ORIGINAL

ARW

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 2015 AND CONTINUED ACCOUNTING AUTHORITY IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 44001.	)))))))	**CAUSE NO. 44001 GDSM 6** **APPROVED:** DEC 30 2014

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On September 29, 2014, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") filed its semi-annual request for Indiana Utility Regulatory Commission ("Commission") approval of Gas Demand Side Management Factors ("GDSM Factors") for gas service to be effective for the period of January through June 2015. NIPSCO also requested continued authority to defer the over- and under-recoveries of projected program costs ("Program Costs") incurred implementing the DSM programs prior to the time the Commission issues an order authorizing Petitioner to recognize these costs through the ratemaking process. On September 30, 2014, 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 10, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled its testimony and supporting schedules.

On December 4, 2014, the Presiding Officers issued a Docket Entry requesting responses from Petitioner. On December 5, 2014, Petitioner filed its response.

The Commission conducted a hearing on December 10, 2014, 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 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 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 Ind. 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 has 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.** On May 9, 2007, the Commission issued an Order in Cause No. 43051 approving NIPSCO's proposed gas energy efficiency programs (the "43051 Programs") and their associated budgets, authority to recover associated start-up, implementation, and administrative costs along with costs associated with the evaluation, measurement, and verification of those programs through an Energy Efficiency Rider (now Rider 472 and Appendix C) (with estimated and actual costs reconciled on an annual basis), and the NIPSCO Oversight Board ("OSB"). The 43051 Programs continued through May 9, 2011.

On November 4, 2010, the Commission issued an Order in Cause No. 43894 approving NIPSCO's proposed extension of the 43051 Programs through November 9, 2012.

On December 28, 2011, the Commission issued an Order in Cause No. 44001 approving NIPSCO's proposed gas energy efficiency programs (the "44001 Programs"), budgets for its 44001 Programs, authority to recover costs through Rider 472 – Energy Efficiency Rider and Appendix C – Gas Efficiency Factor (with estimated and actual costs reconciled on a semi-annual basis), and authority to defer certain of such amounts for future recovery. The Commission also authorized the continuation of the NIPSCO OSB. The 44001 Programs expire on December 31, 2014.

On October 29, 2014, in Cause No. 44501, the Commission approved NIPSCO's gas DSM programs for the period January 1, 2015, through December 31, 2015 (the "44501 Programs"), authority to recover costs through its Rider 472 – Gas Demand Side Management ("GDSM") Rider and Appendix C – GDSM Factors (the "GDSM Mechanism") in accordance with Ind. Code § 8-1-2-42(a),[1] and authority to defer certain of such amounts for future recovery. The Commission also authorized the continuation of the NIPSCO OSB.

4. **Implementation of DSM Programs.** NIPSCO witness Victoria A. Vrab, Director of Demand Side Management Programs for NIPSCO, described the status of the GDSM Programs through June 2014 as follows:

> Residential Energy Efficiency Rebate Program. At the mid-year point (June 30), this program achieved approximately 77% of its goal, with an expectation of meeting 100% by year end. Because the program performed so well during the first half of the year, NIPSCO had underestimated the cost by approximately $711,381.
>
> Residential Home Energy Conservation Program. At the mid-year point, this program achieved approximately 67% of goal and is expected to reach 100% by year end.

[1] The Commission also approved NIPSCO's proposal to change the name of Appendix C – Gas Efficiency Factor to Appendix C – GDSM Factors.

Residential Income Qualified Weatherization Program. At the mid-year point, this program had achieved 0% of its goal because NIPSCO and GoodCents[2] had only recently finalized the 2014 Gas Statement of Work and NIPSCO had not received any invoices. While NIPSCO will continue to work with GoodCents to market the program in an effort to achieve the established goal, recent discussions have suggested that this goal may not be met by year end.

School Education Program. At the mid-year point, this program had achieved 0% because NIPSCO and GoodCents had only recently finalized the 2014 Gas Statement of Work and NIPSCO had not received any invoices. After receiving the invoice for work previously completed and because the program is primarily driven by participation by schools in the fall, this program is predicted to meet 100% of its goal by year end.

Residential Multifamily Direct Install Program. At mid-year point, this program achieved approximately 14% of its savings goal. Because of this, the projections in this filing include shifting funding and savings to the Residential Energy Efficiency Rebate Program, which has performed very well this year.

Residential Home Energy Assessment Program. At the mid-year point, this program had achieved 0% of its goal because NIPSCO and GoodCents had only recently finalized the 2014 Gas Statement of Work and NIPSCO had not received any invoices. However, the program has performed well on the electric side, so it is anticipated that it will achieve 100% of the goal on the gas side as well.

Residential Home Weatherization Program. By the middle of 2014, this program achieved 13% of its savings goal. This was, however, significantly higher than NIPSCO forecasted based on the same period in the prior year. Thus, the actual collections were $207,218 less than the program's actual expenses. Beginning in 2015, the Residental Home Weatherization and Residential Home Energy Assessment Programs will be combined. Because the combined program will be offered by a single administrator and offer customers more convenience related to selecting contractors and follow up after the audit, it is expected that participation will improve dramatically.

Residential New Construction Program. At the mid-year point, this program achieved 69% of its savings goal. Because this program was so successful during the first half of year, NIPSCO's projections fell short leading to an under-collection of $340,383. Projections will be based on the contracted amount rather than the same period for the previous year (as was previously done), which should allow the projections to be more in line with actual results.

The Commercial and Industrial ("C&I") Incentive Program. At the mid-year point, this program achieved 40% of its savings goal and it is expected that the program will meet its savings target for 2014. In addition, because these project completions are outpacing last year, the program outperformed the anticipated collections, causing an under-

[2] GoodCents is a third-party contractor that NIPSCO hired to implement residential programs.

collection of $166,717. NIPSCO and Franklin Energy[3] better understand the timeline for project completion, which has improved forecasting for 2015.

Commercial New Construction Incentive Program. At the mid-year point, this program achieved 37% of its savings goal and it is anticipated that it will achieve its goal for the year.

5. Recovery and Reconciliation of Program Costs and Revenues. In the 44501 Order, the Commission approved NIPSCO's request to recover costs through the GDSM Mechanism. NIPSCO makes semi-annual filings for factors to be effective January through June and July through December of each year. These filings reflect estimated costs and revenue collections obtained through the GDSM Factors, and recovery occurs over a six-month period to coincide with the estimation period. Reconciliation of actual expenditures is made in a subsequent semi-annual filing. This filing reconciles projected costs and revenues with actual costs and revenues for the period January through June 2014 and includes projected costs for the period January through June 2015.

Ms. Vrab sponsored Petitioner's Ex. 3, Attached Ex. A, Schedule 1, which shows a breakdown of reconciled and projected costs for the recovery period of January through June 2015. Ms. Vrab provided an explanation of the workpaper supporting Schedule 1. She stated that Workpaper VAV-1 provides a summary and the detail of the actual costs for the period January through June 2014 and projected costs for the period January through June 2015, that were used to determine the projected and actual costs that feed to Schedule 1.

Ms. Vrab testified that given the experience NIPSCO has had over the past year and the fact that new contracts are being put in place for 2015 GDSM Program extension authorized by the Commission's Order in Cause No. 44501, NIPSCO utilized the projected budgets and savings as the basis for its forecasting for January through June 2015.

Ms. Vrab testified that the projected costs for the period January through June 2014 were $2,969,685 and the actual costs for the period January through June 2014 were $3,702,558, which resulted in an under-recovery of $732,873. She stated that the majority of that under-collection is associated with four programs: the Residential Energy Efficiency Rebate Program, the Residential New Construction Program, the Residential Home Weatherization Program, and the C&I Gas Custom Incentive Program.

Ms. Vrab testified the projected costs for the period January through June 2015 are $4,410,013. Adding this amount to the $732,873 under-recovery of projected costs for the period January through June 2014 results in total costs of $5,142,886 to be collected from customers for the period January through June 2015.

NIPSCO's witness, Derric J. Isensee, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department for NIPSCO, testified that Petitioner's Ex. 3, Attached Ex. A, Schedule 3 in this Cause shows the reconciliation of the proposed revenue for the period January through June 2014. The forecasted revenue for the period January through

[3] Franklin Energy is the third-party contractor that NIPSCO hired to implement the C&I programs.

June 2014 was ($3,083,230)[4] and the actual revenue for the period January through June 2014 was ($2,877,513), which resulted in an over-recovery of $205,717. When the over-recovery is subtracted from $5,142,886 in Program Costs included in Schedule 1, the total collection for the period of January through June 2015 is $4,937,169.[5]

6. **<u>Resulting GDSM Factors</u>.** Mr. Isensee testified that the calculations of the proposed GDSM Factors were prepared in conformity with the 44001 Order. He sponsored Petitioner's Ex. 3, Attachment Ex. A, Schedules 2, 3, and 4, showing (1) the allocation of Program Costs to each individual rate class, (2) the January through June 2014 revenue reconciliation, and (3) the calculation of the proposed GDSM Factors. Mr. Isensee explained that the GDSM Factors are calculated by allocating the Program Costs by program to the individual rate classes based on the number of customers in each eligible class. He explained that, once NIPSCO allocates the program expenditures to the individual rate classes and performs 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.

Mr. Isensee sponsored Petitioner's Ex. 3, Attachment Ex. B, which is the tariff page listing the proposed GDSM Factors for recovery in the period January through June 2015 as follows:

<u>Residential Service: Rate 411</u>
<u>(with associated Rate 451, Rider 480 and Rider 481)</u>

A charge of $0.008282 per therm per month

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

A charge of $0.002598 per therm per month

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

A charge of $0.005299 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 $0.60 charge. He noted that this is a $0.39 decrease in comparison to what a customer currently pays using the current GDSM Factors.

The OUCC's witness, Ms. Heather R. Poole, Senior Utility Analyst, testified that based on her review of NIPSCO's testimony, exhibits, work papers, and supporting documentation, NIPSCO's proposed GDSM Factors were calculated correctly.

---

[4] The forecasted and actual revenues for that period are negative because the GDSM Factors in effect were customer credits rather than charges.

[5] *See* Schedule 4 from Exhibit A attached the Verified Petition in this Cause.

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

The Commission notes that certain necessary information was omitted from the evidence in this proceeding as well as the quarterly compliance filings required pursuant to the Commission's Orders in Cause Nos. 44001 and 44501. The Commission needed to issue a Docket Entry to obtain additional information on: the imbalance of expenses in relation to program achievement for certain programs; the location of certain program costs from the compliance filings that did not correspond to the evidence in this Cause; and the reason why NIPSCO expects the Income Qualified Weatherization to underperform in 2014. Petitioner must improve its review process for its compliance filings in relation to its evidence provided for the GDSM Factor proceedings prior to filing and provide testimony related to any discrepancies, comprehensive program performance updates, and irregularities that require additional explanation.

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. 6 above, is hereby approved.

2. NIPSCO shall be granted continued authority to defer as a regulatory asset or regulatory liability the over- and under-recoveries of projected DSM Program Costs incurred implementing the DSM programs prior to the time the Commission issues an order authorizing Petitioner to recognize these costs through the ratemaking process.

3. NIPSCO 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 Petitioner's Ex. 3, Attachment Ex. B, prior to placing in effect the approved GDSM Factors.

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

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR; MAYS-MEDLEY ABSENT:

APPROVED: DEC 30 2014

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