

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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PETITION OF NORTHERN INDIANA PUBLIC)
 SERVICE COMPANY FOR APPROVAL OF)
 RESOURCE ADEQUACY ADJUSTMENT) CAUSE NO. 44155 RA 2
 FACTORS TO BE APPLICABLE DURING)
 THE BILLING MONTHS OF NOVEMBER) APPROVED: OCT 31 2012
 2012 THROUGH APRIL 2013 PURSUANT TO)
 CAUSE NOS. 43526 AND 43969.)

ORDER OF THE COMMISSION

Presiding Officers:

James D. Atterholt, Chairman

Aaron A. Schmoll, Senior Administrative Law Judge

On July 31, 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 November 2012 through April 2013. Petitioner also prefiled its case-in-chief on July 31, 2012, which consisted of the testimony and exhibits of Derric J. Isensee, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department of NIPSCO and Daniel T. Williamson, Executive Director of Energy Supply and Trading for NIPSCO. NIPSCO Industrial Group filed its Petition to Intervene on August 1, 2012, which was subsequently granted on September 7, 2012. To address an error in the calculation of the demand and energy allocators associated with the customer migration from Rates 626 and 632 to Rates 624 and 625, NIPSCO filed revised pages to the exhibits attached to the Verified Petition on August 24, 2012. On September 14, 2012 the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Duane P. Jasheway.

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 October 17, 2012, at 10:00 a.m. in Room 224 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 ch. 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 86th 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 November 2012 through April 2013 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").

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 would 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 allow for recovery of 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 Stipulation and Settlement Agreement approved in the 43969 Order (the "2011 SA")) and specified that the allocators will be revised to reflect MWs of interruptible service taken by class. *Id.* at 69. The demand allocators have now been modified to reflect the amount of interruptible load served under Rates 632, 633 and 634 and the impact of customer migration to different rate classes subsequent to the 43969 Order.

Finally, the Commission 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. *NIPSCO*, Cause No. 43922, at 17 (IURC, July 31, 2011) ("43922 Order").

4. **Commission's Discussion and Findings.**

(a) **Billing Period.** Mr. Isensee testified that the RA Adjustment factors proposed in this proceeding are for the billing months of November 2012 through April 2013 and include

actual costs for capacity purchases and 75% of the actual Rider 675 interruptible credits paid during the period January 1, 2012 through June 30, 2012. He testified that a reconciliation of prior RA costs to actual RA revenues from November 2011 through April 2012 is not included in this filing because the RA Adjustment factors in effect during that period were zero.

(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 November 2012 through April 2013 are \$14,071,931 of which \$65,941 constitutes actual capacity purchases for the period January through June 2012 and \$14,005,990 constitutes recovery of 75% of credits paid for interruptible load for the period January through June 2012. 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 November 2012 through April 2013. Based on the factor for Rate Code 611, the typical residential customer using 1,000 kWh per month will see an increase of \$2.89 from the current 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 January through June 2012. Mr. Williamson testified NIPSCO received proceeds of \$5 associated with its participation in MISO's annual voluntary capacity auction and this amount has been included as a credit in the actual capacity purchases. Based on the record evidence, we find that Petitioner had purchased capacity costs of \$0.00.

(d) Capacity Payments under Rate 665 – Renewable Feed-In Tariff. Petitioner included \$65,941 of capacity charges and credits made pursuant to NIPSCO's Rate 665 – Renewable Feed-In Tariff for recovery through the RA Adjustment factors in this proceeding. Mr. Isensee testified that there were 2.84 MWs of biomass capacity subscribed to Rate 665 in each month from January 2012 through June 2012. Based on the record evidence, we find that Petitioner made capacity charges and credits in the amount of \$65,941 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 November 2012 through April 2013.

(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 January 1, 2012 through June 30, 2012, 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 January 1, 2012 through June 30, 2012, NIPSCO did not call any curtailments and initiated interruptions on nine (9) separate days for a total of 61 hours under Option C and 32 hours under Option D.

Mr. Isensee testified that Petitioner incurred total costs associated with demand credits paid pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service in the amount of \$18,674,653 during the period from January 1, 2012 through June 30, 2012. He testified that Petitioner included seventy-five percent (75%) of the total costs, \$14,005,990, 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 \$18,674,653 pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service and that 75% of these costs, \$14,005,990, should be included for recovery through the RA Adjustment factors during the billing months of November 2012 through April 2013.

(f) Variance from Prior Periods. Mr. Isensee testified that a reconciliation of prior RA costs to actual RA revenues from November 2011 through April 2012 was not included in this filing because the RA Adjustment factors in effect during the reconciliation period November 2011 through April 2012 were zero. Because there were no RA Adjustment factor related charges or credits during the reconciliation period, this 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 November 2012 through April 2013.

(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 2011 SA, representing the Production Rate Base allocated by the rate classes 12 Coincident Peaks (CP). Mr. Isensee testified the 2011 SA provides that NIPSCO will adjust those rate classes that include interruptible customers by the contracted level of those customers' interruptible demand. Mr. Isensee stated that NIPSCO has adjusted its demand allocation percentages to reflect the significant migration of customers amongst Rates 624, 625, 626 and 632. He stated the migration was based upon the customers' 12 CP calculated in conjunction with the Commission's approved allocators in Joint Exhibit E to the 2011 SA. No party objected to the migration based adjustments. 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 Revised Exhibit B to Petitioner's Exhibit No. 1-A.

(h) OUCC 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, Revised Schedule 1. The OUCC recommends the Commission approve NIPSCO's proposed RA Adjustment Factors.

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 November 2012 through April 2013, as set forth in Petitioner's Exhibit No. 1-A, Exhibit A, Revised Schedule 1, are hereby approved.

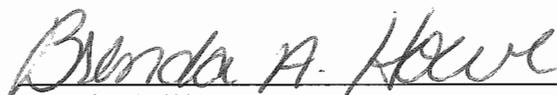
2. Petitioner shall file with the Electricity Division of the Commission, prior to placing in effect the RA Adjustment factors herein approved, an amendment to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: **OCT 31 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