of Sherry L. Beaumont. On December 6, 2012, the Commission issued a docket entry directing Petitioner to respond to questions. Petitioner responded on December 10, 2012. On December 10, 2012, NIPSCO filed a correction to Mr. Kirkham’s testimony.

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., in Room 222, 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 Energy Systems.** 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 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 used for the distribution and furnishing of natural gas utility service to the public and to 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 January through June 2013 in accordance with the Commission's December 28, 2011 Order in Cause No. 44001 ("44001 Order"). In that Order, the Commission approved, among other things, Petitioner's (1) proposed gas programs and projected budgets ("Current Gas Programs"); (2) request to recover all start-up, implementation (program) and administrative costs associated with the Current Gas Programs, along with costs associated with the evaluation, measurement and verification of those programs through Rider 472 – Energy Efficiency Rider, including associated ratemaking treatment of those costs and authority to defer certain expenses through the date of the 44001 Order for future recovery under Rider 472; (3) request to modify the tracking mechanism for the gas efficiency programs approved by the Commission in its May 9, 2007 Order in Cause No. 43051 ("43051 Order") and continued under Cause No. 43894 (the "43051 Gas Programs") to provide for semi-annual reconciliations to coincide with similar filings made for NIPSCO's Electric Demand Side Management ("DSM") programs; and (4) request to implement Rider 472 – Energy Efficiency Rider, Appendix A – Applicable Riders, and Appendix C – Gas Efficiency Factor.

4. **Implementation of DSM Programs.** NIPSCO Witness Kevin A. Kirkham provided a description of and status update on NIPSCO's gas energy efficiency programs offered beginning May 1, 2012. He testified NIPSCO is contemplating additional gas energy efficiency programs. He stated NIPSCO is planning to offer a Home Energy Assessment Program, a School Energy Education Program and an Income Qualified Weatherization Program for NIPSCO's electric and gas combination customers in conjunction with the statewide Core electric programs as approved in Phase II of Cause No. 42693 ("Phase II Order"). He stated that in addition, the Demand Side Management Coordination Committee ("DSMCC"), charged with implementing the Phase II Order, is working with GoodCents to provide these programs to gas customers throughout Indiana (for gas companies electing to participate in the program). It is anticipated that these programs will be available statewide in January 2013. Mr. Kirkham stated that in preparing this filing, NIPSCO assumed GoodCents would provide these gas programs throughout NIPSCO's service territory beginning in January 2013, and that NIPSCO is suggesting other changes to its programs. He stated that as a carve-out to its existing Energy Efficiency Rebate program, NIPSCO is exploring the possibility of allocating funding to a direct install program for pre-rinse spray valves in non-transport only customer correctional facilities in 2013. He also stated that NIPSCO is working with CLEAResult and the NIPSCO Oversight Board on this change and, if approved by the Oversight Board and the Commission, NIPSCO will allocate costs across participating customer classes going forward in the next GDSM filing. At the evidentiary hearing, Mr. Kirkham clarified that NIPSCO decided not to move forward with the program change for the next program period. He stated that, as NIPSCO designs programs for 2013, it may add a direct install program for pre-rinse spray valves in non-transport only customer foodservice establishments to its Commercial and Industrial ("C&I") Custom Program. He stated no changes are needed to the cost allocations and NIPSCO will work with its Oversight Board on any reallocation of funds.

5. **Recovery of Costs.** In its Cause No. 44001 Order, the Commission approved

NIPSCO's request to recover all start-up, program implementation and administrative costs associated with the Gas Programs, along with costs associated with the evaluation, measurement and verification of those Programs through Rider 472 – Energy Efficiency Rider, including authority to defer certain expenses through the date of the Cause No. 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 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.

NIPSCO Witness Alison M. Becker explained that in this semi-annual filing, NIPSCO proposes the necessary and appropriate treatment of gas energy efficiency costs to implement NIPSCO's Current Gas Programs. Specifically, NIPSCO is proposing to implement this filing by placing a set of factors into effect for the period January 1, 2013 through June 30, 2013, or until such time as another set of GDSM Factors becomes effective. She stated the proposed factors are intended to capture all of the estimated costs associated with the Current Gas Programs for the period January 1 through June 30, 2013 and to reconcile (1) expenditures for the period May 1, 2007 through June 30, 2012 for all of Program Years 1 through 5 for the 43051 Gas Programs (which ended April 30, 2012) plus the two month transition to the current semi-annual filing process for the residential programs provided by CLEAResult included in the Current Gas Programs (which began May 1, 2012) and (2) collections for the period May 1, 2011 through June 30, 2012. She stated the expenditures and collections for the period May 1, 2012 through June 30, 2012 for the C&I programs included in the Current Gas Programs (which began May 1, 2012) are not reconciled in this proceeding because there was no C&I factor in effect during that period. She noted that as a result, a reconciliation of the C&I expenditures and collections for the period May 1, 2012 through June 30, 2012 as well as any deferred costs related to startup of the C&I programs will be included in the GDSM-3 filing (factors going into effect from July 1, 2013 through December 31, 2013).

Ms. Beaumont stated the OUCC is not opposed to this procedural change and believes it is beneficial to all parties to reconcile the expenses with the collections of the C&I programs in the GDSM-3.

Ms. Becker described how NIPSCO is recovering expenses for which deferred accounting treatment was approved in the Cause No. 44001 Order. She testified that the deferred expenses 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 Cause No. 44001 Order) and totaled \$304,813. She stated that in Cause No. 44001-GDSM-1, the Commission approved NIPSCO's proposal to recover those deferred expenses over twelve (12) months, from July 1, 2012 through June 30, 2013.

Mr. Kirkham sponsored Schedule 1 showing a breakdown of projected and reconciled costs by program for the recovery period being requested. He stated the projected program costs include forecasted expenses from January through June 2013. He testified the estimated program costs are NIPSCO's best estimates at this time for the costs that will be incurred for the period January through June 2013. Mr. Kirkham testified the estimated costs also include recovery of approximately one-half of the deferred expenses approved by the Cause No. 44001 Order. He stated the amount of deferred expenses to be recovered in this filing is \$152,406.

6. **Reconciliation of Estimated and Actual Expenses and Revenue.** Mr. Kirkham testified the proposed GDSM Factors recover projected costs from January 1, 2013 through June 30, 2013 and the reconciliation of costs from May 2007 through June 2012 collections from Program Year 5 (May 2011 through April 2012) of the 43051 Gas Programs.

Mr. Kirkham identified four adjustments to the total expenditures for this filing, (1) NIPSCO removed \$16,992 in expenses that were incorrectly coded to NIPSCO's gas DSM Program; (2) NIPSCO removed \$147,101 of expenditures relating to the C&I programs approved in Cause No. 44001 (which began May 1, 2012) that are not reconciled in this proceeding because there was no C&I factor in effect during that period; (3) NIPSCO removed \$5,373 in payroll expenses that were incorrectly coded to NIPSCO's gas programs; and (4) NIPSCO removed \$304,813 of expenditures for deferred costs related to startup of residential programs that were included in GDSM-1 and will be included for reconciliation in the GDSM-2 filing.¹ NIPSCO over-collected during the time period of May 1, 2007 through June 30, 2012, which is being credited back to customers in the calculation of the proposed GDSM factors in this filing.

Mr. Isensee testified reconciliation in this filing includes expenditures for the period of May 1, 2007 through June 30, 2012 for all of Program Years 1 through 5 for the 43051 Gas Programs in addition to the two month transition to the current semi-annual filing process for the residential programs provided by CLEAResult included in the Current Gas Programs.

7. **Resulting GDSM Factors.** NIPSCO Witness Derric J. Isensee testified the calculations of the proposed GDSM Factors were prepared in conformity with the Cause No. 44001 Order. Mr. Isensee testified the program costs as well as program reconciliation amounts are allocated to the individual rate classes eligible to participate in the program and based on the number of customers in each class. 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. Isensee sponsored Revised Exhibit 2 to the Verified Petition showing 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 \$0.014923 per therm per month

Multiple Family Housing Service: Rate 415

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

A charge of \$0.008253 per therm per month

General Service: Rates 421 and 425

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

A charge of \$0.004753 per therm per month

¹ \$152,307 was recovered in GDSM-1, and \$152,306 is approved for recovery in this Order for GDSM-2.

Pursuant to Ind. Code § 8-1-2-42(a), the resulting GDSM Factors will become effective for the beginning of the first billing cycle for the billing month of January 2013. The estimated average monthly bill impact for a typical residential customer using 72 therms per month is \$1.07, which is a \$0.60 decrease over what a customer would pay today using the current GDSM Factors.

Ms. Beaumont testified that based on her review of NIPSCO's testimony, exhibits, workpapers and supporting documentation the OUCC accepts NIPSCO's proposed GDSM-2 factors.

8. Other Issues. Ms. Becker described NIPSCO's proposed changes to the reporting requirements set out in the Commission's Cause No. 44001 Order. She testified the Cause No. 44001 Order states that NIPSCO shall continue to comply with the reporting requirements established in the May 24, 2011 Docket Entry issued in Cause No. 43051 which requires, among other things, for NIPSCO to file: (1) an annual operating plan and quarterly updates on performance; (2) an annual final year report (including an annual audit); and (3) annual evaluation, measurement and verification results. She stated NIPSCO proposes to eliminate the requirement for the annual audit. Ms. Becker explained that the annual audit requirement from the Cause No. 43051 Order was important when the Energy Efficiency factor was updated annually through a 30-day filing instead of a fully docketed proceeding as it is now. She stated that NIPSCO's GDSM is now filed semi-annually with participation by the OUCC and other interested parties and includes a full reconciliation method consistent with other Commission-approved tracking mechanisms. She stated that, in GDSM-1, NIPSCO agreed to provide additional documentation as part of its GDSM filings to address the same issues previously addressed in the annual audit to allow the OUCC and any other interested parties the mechanism to audit NIPSCO's program performance. She noted that because it is provided semi-annually, it is an improvement over the annual audit.

Ms. Becker stated that NIPSCO discussed the concept with its Oversight Board which was supportive of this change. She stated NIPSCO plans to have additional conversations with the OUCC and to share the outcome of those discussions with the Citizens Action Coalition on what information to provide and how best to provide that information as part of the semi-annual filing process. Ms. Becker stated that NIPSCO's proposal does not impact the audit of Program Year 5 of the 43051 Gas Programs. She stated NIPSCO engaged the London Witte Group to perform the audit of Program Year 5 and will file those results with the Commission as it has done in previous years.

Ms. Beaumont testified the OUCC accepts the elimination of the annual audit but recommended NIPSCO be required to provide additional supporting documentation to be filed with Petitioner's case-in-chief. This supporting documentation includes:

- (1) Monthly sales reports broken down by rate class, the dekatherms per rate class, and the number of customers in each rate class by month;
- (2) Identify the rates (i.e. 411, 421, etc.) that make up each rate class for NIPSCO's residential rate class and its commercial and industrial rate classes;
- (3) All supporting documents used in estimating the dekatherms per rate class on a going-forward basis; and

(4) Copies of all vendor invoices (along with 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.

At the evidentiary hearing, NIPSCO indicated it was agreeable to the provision of the documentation Ms. Beaumont requested.

9. **Commission Findings.** The evidence presented in this Cause supports approval of Petitioner's proposed GDSM Factors, and those factors should be approved. The Commission would note, however, that while NIPSCO filed amended testimony in response to the Commission's Docket Entry, it did not submit complete revisions to its testimony to address all of the changes that should have been made, which required additional changes to testimony during the hearing. Given the expedited nature of tracker proceedings, it is incumbent on the petitioning utility to thoroughly review its request before filing, and we expect future filings to reflect a better effort in that regard.

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.

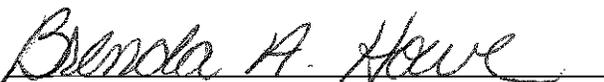
2. Northern Indiana Public Service Company shall file with the Gas Division of this Commission, prior to placing in effect the GDSM Factors herein approved, a separate amendment to its rate schedules with a reasonable reference therein reflecting that such charge is applicable to all of its filed rate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