

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA)
 PUBLIC SERVICE COMPANY FOR)
 APPROVAL OF RESOURCE ADEQUACY) CAUSE NO. 44155 RA 3
 ADJUSTMENT FACTORS TO BE)
 APPLICABLE DURING THE BILLING)
 MONTHS OF MAY 2013 THROUGH) APPROVED: APR 17 2013
 OCTOBER 2013 PURSUANT TO CAUSE)
 NOS. 43526 AND 43969.)

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
David E. Veleta, Administrative Law Judge

On January 30, 2013, 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 2013 through October 2013. Petitioner also prefiled its case-in-chief on January 30, 2013, 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 February 6, 2013, which was subsequently granted on April 5, 2013. On March 15, 2013 the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Duane P. Jasheway, Utility Analyst in the Electric Division of the OUCC.

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 8, 2013, at 1:30 p.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 May 2013 through October 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 cycles of May 2013 through October 2013 and include actual costs for capacity purchases and 75% of the actual Rider 675 interruptible credits

paid during the period July 1, 2012 through December 31, 2012. He testified that a reconciliation of prior RA costs to actual RA revenues from May 2012 through October 2012 is included in NIPSCO's filing in this Cause.

(b) **Total Recoverable Costs.** Exhibit A, Schedule 1 to Petitioner's Exhibit No. 1-A shows that Petitioner's total costs to be recovered during the billing months of May 2013 through October 2013 are \$14,148,290 [EXHIBIT A, SCHEDULE 1, LINE 4] of which \$72,521 constitutes actual capacity purchases for the period July through December 2012 [EXHIBIT A, SCHEDULE 1, LINE 1], \$14,082,473 constitutes recovery of 75% of credits paid for interruptible load for the period July through December 2012 [EXHIBIT A, SCHEDULE 1, LINE 2] and \$(6,704) constitutes the variance from the reconciliation of prior RA costs to actual RA revenues from May 2012 through October 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, Schedule 1, Column P for bills rendered during the billing cycles of May 2013 through October 2013. Based on the factor for Rate Code 611, the typical residential customer using 1,000 kWh per month will see a decrease of \$0.34 from the current approved factor in each month on his or her electric bill.

(c) **Purchased Capacity Costs.** 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 July 2012 through December 2012.

(d) **Capacity Payments under 665 – renewable Feed-In Tariff.** Petitioner included \$72,521 of capacity payments made pursuant to NIPSCO's Rate 665 – Renewable Feed-In Tariff for recovery through the RA Adjustment factors in this proceeding [EXHIBIT A, SCHEDULE 2, LINE 7]. Mr. Isensee testified that there were 2.84 MWs of biomass capacity subscribed to Rate 665 in each month from July 2012 through September 2012 and 3.147 MWs of biomass capacity subscribed to Rate 665 in each month from October 2012 through December 2012. Based on the record evidence, we find that Petitioner made capacity payments in the amount of \$72,521 pursuant to NIPSCO's Rate 665 – Renewable Feed-In Tariff and that these costs should be included for recovery through the RA Adjustment factors for bills rendered during the billing cycles of May 2013 through October 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 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 July 1, 2012 through December 31, 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 July 1, 2012 through December 31, 2012, NIPSCO did not call any curtailments and initiated interruptions on twenty-seven (27)

separate days for a total of 278 hours under Option C and 122 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 \$18,776,631 during the period from July 1, 2012 through December 31, 2012. He testified that Petitioner included seventy-five percent (75%) of the total costs, \$14,082,473, for recovery through the RA Adjustment factors in this proceeding [EXHIBIT A, SCHEDULE 3]. Based on the record evidence, we find that Petitioner made interruptible demand credit payments in the amount of \$18,776,631 pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service and that 75% of these costs, \$14,082,473, should be included for recovery through the RA Adjustment factors for bills rendered during the billing cycles of May 2013 through October 2013.

(f) **Variance from Prior Periods.** Mr. Isensee testified that the total RA Adjustment variance included in this proceeding as a result of the reconciliation of prior RA costs to actual RA revenues from May 2012 through October 2012 is an overcollection in the amount of \$6,704 [EXHIBIT A, SCHEDULE 1, LINE 3] Based on the record evidence, we find that Petitioner properly included a variance of \$(6,704) for recovery through the RA Adjustment factors for bills rendered during the billing cycles of May 2013 through October 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 621, 624, 625 and 626 [EXHIBIT B]. 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 Petitioner's Exhibit B.

(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.

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 2013 through October 2013, as set forth in Petitioner's Exhibit A, 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, MAYS AND ZIEGNER CONCUR; BENNETT AND LANDIS ABSENT:

APPROVED: APR 17 2013

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



Shala M. Coe

Acting Secretary to the Commission