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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF REGIONAL TRANSMISSION ORGANIZATION ADJUSTMENT FACTORS TO BE APPLICABLE DURING THE BILLING CYCLES OF NOVEMBER 2016 THROUGH APRIL 2017 PURSUANT TO IND. CODE § 8-1-2-42.	)	CAUSE NO. 44156 RTO 10 APPROVED: OCT 26 2016

ORDER OF THE COMMISSION

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

On August 18, 2016, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") filed its Petition for Commission approval of regional transmission organization adjustment ("RTO Adjustment") factors to be applicable during the billing cycles of November 2016 through April 2017. Petitioner also prefiled its case-in-chief on August 18, 2016, which consisted of the testimony and exhibits of Jennifer L. Shikany, Director of Regulatory Accounting for NIPSCO, and Andrew S. Campbell, Manager of Planning and Regulatory Support for NIPSCO. NIPSCO Industrial Group filed its Petition to Intervene on August 24, 2016, which was granted without objection. On October 3, 2016 the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Stacie R. Gruca.

The Commission conducted a public hearing in this Cause on October 12, 2016, at 10:00 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, and is subject to the jurisdiction of the Commission as provided in 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 RTO Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing cycles of November 2016 through April 2017 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"), the Commission's December 21, 2011 Order in Cause No. 43969 ("43969 Order"), and the Commission's July 18, 2016 Order in Cause No. 44688 ("44688 Order").

The 43526 Order found that NIPSCO's Midcontinent Independent System Operator, Inc. ("MISO") non-fuel costs and revenues and off system sales sharing should be included in one mechanism designated as the RTO Adjustment. The 43969 Order approved NIPSCO's Rider 671 – Adjustment of Charges for Regional Transmission Organization and NIPSCO's Appendix C – RTO Adjustment Factor. The 43969 Order specified that the RTO Adjustment will be a semi-annual mechanism coordinated with the fuel adjustment clause ("FAC") audit process.

The 43969 Order specified that the RTO Adjustment will recover MISO non-fuel costs and revenues that exceed $5,326,931 million annually, or $2,663,466 million semi-annually (the amount of MISO non-fuel credits and charges included in base rates) and 50% of any off system sales margins that exceed $7,600,638 million annually (the amount of off system sales margins included in base rates). The 43969 Order also specified that the amortization expenses included in the base rates approved in the 43969 Order would include deferred MISO costs, amortized and recovered over a period of four years, which were estimated through June 30, 2011.

The 44688 Order authorized NIPSCO's Rider 771 – Adjustment of Charges for Regional Transmission Organization and NIPSCO's Appendix C – Regional Transmission Organization Adjustment Factor. The 44688 Order approved the demand allocators for the RTO Adjustment set forth in Joint Exhibit B to the Stipulation and Settlement Agreement. The 44688 Order specified that the RTO Adjustment will recover MISO non-fuel costs and revenues that exceed $16,585,108 annually or $8,292,554 semi-annually (the amount of MISO non-fuel credits and charges included in base rates). The 44688 Order also reset the RTO benchmark to recover or pass back any amounts above or below this amount through the RTO Adjustment and reset the off-system sales margin credit to base rates to reflect the level of off system sales included in the test year of $4,741,390. The 44688 Order stated that, for purposes of the off-system sales margin sharing, NIPSCO will flow through the RTO Tracker 100% of margins, below (down to zero) or above $4,741,390 annually which reflects the level built into base rates.

4. **Commission Discussion and Findings.**

A. Billing Period. NIPSCO's proposed RTO Adjustment factors will apply to bills rendered by NIPSCO during the billing cycles of November 2016 through April 2017. The proposed RTO Adjustment factors are calculated based on estimated costs, sharing of actual annual off system sales margins, energy and demand allocators, and forecasted usage for the period of November 2016 through April 2017. The proposed RTO Adjustment factors include reconciliations for the period January through June 2016.

B. Total Recoverable Costs. Petitioner's total costs to be recovered during the billing cycles of November 2016 through April 2017 are $8,996,425 of which $7,355,846 constitutes estimated MISO non-fuel costs and revenues, $0 constitutes the shared portion of off system sales margin, and a charge of $1,640,579 constitutes the reconciliation of prior periods.

Based on our discussion of the record evidence set forth below, we find that these costs should be included for recovery through the RTO Adjustment factors presented in Attachment A, Schedule 1, Column (r) for bills rendered during the billing cycles of November 2016 through April 2017. Based on the factor for Rate Code 711, the bill for a typical residential customer using 1,000 kWh per month will increase by $0.95 from the current approved factor.

C. MISO Non-Fuel Charges and Credits. Ms. Shikany testified that NIPSCO is allowed to recover MISO non-fuel costs and revenues that exceed $16,585,108 annually or $8,292,554 semi-annually (the amount of MISO non-fuel credits and charges included in base rates) through the semi-annual RTO Adjustment mechanism. Mr. Campbell identified the MISO non-fuel charges and credits included for recovery through the RTO Adjustment mechanism and the basis upon which they are allocated to customers (i.e. demand or energy). Mr. Campbell testified that he is not aware of any new non-fuel MISO charges or credits that have been included in either the forecast or reconciliation period for this filing. Mr. Campbell described a material modification to non-fuel MISO charges or credits that have been included in either the forecast or reconciliation period for this filing. He stated that MISO and Southwest Power Pool (SPP) through a FERC proceeding (ER14-1174) concluded a settlement that results in MISO compensating SPP and other Joint Parties for transmission flows across North-South (i.e. "MISO – North" and "MISO – South" regions). He explained the financial impact resulted in a one-time payment from MISO to SPP of $16 million that occurred during January 2016 representing the time period of January, 2014 through January 2016, which replaces invoices previously sent by SPP to MISO. Mr. Campbell stated the NIPSCO was assessed $446,607 during January 2016. In addition, monthly payments of $1.333 million will be made from MISO to SPP starting in February 2016. He stated NIPSCO was assessed $193,079 for the months of February 2016 through June 2016. NIPSCO has included an estimate of $38,000 for its share of the monthly charge reflected in the forecast period of November 2016 through April 2017 in the Real Time Miscellaneous Charge Type in this filing. Mr. Campbell stated that NIPSCO anticipates that as long as MISO continues to use the SPP transmission system to transfer energy then these monthly charges to MISO market participants should be ongoing.

Finally, Mr. Campbell testified that the projected non-fuel MISO charges and credits are just and reasonable. Ms. Shikany testified that the total amount of RTO demand allocated MISO non-fuel costs and credits included in this proceeding is a charge of $7,956,920 and the amount of RTO energy allocated MISO non-fuel costs and credits included in this proceeding is a credit of $601,074.

D. Off-System Sales Margins ("OSS margins"). Ms. Shikany testified that for the period January through September 2016 NIPSCO will share 50% of any OSS margins in excess of the OSS margins included in base rates as per the sharing mechanism approved in the 43969 Order, and that for the period October through December 2016 NIPSCO will share 100% of any OSS margins above, or below (down to zero) the OSS margins included in base rates per the sharing mechanism approved in the 44688 Order. The Stipulation and Settlement Agreement approved in the 43969 Order ("the 2011 SA") provides that the OSS margins included in base rates is $7,600,638 on an annual basis, while the Stipulation and Settlement Agreement approved in the 44688 Order provides that OSS margins included in base rates is $4,741,390 on an annual basis. Mr. Campbell testified that off-system sales occur when NIPSCO's real-time generation resources exceed the real-time native load obligation. He stated that fuel costs associated with making an off-system sale are passed back to NIPSCO's FAC customers in the form of a fuel credit. Ms. Shikany testified that NIPSCO is reporting OSS margins for the period January through June 2016, which will be combined with OSS margins for the period July through December 2016 and shared in RTO 11. Therefore, the amount of annual OSS margins to be shared with customers in this proceeding is $0.

E. Variance from Prior Periods and Variance from Base Rates. Ms. Shikany testified that in this proceeding NIPSCO is seeking to recover a reconciliation of actual MISO non-fuel costs, net of revenues for the period January through June 2016. Ms. Shikany testified that the amount of prior period variance included in this proceeding is an under-collection in the amount of $1,640,579. Based on the record evidence, we find that Petitioner properly included a variance from prior periods of $1,640,579 for recovery through the RTO Adjustment factors during the billing cycles of November 2016 through April 2017.

F. Allocation of Costs. Ms. Shikany testified that the 44688 Order specified that the demand allocators for the RTO Adjustment were shown in Joint Exhibit B to the Stipulation and Settlement Agreement. She stated that in this proceeding no customer migration has occurred for this filing.

Ms. Shikany testified that NIPSCO used test year sales for the 12 months ending June 30, 2015 from Cause No. 44688, adjusted for system losses to calculate the RTO energy allocators. She stated that no customer migration has occurred for this filing. Mr. Campbell testified that MISO charges and credits are allocated to customers (i.e., demand or energy) in the same manner that they are allocated by MISO to NIPSCO and other market participants.

Based on the record evidence, we find that Petitioner uses the appropriate demand and energy allocators for the RTO Adjustment factors applicable during the billing cycles of November 2016 through April 2017.

G. Multi-Value Projects (Schedule 26-A) Revenues. In the Phase II Order dated August 22, 2012 in RTO-1, the Commission authorized NIPSCO to retain 100% of the MISO Schedule 26-A revenues associated with NIPSCO's construction of MVP projects. Therefore, Schedule 26-A revenues are not reflected in NIPSCO's RTO Adjustment Factors. However, NIPSCO agreed to provide its current Attachment O, GG, and MM and identify the current forecasted amount of Schedule 26-A revenues in its RTO Adjustment filings. Ms. Shikany testified that based on NIPSCO's current forward looking formula rate structure which uses NIPSCO forecast information and is trued up in a future period using FERC Form 1, NIPSCO projects Schedule 26-A revenues of $25,352,144 for the period from November 2016 through April 2017.

H. OUCC Audit Report. Ms. Gruca testified (1) nothing came to her attention that would indicate that the RTO projections used by NIPSCO were unreasonable, (2) NIPSCO's calculation of the RTO variance is supported by evidence, and (3) as agreed in RTO-1, NIPSCO provided its Attachments GG, MM, and O and identified its current forecasted amount of Schedule 26-A revenues.

Ms. Gruca testified that NIPSCO complied with the Commission's RTO-9 Order by providing more transparency in its direct testimony by itemizing charges and/or credits included for recovery under the line item "Other Miscellaneous Transmission Schedules/Amounts," or other similar line items. She testified that NIPSCO Witness Mr. Campbell indicated the credit reflected in this filing under "Other Miscellaneous Transmission Schedules/Amounts" represents a distribution from MISO for unreserved transmission revenues. Ms. Gruca stated that as long as MISO continues to use the SPP transmission system to transfer energy then the monthly charges to MISO market participants discussed by Mr. Campbell should be ongoing.

The OUCC recommended the Commission approve NIPSCO's proposed recovery of Total RTO Charges/(Credits) and RTO Adjustment Factors for the period of November 2016 through April 2017, which includes estimated RTO demand and energy allocated MISO charges and the variance for the reconciliation period.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. Petitioner's requested RTO Adjustment factors to be applicable to bills rendered during the billing cycles of November 2016 through April 2017, as set forth in Pet. Ex. 1, are approved.

2. Petitioner shall file with the Energy Division of the Commission, prior to placing in effect the RTO 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.

STEPHAN, FREEMAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: OCT 26 2016

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

Mary M. Becerra

Mary M. Becerra
Secretary of the Commission