

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC )  
 SERVICE COMPANY FOR APPROVAL OF A )  
 REVISED GREEN POWER RIDER RATE TO ) CAUSE NO. 44198 GPR 1  
 BE APPLICABLE FOR BILLS RENDERED )  
 DURING THE BILLING CYCLES OF JULY ) APPROVED: JUN 26 2013  
 2013 THROUGH DECEMBER 2013, )  
 PURSUANT TO CAUSE NO. 44198. )

ORDER OF THE COMMISSION

**Presiding Officers:**  
**James D. Atterholt, Chairman**  
**Jeffery A. Earl, Administrative Law Judge**

On March 28, 2013, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its Petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of a revised Green Power Rider (“GPR”) Rate. NIPSCO also filed its Case-in-Chief on March 28, 2013. The Indiana Office of Utility Consumer Counselor (“OUCC”) filed corrected testimony on May 20, 2013.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record, the Commission held a public hearing in this Cause on at 9:30 a.m. on June 13, 2013, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC appeared and participated in the hearing. No members of the general public attended.

Based upon the applicable law and the evidence presented, the Commission finds:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility” as that term is defined in Ind. Code § 8-1-2-1(a). In Cause No. 44198, the Commission approved NIPSCO’s GPR Pilot program on a pilot basis. The Commission also approved a GPR adjustment mechanism. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Petitioner’s rates and charges. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.
  
2. **Petitioner’s Characteristics.** Petitioner is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office and place of business at 801 East 86th Avenue, Merrillville, Indiana. Petitioner renders 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 generation, transmission, distribution, and furnishing of such service to the public.

3. **Background and Requested Relief.** In its December 19, 2012 Order in Cause No. 44198 (the “44198 Order”), the Commission approved NIPSCO’s currently effective Rider 686 – Green Power Rider and NIPSCO’s Appendix H – Green Power Rider Rate. The 44198 Order specified that through NIPSCO’s Green Power Rider Rate, NIPSCO will pass the costs of the Renewable Energy Certificates (“RECs”), including brokerage fees and trading commissions, and minimal administrative and marketing costs to participating customers. The 44198 Order specified that the Green Power Rider Rate will be adjusted semi-annually. The 44198 Order also approved the inclusion of a reconciliation mechanism in NIPSCO’s Green Power Rider Rate and that NIPSCO should reconcile the previous estimated Green Power Rider Rate with actual costs and estimate a new Green Power Rider Rate for the upcoming six (6) months.

In this proceeding, Petitioner requests Commission approval of a revised Green Power Rider Rate to be applicable for bills rendered during the billing cycles of July 2013 through December 2013 or until replaced by a different rate that is approved in a subsequent filing, pursuant to the provisions of the Public Service Commission Act, as amended and the Commission’s 44198 Order. Petitioner also requests approval of an agreed procedural schedule to be applicable to future Green Power Rider Rate adjustment proceedings. This is NIPSCO’s first semi-annual adjustment.

4. **Petitioner’s Evidence.**

A. **Participation in the Green Power Rider Pilot Program.** Timothy R. Caister, Director of Regulatory Policy for NIPSCO, discussed how the Green Power Rider pilot program has operated since it was approved by the Commission. He testified that customers have responded well, and that NIPSCO continues to move forward with implementation while learning from its new program offering. He stated that since becoming available to participants, 81 customers have elected to participate, which includes 77 residential and 4 non-residential customers. He noted that NIPSCO originally forecasted 27 new customers per month (25 residential and 2 non-residential). Mr. Caister stated that NIPSCO has observed that the average use per customer applicable under the Green Power Rider is less than originally forecast. He explained that NIPSCO’s first 81 customers’ average usage equaled just over 694 kWh under the Rider. He compared this to NIPSCO’s original forecasted usage of approximately 1,800 kWh per customer. Given this, as Mr. Caister explained it, NIPSCO has experienced a greater-than-forecasted participation rate, but lower-than-forecasted usage under its new Rider.

B. **Revised Green Power Rider Rate.** Curt A. Westerhausen, Director of Rates and Contracts in the Rates and Regulatory Finance Department for NIPSCO, provided details about NIPSCO’s proposed rate adjustment. He stated the immediate proceeding is for the billing cycles of July 2013 through December 2013, and he testified the proposed GPR rate does not include a reconciliation of over- or under-collection of program expenses because no GPR rate was in effect during the reconciliation period (July 2012 through December 2012). He noted the reconciliation for the January 2013 through June 2013 period will be included in Cause No. 44198-GPR-2.

Mr. Westerhausen also discussed the schedules that support NIPSCO’s request for a revised Green Power Rider Rate. He explained that Schedule 1 shows the calculation of the GPR rate by taking the total projected costs for the July 2013 through December 2013 period and

dividing those costs by the estimated Green Power sales in kWh over that time period. He also noted that the total projected cost includes both projected marketing costs and the projected cost of purchased RECs.

Mr. Westerhausen also described NIPSCO's usage calculations. He stated that at the end of February 2013, NIPSCO's program participation included 81 customers (77 residential and four non-residential customers). Mr. Westerhausen explained that NIPSCO reviewed these participants' 2012 annual usage and applied their Green Power participation rate (e.g., 5%, 10%, 25%, 50%, or 100%) to calculate the customer's annual Green Power participation. He explained that to get an average monthly participation per customer, NIPSCO summed the participation level for the 81 customers and divided by 12. The average Green Power consumption was approximately 694 kWh per customer. He testified NIPSCO started with the actual customer enrollment of 81 customers and applied the original growth rate of 27 new customers per month (from Cause No. 44198) through the remainder of the year. He stated that using that enrollment projection, along with the new average usage of 694 kWh subject to the GPR, NIPSCO calculated the total estimated Green Power sales from July 2013 through December 2013 of 1,181,009 kWh.

Mr. Westerhausen stated NIPSCO's proposed GPR rate is \$0.002012 per kWh. He stated the average monthly participation rate for the current Green Power customers is approximately 694 kWh. He testified that at this monthly participation rate the estimated monthly bill impact to a Green Power customer is \$1.40. He stated this is a \$0.10 decrease from what a Green Power customer would pay today using the current GPR rate.

Mr. Caister stated that, at this time, NIPSCO does not know the full impact this program will have on employee workload, so no recovery of incremental administrative costs is included in NIPSCO's proposed Green Power Rider Rate adjustment. Mr. Caister stated that NIPSCO is not seeking to adjust the level of semi-annual marketing expenses included in this filing and that NIPSCO will continue to monitor its ongoing level of marketing expenses and propose any changes at a later time, if such changes are warranted.

**C. Renewable Energy Credits ("RECs").** In its 44198 Order, the Commission strongly encouraged NIPSCO to purchase RECs from Indiana-based sources when fiscally prudent. Mr. Caister testified that although NIPSCO has not yet purchased any Indiana-based RECs because they are still notably more expensive, NIPSCO would continue to assess this premium. Mr. Caister noted that NIPSCO would update the Commission and interested parties if NIPSCO makes any Indiana-based REC purchases for the program. Thomas W. Pysh, Director of Market Research in the Energy Supply and Trading Department for NIPSCO, described NIPSCO's RECs purchases for the first period of NIPSCO's Green Power Rider Pilot Program (January 2013 through June 2013). Mr. Pysh testified NIPSCO worked with a broker who routinely facilitates transactions of RECs on NIPSCO's behalf. He explained that NIPSCO requested the broker find quotes for Green-e® certifiable RECs sourced within the footprint of the Midwest Independent Transmission System Operator, Inc. ("MISO"). He testified that as of the time of this immediate filing, NIPSCO purchased 2,000 RECs. He stated NIPSCO paid \$1.77 per REC (inclusive of a flat transaction fee for a broker and the regional tracking system [MRETS] fees). Mr. Pysh noted that NIPSCO based the original rate on an estimated cost of \$2.00 per REC.

Mr. Pysh testified that in an effort to keep the pool of potential sellers reasonably large and to comply with Green-e® certification requirements, NIPSCO specified the RECs needed to be sourced from within the MISO footprint, with a preference for an Indiana source. He stated that while NIPSCO found MISO-sourced RECs to be more cost effective to purchase than those within Indiana, NIPSCO did assess the purchase of Indiana-sourced RECs. Mr. Pysh stated that the comparable market price for Indiana-sourced RECs was approximately 5 times that of the RECs that NIPSCO decided to purchase.

Mr. Pysh testified that future prices are unknown. He stated given no significant increase in the current level of mandated renewable portfolio standards, whether by another state or at the federal level, NIPSCO believes that the prices will remain approximately the same for the near future. He noted that as the size of the GPR program grows and the resulting number of RECs needed increases, the cost per REC would be expected to decrease gradually.

Mr. Pysh stated that as of this filing NIPSCO expects to utilize a similar purchase strategy going forward. He confirmed that NIPSCO would plan to make the same request to its broker for a preference for Indiana-sourced RECs.

Mr. Pysh testified that at the time of this filing NIPSCO had not purchased RECs for July 2013 through December 2013. He stated that NIPSCO's current estimated level of 2013 annual sales under the GPR Pilot Program is approximately 4,000 megawatt-hours. He noted that the quantity of RECs purchased to date is based on estimated sales for the period ending June 2013. He also noted that if those sales are below what was estimated RECs would be carried forward into the July 2013 through December 2013 period. Conversely, as Mr. Pysh states, if sales are greater than estimated, NIPSCO might need to purchase additional RECs for the July 2013 through December 2013 period.

5. **OUC's Evidence.** Eric M. Hand, Utility Analyst in the Electric Division of the OUC, noted that only one month (i.e., February, 2013) of actual program data was available. Consequently, Mr. Hand noted it was premature to attempt to identify or project any future trends. Mr. Hand agreed with Mr. Caister that the initial number of participants is higher than forecasted, but the average consumption per customer is less than forecasted. He stated that early subscribers could be testing the program initially in small increments, and that both the number of participants and level of participation could grow if the GPR rate remains low and customers gain familiarity with the program. Mr. Hand testified that if REC purchase prices and program costs remain approximately the same (as NIPSCO has forecasted), then customer participation might increase. He stated as customer participation increases the GPR rate might trend downward, as has been the case with other utilities' green power programs.

Mr. Hand testified that NIPSCO's GPR rate is comparable to other Indiana investor-owned utilities' initial GPR offerings. He stated that initial GPR rates are often higher since REC purchase quantities are small, and since program marketing and administration costs are spread over a smaller base of participants and usage.

Mr. Hand testified that Petitioner's calculation of the GPR rate is reasonable. He stated the OUC recommends Commission approval of NIPSCO's proposed GPR rate, which is a decrease of \$0.000151 per kWh, compared to the current rate. Mr. Hand calculated that

residential customers consuming 1,000 kWh of electricity per month who newly elect to attribute 100% of their electricity usage to green power could expect to pay an additional \$2.01 on their monthly bill. He agreed that customers at an average usage rate of 694 kWh could expect a \$0.10 decrease in their monthly bill.

Mr. Hand testified that offering ratepayers the choice to purchase renewable power or RECs at an affordable price is beneficial to customers. He indicated the OUCC was pleased that NIPSCO's first Green Power program appears to be a success.

**6. Agreed Procedural Schedule.** Petitioner filed an agreed procedural schedule as part of Petitioner's Exhibit No. 1-A and requested that it be approved for subsequent Green Power Rider Rate adjustment proceedings (Cause No. 41998-GPR-X). 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 OUCC and any Intervenors with copies of all supporting workpapers no less than ninety (90) days before the effective date of Petitioner's next semi-annual Green Power Rider Rate adjustment. 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 forty-five (45) days after Petitioner files its completed Case-in-Chief.
- Petitioner will file its rebuttal testimony (if any) no less than five (5) business 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 Green Power Rider Rate adjustment 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.

**7. Commission Discussion and Findings.** Based on the evidence presented, the Commission finds that Petitioner has complied with the rules and procedures applicable to its request and in accordance with the provisions of NIPSCO's Rider 686 – Green Power Rider and Appendix H – Green Power Rider Rate, as approved by the Commission in Cause No. 44198. The evidence shows that the Green Power Rider Rate of \$0.002012/kWh contained in Petitioner's Exhibit A, Schedule 1 was properly calculated. Therefore, we approve the Green Power Rider Rate to be effective with the first billing cycle of the July 2013 billing month.

The Commission also approves the agreed procedural schedule set out above for subsequent Green Power Rider Rate adjustment proceedings.

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

1. Petitioner's requested Green Power Rider Rate of \$0.002012/kWh is approved effective with the first billing cycle of the July 2013 billing month. The Green Power Rider Rate, upon becoming effective, shall remain in effect until a new revised rate is approved.

2. Prior to placing the approved Green Power Rider Rate into effect, Petitioner shall file with the Electricity Division of the Commission 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 6 above is approved for subsequent GPR Adjustment proceedings;

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

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

**APPROVED: JUN 26 2013**

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

  
Brenda A. Howe  
Secretary to the Commission