

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC )  
 SERVICE COMPANY FOR APPROVAL OF )  
 RESOURCE ADEQUACY ADJUSTMENT ) CAUSE NO. 44155 RA 1  
 FACTORS TO BE APPLICABLE DURING )  
 THE BILLING MONTHS OF MAY 2012 ) APPROVED: APR 25 2012  
 THROUGH OCTOBER 2012 PURSUANT TO )  
 CAUSE NOS. 43526 AND 43969. )

ORDER OF THE COMMISSION

**Presiding Officers:**

**Carolene R. Mays, Commissioner**

**Aaron A. Schmoll, Senior Administrative Law Judge**

On February 2, 2012, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its petition for Commission approval of resource adequacy adjustment (“RA Adjustment”) factors to be applicable during the billing months of May 2012 through October 2012. Petitioner also prefiled its case-in-chief on February 2, 2012, which consisted of the testimony and exhibits of Katherine A. Cherven, Manager of Compliance in the Rates and Regulatory Finance Department of NIPSCO, Daniel T. Williamson, Executive Director of Energy Supply and Trading for NIPSCO, and Curt A. Westerhausen, Director of Rate and Contracts in the Rates and Regulatory Finance Department of NIPSCO. NIPSCO Industrial Group filed its Petition to Intervene on March 2, 2012, which was subsequently granted on April 10, 2012. To address an error in the formula used to calculate the proposed RA Factor for Rate 625, NIPSCO filed revised pages to the exhibits attached to the Verified Petition on March 13, 2012. On March 16, 2012 the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the Prefiled Testimony of Duane P. Jasheway (Public’s Exhibit No. 1).

Pursuant to public notice duly given and published as required by law, proof of which was incorporated into the record by reference and placed in the Commission’s official file, a public hearing in this Cause was held on April 10, 2012, at 9:30 a.m. in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing Petitioner, the OUCC, and NIPSCO Industrial Group appeared by counsel. Petitioner and OUCC offered their respective prefiled testimony and exhibits, which were admitted into evidence without objection. No other party or members of the general public appeared.

Based upon the applicable law and the evidence of record, the Commission now finds:

**1. Notice and Jurisdiction.** Proper notice of the hearing in this Cause was given as required by law. Petitioner is a public utility corporation incorporated under the laws of the State of Indiana, operating an electric utility in northern Indiana and is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended, Ind. Code § 8-1-2. Thus, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner has its principal office at 801 East 86<sup>th</sup> Avenue, Merrillville, Indiana. Petitioner is engaged in rendering 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 production, transmission, delivery and furnishing of such service to the public.

3. **Background and Requested Relief.** In this proceeding, NIPSCO requests Commission approval of RA Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing months of May 2012 through October 2012 or until replaced by different factors approved in a subsequent filing pursuant to provisions of the Public Service Commission Act, as amended, the Commission's August 25, 2010 Order in Cause No. 43526 ("43526 Order"), and the Commission's December 21, 2011 Order in Cause No. 43969 ("43969 Order"). NIPSCO also requests approval of its proposed procedural schedule to be applicable to future RA Adjustment proceedings.

The 43526 Order approved a purchase capacity cost recovery mechanism referred to as the Resource Adequacy or RA Adjustment, through which NIPSCO's prudently incurred capacity costs should be included. 43526 Order at 94. The 43969 Order approved the implementation of the RA Adjustment approved in Cause No. 43526 by approving NIPSCO's Rider 674 – Adjustment of Charges for Resource Adequacy and NIPSCO's Appendix F – Resource Adequacy Adjustment Factor. 43969 Order at 69-70. The 43969 Order specified that the RA Adjustment will be a semi-annual mechanism coordinated with the FAC audit process. *Id.*

The 43969 Order specified that the RA Adjustment will recover prudently incurred capacity costs and seventy-five percent (75%) of costs associated with any credits paid as a result of Rider 675 – Interruptible Industrial Service Rider. 43969 Order at 69. The 43969 Order also specified that due to the lag between payment and recovery of credits, the actual amount of credits paid will be deferred in a balance sheet account until they are recovered in the RA Adjustment, or in the case of the 25% portion, in the FAC. *Id.* at 70. The 43969 Order set forth the allocators for the RA Adjustment (Joint Exhibit E to the Settlement) and specified that the allocators will be revised to reflect MWs of interruptible service taken by class. *Id.* at 69.

The Commission's July 31, 2011 Order in Cause No. 43922 ("43922 Order") authorized NIPSCO to defer the costs of purchases of capacity under the Feed-In Tariff for future recovery through NIPSCO's RA Adjustment or such successor mechanism approved by the Commission.

4. **Commission Discussion and Findings.**

a. **Billing Period.** Ms. Cherven testified that the RA Adjustment factors proposed in this proceeding are for the billing months of May 2012 through October 2012 and include actual costs from July 2011 through December 2011. She testified that in this proceeding, due to the new rate implementation on December 27, 2011, the proceeding recovers the actual costs for capacity purchases and recovers 75% of the actual Rider 675 interruptible credits paid from December 27 through December 31, 2011. She also testified that a reconciliation of prior RA costs to actual RA revenues from July 2011 through December 2011 is not included in this filing because no RA Adjustment factors were in effect during the reconciliation period.

b. Total Recoverable Costs. Exhibit A, Revised Schedule 1 to Petitioner's Exhibit No. 1-A shows that Petitioner's total costs to be recovered during the billing months of May 2012 through October 2012 are \$379,960 of which \$45,159 constitutes actual capacity payments made during December 2011 and deferred actual capacity payments made under the Feed-In Tariff and \$334,801 constitutes recovery of 75% of credits paid for interruptible load during December 2011. Based on our discussion of the record evidence set forth below, we find that these costs should be included for recovery through the RA Adjustment factors presented in Exhibit A, Revised Schedule 1, Column P during the billing months of May 2012 through October 2012. Based on the factor for Rate Code 611, the typical residential customer using 1,000 kWh per month will see an increase of \$0.07 from the currently approved factor in each month on his or her electric bill.

c. Purchased Capacity Costs. Petitioner included \$0.00 of purchased capacity costs (excluding capacity payments made pursuant to Rate 665 and demand credits paid pursuant to Rider 675) for recovery through the RA Adjustment factors in this proceeding. Mr. Williamson testified that Petitioner made no capacity purchases to meet the Midwest Independent Transmission System Operator, Inc.'s ("MISO") Resource Adequacy obligation during the period from December 27 through December 31, 2011.

d. Capacity Payments under Rate 665 – Renewable Feed-In Tariff. Petitioner included \$45,159 of capacity payments made pursuant to NIPSCO's Rate 665 – Renewable Feed-In Tariff for recovery through the RA Adjustment factors in this proceeding. Mr. Westerhausen testified that there were 2.84 MWs of biomass capacity subscribed to Rate 665 in each month from July 2011 through December 2011. Mr. Westerhausen testified that pursuant to the 43922 Order, NIPSCO deferred the costs of purchases of capacity under Rate 665 for recovery through the RA Adjustment. Based on the record evidence, we find that Petitioner made capacity payments in the amount of \$45,159 pursuant to NIPSCO's Rate 665 – Renewable Feed-In Tariff and that these costs should be included for recovery through the RA Adjustment factors during the billing months of May 2012 through October 2012.

e. Interruptible Credits under Rider 675 – Interruptible Industrial Service. Mr. Williamson testified that Rider 675 – Interruptible Industrial Service was implemented pursuant to the 43969 Order. He testified that Rider 675 is available to customers taking service under Rates 632, 633, or 634 and provides four (4) options of interruptible service. Rider 675 sets forth a demand credit that varies depending on which option the customer selects. Mr. Williamson stated the total capacity made available under Rider 675 is limited to 500 megawatts ("MWs") and the total amount of demand credits available under Rider 675 is limited to \$38,000,000 per calendar year. Mr. Williamson testified that during the period from December 27, 2011 through December 31, 2011, 0 MWs were subscribed to Option A, 0 MWs were subscribed to Option B, 227.082 MWs were subscribed to Option C and 150 MWs were subscribed to Option D under Rider 675. He also testified that during the period from December 27, 2011 through December 31, 2011, NIPSCO did not call any curtailments or interruptions. Finally, Mr. Williamson testified Rider 675 is currently fully subscribed at 377.082 MWs and this is limited by operation of the \$38,000,000 per calendar year demand credit cap.

Ms. Cherven testified that Petitioner incurred total costs associated with demand credits paid pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service in the amount of \$446,402 during the

period from December 27, 2011 through December 31, 2011. She testified that Petitioner included seventy-five percent (75%) of the total costs, \$334,801, for recovery through the RA Adjustment factors in this proceeding. Based on the record evidence, we find that Petitioner made interruptible demand credit payments in the amount of \$446,402 pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service and that 75% of these costs, \$334,801, should be included for recovery through the RA Adjustment factors during the billing months of May 2012 through October 2012.

f. Variance from Prior Periods. Ms. Cherven testified that a reconciliation of prior RA costs to actual RA revenues from July 2011 through December 2011 was not included in this filing because no RA Adjustment factors were in effect during the reconciliation period (December 27 through December 31, 2011). As a result, this initial RA filing does not include any variance. Based on the record evidence, we find that Petitioner properly included a Variance from Prior Periods of \$0.00 for recovery through the RA Adjustment factors during the billing months of May 2012 through October 2012.

g. Allocation of Total Recoverable Costs. The 43969 Order specified that the demand allocators for the RA Adjustment factors would be those shown in Joint Exhibit E to the Stipulation and Settlement Agreement (“2011 SA”) approved in the 43969 Order, representing the Production Rate Base allocated by the rate classes 12 Coincident Peaks (“CP”). Mr. Westerhausen testified that parties to the 2011 SA agreed to adjust those rate classes that include interruptible customers by the contracted level of those customers' interruptible demand. Mr. Westerhausen stated that requests for interruptible loads under Rider 675 were allocated to the requesting customers in accordance with the 2011 SA. He stated that the allocation of interruptible loads resulted in 204,088 kW of interruptible demand in Rate 632 and 172,994 kW of interruptible demand in Rate 634. He testified that these interruptible demands were subtracted from the 12 CP demands for these rates. Finally, Mr. Westerhausen testified that the Production Rate Base was reallocated to the revised 12 CP demands and that those calculations were shown in Petitioner's Exhibit No. 3-A. Based on the record evidence, we find that Petitioner properly adjusted the 12 CP demands to account for interruptible demand subscribed under Rider 675 as shown in Petitioner's Exhibit No. 3-A.

h. OUC Audit Report. Mr. Jasheway testified the figures used in the RA Adjustment Factors were supported by NIPSCO's books, records and source documentation. Mr. Jasheway testified that he reviewed NIPSCO's invoices for capacity purchases and was able to verify the purchases and match them with Petitioner's Exhibit A , Schedule 1. The OUC recommends the Commission approve NIPSCO's proposed RA Adjustment Factors.

i. Procedural Schedule. Petitioner included an agreed procedural schedule as part of Petitioner's Exhibit No. 1-A and requested that it be approved for subsequent RA Adjustment proceedings. The agreed procedural schedule provides as follows:

Petitioner will file its Case-in-Chief (including a verified petition, proposed tariff revisions and supporting testimony) and provide the OUC and any Intervenor with copies of all supporting workpapers no less than seventy-five (75) days before the effective date of Petitioner's next semi-annual RA Adjustment filing. Petitioner's Case-in-Chief will not be considered complete until all items listed above are filed (or, in the case of workpapers, submitted).

The OUCC and any Intervenors will file their respective Cases-in-Chief approximately 45 days after Petitioner files its completed Case-in-Chief.

Petitioner will file its rebuttal testimony (if any) no less than five (5) days prior to the evidentiary hearing.

Petitioner will make its staff reasonably available to the OUCC and any Intervenors to facilitate an informal discovery process for its RA filings. Any response or objection to a formal discovery request should be made within ten (10) calendar days of the receipt of such request, and the parties will utilize electronic discovery.

The Commission finds this agreed procedural schedule shall be approved for subsequent RA Adjustment proceedings.

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

1. Petitioner's requested RA Adjustment factors to be applicable to bills rendered during the months of May 2012 through October 2012, as set forth in Petitioner's Exhibit A, Revised Schedule 1, are hereby approved.

2. Petitioner shall file with the Electricity Division of the Commission, prior to placing in effect the RA Adjustment factors herein approved, an amendment to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.

3. The agreed procedural schedule set forth in Paragraph 4(i) above is hereby approved for subsequent RA Adjustment proceedings.

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

**ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:**

**APPROVED: APR 25 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**