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 THE MONTHS OF JANUARY THROUGH JUNE 2014 IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 44001.	) CAUSE NO. 44001 GDSM 4)) APPROVED: DEC 30 2013

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
Aaron A. Schmoll, Senior Administrative Law Judge

On September 26, 2013, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") filed its semi-annual request for Commission approval of Gas Efficiency Factors ("GDSM Factors") for gas service to be effective for the period of January through June 2014. On September 27, 2013, Petitioner prefiled its case-in-chief, including direct testimony, exhibits and workpapers supporting the proposed GDSM Factors and the underlying costs for which Petitioner requests cost recovery. On November 6, 2013, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Sherry L. Beaumont.

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 5, 2013 at 9:30 a.m., in Room 224 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. 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 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). Under Indiana Code § 8-1-2-42, the Commission has jurisdiction over changes in Petitioner's schedules of rates and charges. 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.** 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 renders 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 used for the distribution and furnishing of natural gas utility service to the public.

3. **Background.** In this proceeding, Petitioner requests Commission approval of GDSM Factors for gas service for the months of January through June 2014 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:

(A) proposed gas efficiency/demand side management programs and projected budgets ("Gas Programs");

(B) request to recover all start-up, implementation (program) 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 associated ratemaking treatment of those costs, including authority to defer certain expenses through the date of the 44001 Order for future recovery under Rider 472;

(C) request to modify the tracking mechanism for the gas efficiency programs approved by the Commission in Cause No. 43051 and continued under Cause No. 43894 to provide for semi-annual reconciliations to coincide with similar filings made for NIPSCO's electric Demand Side Management ("DSM") programs; and

(D) 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 Victoria A. Vrab, Director of Demand Side Management Programs for NIPSCO, provided a description of and a status update on NIPSCO's gas energy efficiency programs through June 2013 as follows:

> The Residential Energy Efficiency Rebate Program. The program struggled during 2012 to achieve the desired penetration in a variety of areas and NIPSCO, the oversight board ("OSB") and CLEAResult worked to make program adjustments, which have been effective.
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> The Residential Home Weatherization Program. The program has traditionally relied on the home audit program to provide a complement to the incentives offered through this program. However, with home energy assessments ("HEAs") now being provided through the Core program, CLEAResult needed to adjust its delivery model. As such, a revised Weatherization pilot rolled out in July 2013. This pilot provides a less comprehensive home audit, and is specifically marketed to customers looking to install weatherization measures (rather than those looking for the assessment and direct-install measures provided by the HEA). NIPSCO, CLEAResult and the OSB will monitor this pilot and make determinations how best to handle the program in 2014.
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> The Residential New Construction Program. The program has been adversely affected by the slow recovery in the housing market and therefore ran short of its projected savings goals for 2012. Based on feedback from program participants, NIPSCO and the OSB approved a new structure that went into effect on July 1, 2013 to simplify the program for greater understanding on the part of builders. Through June 30, 2013 the program had achieved 11% of its goal. The new structure has been successful, with the program achieving 34% of its annual goal through July 2013. The program is now on track to meet its goals for 2013. NIPSCO will continue to look for ways to encourage builder participation, but is pleased with the improvement the new structure has generated.

The Residential Multifamily Direct Install Program. The program was highly successful in 2012 so the OSB approved moving budget dollars and savings goals from the Residential New Construction Program and the Energy Efficiency Rebate Program to the Multifamily Direct Install Program. For the remainder of 2013, NIPSCO looks to continue providing this well-received program to apartment complexes as well as manufactured (mobile) homes. Through June 30, 2013 the program is at 31% of its goal, and NIPSCO anticipates the targeted savings will be achieved.

The Energy Conservation Program. The program has achieved 27% of its targeted savings for the year. While low, NIPSCO forecasts meeting the goal because gas conservation savings increase during the heating season.

Home Energy Assessment Program, School Energy Education Program, and Income Qualified Weatherization Program. These programs were at 38%, 37% and 69% of goal, respectively. NIPSCO continues to work with other electric utilities to offer these joint programs for NIPSCO customers.

Commercial and Industrial ("C&I") Incentive Program. During September 2012, an aggressive outreach was launched in an effort to spur further enrollment of eligible customers in the C&I Incentive Program. Franklin Energy continues to enroll the customers into the program. However, due to the lag in project completion time, the savings installed that NIPSCO was able to report thus far was far lower than the enrolled goal. NIPSCO created a "pipeline" of anticipated savings to better align the program expectations. NIPSCO has implemented a Small Business Direct Install ("SBDI") component of this program. The SBDI is being used to penetrate the small commercial customer market because small commercial customers do not have the expertise, time or available capital to make efficiency upgrades. This approach provides all aspects of lighting and other direct install measures for the customer and virtually eliminates the barriers of participant hassle and search costs. With the addition of the SBDI component, the C&I Incentive Program is expected to reach more customers, increase savings, and, most importantly, encourage those customers to participate in additional energy efficiency offerings.

The Commercial New Construction Incentive Program. The program exceeded its energy savings goal in 2012 based on enrollments, but did not achieve its goals if project completions are considered. Due to project lead times, no projects were completed during 2012, but there has been success in 2013. Through June 30, 2013, the program has achieved 39% of its goal. Projects from 2012 that are still in progress show a potential savings of approximately 30,000 therms and additionally, those from 2013 that are still in progress show a potential savings of approximately 34,000 therms.

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 Programs, along with costs associated with the evaluation, measurement and verification of those Programs through Rider 472–Energy Efficiency Rider. The 44001 Order approved 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, and recovery will be over a six-month period to coincide with the estimation period. Reconciliation of actual expenditures will be made in a subsequent semi-annual filing.

Ms. Vrab discussed the costs NIPSCO included in its factor calculations. She sponsored Schedule 1 of Exhibit 1 attached to the Company's Verified Petition, which shows a breakdown of projected and reconciled costs for the recovery period of January through June 2014 for the programs approved by the Commission and NIPSCO's OSB. NIPSCO's immediate request reconciles costs incurred from January through June 2013 and includes projected costs for January through June 2014. Ms. Vrab testified the projected amounts for the period January through June 2013 were $6,835,373 and the actual expenses during this period were $2,950,334 resulting in an over-recovery of $3,885,039. She explained that the majority of that over-collection is associated with the under-performance of four (4) programs: the Residential Home Weatherization Program, the Residential Home Energy Assessment Program, the Commercial and Industrial ("C&I") Gas Incentive Program, and the Residential Income Qualified Weatherization Program.

6. <u>Reconciliation of Projected and Actual Expenses and Revenue</u>. Ms. Vrab testified that NIPSCO's estimates include reconciliation. She stated the proposed GDSM Factors recover projected costs from January through June 2014 and reconcile revenue for the period January through June 2013. Ms. Vrab testified that because NIPSCO has recently expanded its expenditures on gas DSM and moved to a semi-annual tracker, the Company continues to work toward the best way to forecast costs. Because the costs are ultimately reconciled, NIPSCO is using the known costs of the same time period in 2013 to project costs for the same time period in 2014.

Ms. Vrab provided an explanation of the workpaper supporting Schedule 1. She stated that Workpaper VAV-1 is the work product that feeds into Schedule 1 showing the actual costs incurred from January through June 2013 reconciled against the prior forecast for the same period and includes projected expenses for the period January through June 2014.

7. <u>Resulting GDSM Factors</u>. NIPSCO Witness Derric J. Isensee, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department for NIPSCO, discussed the calculation of NIPSCO's proposed GDSM Factors. He testified the calculations of the proposed GDSM Factors were prepared in conformity with the 44001 Order. He sponsored Schedules 2, 3 and 4 to the Verified Petition showing (1) the allocation of Gas Program expenditures to each rate class, (2) the previous period reconciliation, and (3) the calculation of the proposed GDSM Factors. Mr. Isensee explained that the GDSM Factors are calculated by allocating the projected costs by program to the individual rate classes based on the number of customers in each eligible class. He stated that, once NIPSCO allocates the program expenditures to the individual rate classes, and it has performed a reconciliation of revenue collection, NIPSCO then calculates the GDSM Factors by dividing the cost per rate class by the respective forecasted usage. He stated that NIPSCO then adjusts the resulting GDSM Factors to reflect Utility Receipts Tax on Retail Sales.

Additionally, Mr. Isensee sponsored Exhibit 2 to the Verified Petition, which shows the calculation of the proposed GDSM Factors to become effective for the beginning of the first billing cycle for the billing month of January 2014. According to Mr. Isensee, the Factors are as follows:

Residential Service: Rate 411
(with associated Rate 451, Rider 480 and Rider 481)

A credit of $0.006761 per therm per month

Multiple Family Housing Service: Rate 415
(with associated Rate 451, Rider 480 and Rider 481)

A credit of $0.004623 per therm per month

General Service: Rates 421 and 425
(with associated Rate 451, Rider 480 and Rider 481)

A credit of $0.002692 per therm per month

Mr. Isensee said the estimated average monthly bill impact for a typical residential customer using 72 therms per month is a $0.49 credit. He noted this is a $1.54 decrease per month when compared to what a customer would pay today using the current GDSM Factors.

Ms. Beaumont testified that based on her review of NIPSCO's evidence and supporting documentation, the OUCC confirmed the calculations and recommended approval of NIPSCO's proposed GDSM 4 factors.

8. Commission Findings. Based on the evidence presented in this Cause, the Commission approves Petitioner's proposed GDSM Factors.

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

1. The Verified Petition for approval of GDSM Factors, as set forth in Paragraph No. 7 above, is hereby approved.

2. Northern Indiana Public Service Company shall file with the Commission, under this Cause, a separate amendment to its rate schedules with a reasonable reference to reflect that such charge is applicable to all of its filed rate schedules, as shown in Revised Exhibit 2 to the Verified Petition, prior to placing in effect the GDSM Factors as approved.

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

ATTERHOLT, MAYS, AND ZIEGNER CONCUR; LANDIS ABSENT:
APPROVED: DEC 30 2013

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