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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE)
COMPANY FOR APPROVAL OF RESOURCE) CAUSE NO. 44155 RA 6
ADEQUACY ADJUSTMENT FACTORS TO BE)
APPLICABLE DURING THE BILLING CYCLES OF)
NOVEMBER 2014 THROUGH APRIL 2015 PURSUANT) APPROVED: OCT 29 2014
TO CAUSE NOS. 43526 AND 43969.)

ORDER OF THE COMMISSION

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

On July 25, 2014, 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 cycles of November 2014 through April 2015. Petitioner also prefiled its case-in-chief on July 25, 2014, which consisted of the testimony and exhibits of Katherine A. Cherven, Manager of Compliance in the Rates and Regulatory Finance Department of NIPSCO and Andrew S. Campbell, Manager of Planning and Regulatory Support for NIPSCO. NIPSCO Industrial Group filed its Petition to Intervene on August 14, 2014, which was subsequently granted at the evidentiary hearing on October 16, 2014. On September 9, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Duane P. Jasheway.

The Commission conducted a public hearing on October 16, 2014, at 11:00 a.m., in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing Petitioner, 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. Pursuant to Ind. Code § 8-1-2-42, the Commission has jurisdiction over rates and charges for utility service, including tracking mechanisms. 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 requested Commission approval of RA Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing cycles of November 2014 through April 2015 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. 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. The 43969 Order specified that the RA Adjustment will be a semi-annual mechanism coordinated with the FAC audit process.

The 43969 Order specified that the RA Adjustment will allow for recovery of prudently incurred capacity costs and 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. 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. The demand allocators have now been modified to reflect the amount of interruptible load served under Rates 632 and 634 and the impact of customer migration to different rate classes subsequent to the 43969 Order.

The Commission's July 13, 2011 Order in Cause No. 43922 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's Discussion and Findings.

A. Billing Period. Ms. Cherven testified that the RA Adjustment factors proposed in this proceeding are for the billing cycles of November 2014 through April 2015, and include actual costs for capacity purchases and 75% of the actual Rider 675 interruptible credits paid during the period January 1, 2014 through June 30, 2014. She testified that a reconciliation of prior RA costs to actual RA revenues from November 2013 through April 2014 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 cycles of November 2014

through April 2015 are \$13,154,659. Of that amount, \$89,522 constitutes actual capacity purchases for the period January 2014 through June 2014, \$14,080,470 constitutes recovery of 75% of credits paid for interruptible load for the period January 2014 through June 2014 and (\$1,015,333) constitutes the variance from the reconciliation of prior RA costs to actual RA revenues from November 2013 through April 2014.

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 November 2014 through April 2015. Based on the factor for Rate Code 611, the typical residential customer using 1,000 kWh per month will see an increase of \$0.20 from the current approved factor in each month on his or her electric bill.

C. Purchased Capacity Costs and Capacity Proceeds. Petitioner included \$0.00 of purchased capacity costs and a credit of \$120,468 associated with the Midcontinent Independent System Operator, Inc. (“MISO”) capacity auction proceeds (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. Campbell testified that Petitioner made no capacity purchases to meet the MISO’s RA obligation during the period from January 2014 through June 2014. He also testified that for the 2014-2015 Planning Resource Auction, NIPSCO had Zonal Resource Credits in excess of its load obligation that were offered and subsequently cleared the Planning Resource Auction, the net proceeds of which are dispersed daily by MISO and will be credited to customers subject to the RA tracker as they are realized. NIPSCO realized net proceeds from the sale of excess capacity of \$120,468 within RA 6.

Based on the record evidence, we find that Petitioner’s credit of \$120,468 for MISO capacity auction proceeds should be included in Capacity Purchases through the RA Adjustment for bills rendered during the billing cycles of November 2014 through April 2015.

D. Capacity Payments under Rate 665 – Renewable Feed-In Tariff. Petitioner included \$209,990 of capacity charges made pursuant to NIPSCO’s Rate 665 – Renewable Feed-In Tariff for recovery through the RA Adjustment factors in this proceeding.

Based on the record evidence, we find that Petitioner made capacity charges and credits in the amount of \$209,990 pursuant to NIPSCO’s Rate 665 – Renewable Feed-In Tariff and that these costs should be included for recovery through the RA Adjustment factors.

E. Interruptible Credits under Rider 675 – Interruptible Industrial Service. Mr. Campbell 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 options of interruptible service. Rider 675 sets forth a demand credit that varies depending on which option the customer selects. Mr. Campbell 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. Campbell testified that during the period from January 1, 2014 through June 30, 2014, zero MWs were subscribed to Option

A, zero 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, 2014 through June 30, 2014, MISO did not call any curtailments and NIPSCO initiated interruptions on 12 separate days for a total of 190 hours under Option C and 18 hours under Option D.

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 \$18,773,960 during the period from January 1, 2014 through June 30, 2014. She testified that Petitioner included 75% of the total costs, \$14,080,470, 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 \$18,773,960 pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service and that 75% of these costs, \$14,080,470, should be included for recovery through the RA Adjustment factors.

F. Variance from Prior Periods. Ms. Cherven 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 November 2013 through April 2014 is an over-collection in the amount of \$1,015,333.

Based on the record evidence, we find that Petitioner properly included a variance of (\$1,015,333) for recovery through the RA Adjustment factors.

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"). Ms. Cherven 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. Ms. Cherven stated that NIPSCO has also adjusted its demand allocation percentages to reflect the significant migration of customers amongst Rates 621,624, 625, 626 and 632. She stated the migration was based upon the 12 CP calculated in conjunction with the Commission's approved allocators in Joint Exhibit E to the 2011 SA.

Based on the record evidence, we find that Petitioner properly adjusted the 12 CP demands to account for interruptible demand subscribed under Rider 675 and customer migration as shown in Exhibit B to Petitioner's Exhibit No. 1-A.

H. Space Heating Transition. Ms. Cherven testified regarding the impact on the RA factors of NIPSCO's proposal in Cause No. 44436 to transition residential space heating customers from Rates 611, 612 and 613 to Rate 611 over a five-year period in accordance with the 43969 Order. She explained that, in the first year of the transition, NIPSCO proposed that the trackers applicable to Rates 612 and 613 would be combined with the trackers for Rate 611, effectively creating one set of tracker factors for the three rates, beginning with the first billing cycle

for the billing month of January 2015. In essence, she stated, on January 1, 2015, the RA factors for Rates 611, 612 and 613 would all be equal. We approved NIPSCO's proposed mechanism for the phase-out of residential space heating discounts under Rates 611, 612 and 613 over a five-year period in our Order dated September 3, 2014 in cause No. 44436.

As a result, and based on the record evidence in this Cause, we find NIPSCO's proposed revised Rate 611, 612 and 613 factors to become applicable in the first billing cycle of January 2015, as depicted on Petitioner's Exhibit 1-B, to properly account for the transition as approved in Cause No. 44436.

I. 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, Schedule 2. 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 billing cycles of November 2014 through April 2015, as set forth in Petitioner's Exhibit No. 1-A, 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. Petitioner shall file with the Electricity Division of the Commission, prior to January 1, 2015, an amendment to its rate schedule to effectuate the space heating transition discussed in Paragraph 4H.

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

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

APPROVED: OCT 29 2014

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


Brenda A. Howe
Secretary to the Commission