

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF NORTHERN INDIANA )  
PUBLIC SERVICE COMPANY FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY AUTHORIZING IT TO )  
RENDER NATURAL GAS SERVICE TO THE )  
PUBLIC IN CERTAIN AREAS OF JASPER )  
COUNTY, INDIANA AND FOR APPROVAL OF )  
THE GRANTING TO PETITIONER LICENSES, )  
PERMITS AND FRANCHISES FOR THE USE )  
OF COUNTY ROADS AND RIGHTS-OF-WAY )  
BY THE BOARD OF COMMISSIONERS IN )  
JASPER COUNTY, INDIANA. )

CAUSE NO. 44228

APPROVED: OCT 31 2012

ORDER OF THE COMMISSION

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

On July 25, 2012 Northern Indiana Public Service Company (“NIPSCO” or “Applicant”) filed its Verified Application with the Indiana Utility Regulatory Commission (“Commission”) for a Certificate of Public Convenience and Necessity (“CPCN”) authorizing it to render natural gas service to the public in certain areas of Jasper County, Indiana and for approval of the granting to Applicant licenses, permits and franchises for the use of county roads and rights-of-way by the Board of Commissioners in Jasper County, Indiana.

Applicant prefiled the direct testimony and exhibits of Shawn M. Kelly and Brian K. Woodberry on July 25, 2012. Applicant filed a Notice of Substitution of Witness and Submission of Direct Testimony and Exhibits of Michael J. Martin and Revised Pages in Direct Testimony of Brian K. Woodbury on August 29, 2012. The Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled testimony of Jon C. Dahlstrom on September 6, 2012. Applicant prefiled rebuttal testimony of Mr. Martin on September 13, 2012. The Commission issued a Docket Entry on September 21, 2012 ordering Applicant to respond to questions to which Applicant responded on September 24, 2012.

Pursuant to notice duly published as required by law, a public evidentiary hearing in this Cause was commenced on September 25, 2012, at 10:00 a.m., in Commission Hearing Room 224 in the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC appeared by counsel and offered their respective prefiled testimony and exhibits, which were admitted into evidence without objection.

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

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearings in this Cause were given and published by the Commission as required by law. Applicant is a “public utility” within the meaning of Indiana Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana. Applicant is also an “energy utility” within the meaning of Indiana Code § 8-1-2.5-2. Thus, the Commission has jurisdiction over Applicant and the subject matter of this proceeding in the manner and to the extent provided by the laws of the State of Indiana.

2. **Petitioner’s Characteristics.** Applicant 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. Applicant is engaged in rendering electric and gas 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. Applicant is a wholly-owned subsidiary of NiSource Inc., an energy holding company whose stock is listed on the New York Stock Exchange. Applicant is authorized by the Commission to provide gas utility service to the public in all or part of Adams, Allen, Benton, Carroll, Cass, Clinton, DeKalb, Elkhart, Fulton, Howard, Huntington, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Miami, Newton, Noble, Porter, Pulaski, St. Joseph, Starke, Steuben, Tippecanoe, Tipton, Wabash, Warren, Wells, White and Whitley Counties in northern Indiana. Applicant provides gas utility service to approximately 786,000 residential, commercial and industrial customers.

3. **Relief Requested.** Applicant requests authorization to render natural gas service outside the present boundaries of its currently authorized service territory in Walker Township, Jasper County, Indiana (the “Expansion Area”), as follows:

Sections 1-18, Township 31, Range 6  
Sections 3-10 and 15-18, Township 31, Range 5.

4. **Evidence Presented.**

A. **Applicant’s Case-In-Chief.** Mr. Martin testified that the Expansion Area includes three portions: (1) a portion reflecting property owners currently requesting service from NIPSCO; (2) a portion reflecting property owners currently receiving service from NIPSCO; and (3) a portion, reflecting future growth areas.

Regarding the requesting property owners, Mr. Martin testified that NIPSCO received requests from approximately 70 property owners. He stated that many of these prospective customers indicated they use propane for space heating and water heating. Mr. Martin said these customers relayed they see potential savings by switching to natural gas, and he provided a cost analysis to address this claim. He explained that for March 2012 a NIPSCO residential customer using 100 therms paid approximately \$70 or \$0.70 per therm for natural gas. Mr. Martin cited fuel

prices in this analysis, noting that the residential propane price per gallon in Indiana as of March 19, 2012 was \$2.64 per gallon. He explained the conversion factor for this cost results in \$2.89 per therm, or \$289 for the month of March. Mr. Martin concluded that the same residential customer using 100 therms would have saved \$219 for March 2012 if this customer used natural gas instead of propane.

On the matter of property owners currently receiving service, Mr. Martin testified that NIPSCO needs authorization. Mr. Martin testified that until NIPSCO received the request to provide service to the requesting property owners, NIPSCO was unaware that it provided service in the rural areas of Walker Township without proper certification. He explained that when NIPSCO researched to determine if the property owners requesting service were in NIPSCO's currently certificated service territory, NIPSCO discovered that it did not have authority to serve any rural areas in Walker Township. Mr. Martin stated that NIPSCO requests the authority to serve these existing natural gas customers to comply with Indiana Code § 8-1-2-87(5)(c).

Mr. Martin also testified why NIPSCO chose to include this unauthorized service issue in this case. He explained that immediately upon discovery of this issue, NIPSCO identified those meters in service in Walker Township and determined what territory expansion would be necessary to obtain the proper authority to serve the current NIPSCO customers and the property owners that were requesting service. He stated that since the rural areas of Walker Township are the only known rural areas that NIPSCO provides service without the proper certification, NIPSCO believes the best course of action at this time is to seek certification in this proceeding.

Mr. Martin addressed this issue in relation to all of NIPSCO's gas service territory. He stated that NIPSCO is reviewing its service territory to identify other rural areas within which NIPSCO may be providing natural gas service without the required approval. He explained that NIPSCO's service territory encompasses approximately the northern third of Indiana. He added that in most cases no issue would exist because NIPSCO's service territory is relatively contiguous. He did indicate that NIPSCO's southern boundary might pose concern. Specifically, he stated that NIPSCO is concerned that over time, NIPSCO may have extended service inadvertently outside of its certificated territory. He testified that even though NIPSCO found no clearly identifiable rural areas of unauthorized service in a broad review, it intends to perform a detailed study to locate any areas of unauthorized service. He stated that NIPSCO will provide the results of its review to the Commission by October 31, 2012.

Mr. Martin testified to the steps NIPSCO has implemented to minimize or prevent future oversights regarding unauthorized service. He stated that, currently, when situations call for extensions of service in unknown areas, standard practice requires NIPSCO's engineering department to contact its regulatory department. He emphasized that to enhance this current process, NIPSCO is creating an electronic mapping system that will allow its engineers to determine if a given location is within NIPSCO's currently approved service territory.

Mr. Martin testified that approval of NIPSCO's request might give customers requesting service sufficient time to convert their propane systems to natural gas prior to the upcoming heating

season. He also stated that the unauthorized service in Walker Township is known at this time and NIPSCO wants to resolve this issue immediately. In addition, he stated NIPSCO is the nearest gas utility to the Expansion Area and that the Expansion Area is contiguous with NIPSCO's current approved territory. He indicated that the next nearest gas utility, the City of Rensselaer, has no plans to extend service to the Expansion Area. Further, Mr. Martin testified NIPSCO has existing facilities adjacent to the Expansion Area, and by connecting to these existing facilities, NIPSCO will be able to serve the new area. He also stated that Commission Rules and the Company's General Rules and Regulations currently on file and approved by the Commission would apply to the extensions.

Mr. Martin also addressed NIPSCO's ability to serve the Expansion Area. He testified NIPSCO provides safe and adequate gas distribution service to approximately 786,000 residential, commercial and industrial customers. He stated that NIPSCO's capacity rights with interstate gas pipelines, coupled with its access to an adequate supply of gas commodity, would enable it to continue to provide service to its current customers as well as to customers in the Expansion Area. He stated that NIPSCO's field personnel are well trained and versed in the provision of natural gas service. He noted that the employees who directly perform operation and maintenance on the gas distribution system have been properly qualified in accordance with the Department of Transportation Rules and Regulations. Mr. Martin testified the professional engineers oversee all operational activities, and those engineers have many years of experience in natural gas distribution and that NIPSCO's office staff has the training and experience necessary for the provision of natural gas service in the Expansion Area.

Mr. Martin testified NIPSCO possesses the financial resources to provide natural gas distribution service in the Expansion Area. To demonstrate this ability, he sponsored financial statements dated as of December 31, 2011 (Exhibit B to the Verified Application attached to Applicant's Exhibit No. MJM-1).

Mr. Martin testified NIPSCO has the corporate power and authority to provide natural gas service to the Expansion Area, noting NIPSCO is a public utility corporation organized and existing under the laws of the State of Indiana. He testified that NIPSCO renders electric and gas public utility service in the Indiana and owns, operates, manages and controls, among other things, plant and equipment within the State used for the generation, transmission, distribution and furnishing of such service to the public.

Lastly, Mr. Martin testified that the public interest is served by NIPSCO's proposal to provide natural gas service to the Expansion Area, indicating that there are 68 property owners currently requesting natural gas service from NIPSCO. He also testified that if granted the Necessity Certificate and with approval of the Commission, NIPSCO would make applicable to the Expansion Area, its presently effective rates, rules and regulations applicable to gas service as presently on file with the Commission (IURC Gas Service Tariff, Original Volume No. 7).

Brian K. Woodberry stated that NIPSCO received requests from 65 residential customers and 3 commercial customers for natural gas service. Similar to Mr. Martin, he testified that most of the existing property owners use propane and believe receiving natural gas from NIPSCO would be more

cost effective. He stated that some property owners believe converting to natural gas relieves them of the responsibility to monitor their remaining propane supply and of the possibility of exhausting this supply.

Mr. Woodberry also discussed NIPSCO's service to existing customers. He testified that 250 property owners currently receive service from NIPSCO in the Expansion Area. He stated NIPSCO first put the facilities in place in 2003. Testifying to the possibility of providing unauthorized service, Mr. Woodberry stated that all of NIPSCO's authorized areas are not currently on a central map or single mapping system. He explained that in the past NIPSCO relied on employees who were familiar with a non-centralized system to determine whether NIPSCO had the necessary authorization. He stated that over the years, NIPSCO has experienced some turnover in its departments responsible for mapping out service areas. He added that employees who were less familiar with the multiple locations of mapping information made some of these determinations. He stated that to prevent this from occurring in the future, NIPSCO has initiated a project to map authorized areas in the Geographical Information System ("GIS"). He stated that NIPSCO engineering staff will be required to review the GIS prior to extending any new gas facilities. Mr. Woodberry added that NIPSCO is routing all new residential gas main extension requests through its New Business department to review the proposed extensions and confirm NIPSCO has the necessary authority to serve the requesting customers.

Regarding future customers, Mr. Woodberry stated that the Expansion Area includes additional residential owners who have not yet requested service. He elaborated that NIPSCO believes some of these additional property owners will request service upon seeing NIPSCO's presence in the area. He testified the Expansion Area reflects NIPSCO's expectation of this future growth.

Mr. Woodberry discussed the engineering and construction aspect of the expansion. He stated that starting at the intersection of US 231 and County Road 1000 N, NIPSCO plans to extend a 3-inch plastic distribution main south along US 231 a distance of 1 mile to County Road 900 N that would then run east along County Road 900 N a distance of 2.2 miles. Mr. Woodberry explained that NIPSCO will tap off this proposed 3-inch main along County Road 900 N and will install 2-inch plastic distribution mains at five locations. As Mr. Woodberry stated, these areas are located: (1) north along County Road 500 W a distance of 0.4 miles; (2) north along Ernestine Street a distance of 0.12 miles and east off Ernestine Street along Hogan Street a distance of 0.03 miles; (3) south along Ernestine Street a distance of 0.07 miles; (4) north along Heilscher Street a distance of 0.12 miles; and (5) south along County Road 400 W a distance of 0.12 miles. He also stated that NIPSCO plans to extend a second 3-inch plastic distribution main starting at the intersection of State Road 49 and County Road 900 N west along County Road 900 N a distance of 0.83 miles. Mr. Woodberry stated that additional facilities would serve further growth that occurs in the future.

Mr. Woodberry described the similarity between the facilities that exist in the Expansion Area and the facilities necessary to provide service to the requesting property owners. He testified the proposed facilities to serve the property owners requesting service will have the same material type of plastic. He stated NIPSCO will design new facilities as medium pressure distribution

facilities, making them similar to existing facilities. He also stated that the proposed facilities will include a mixture of 2-inch and 3-inch plastic mains and that the existing facilities include 2-inch, 3-inch, and 4-inch plastic mains.

Mr. Woodberry discussed the construction schedule for these facilities. He testified NIPSCO anticipates beginning construction on the extensions approximately 4 weeks after the Commission issues an order. He testified the total estimated cost of the facilities extension to serve the property owners currently requesting service in the Expansion Area is \$240,140. He testified the property owners currently requesting service meet the requirements of the Company's General Rules and Regulations currently approved and on file with the Commission to receive service at no charge.

**B. OUCC's Evidence.** Jon C. Dahlstrom, Senior Utility Analyst for the OUCC, described the OUCC's review of Applicant's filing, stating that NIPSCO established it has the necessary legal power and authority to obtain the CPCN and provide service. He testified NIPSCO has confirmed it possesses the financial and physical ability to provide service to the proposed addition to its service territory. Mr. Dahlstrom testified NIPSCO supported the position that its proposal serves public convenience and necessity and is in the public interest. .

Mr. Dahlstrom testified the OUCC is concerned with NIPSCO's unauthorized service. Specifically, he stated that his office is concerned that NIPSCO violated Indiana Code § 8-1-2-87(5)(c) by providing natural gas service to approximately 250 customers outside its Commission authorized service territory since 2003. He further expressed concern that NIPSCO was unaware of this problem for over 9 years, and that NIPSCO lacked apparent adequate procedures that could have alerted it to this unauthorized service. However, Mr. Dahlstrom testified that NIPSCO addressed the issue of improperly extending its system beyond the boundaries of its authorized service territory in its prefiled testimony. He noted that NIPSCO presented a proposal designed to prevent this problem from occurring in the future as well as a proposal to identify other areas where it may have inadvertently extended natural gas service beyond its approved service territory. Mr. Dahlstrom testified the OUCC supports NIPSCO's request for a CPCN to provide service in the requested Expansion Area and recommended the Commission grant the requested CPCN.

**C. Applicant's Rebuttal Evidence.** Michael J. Martin stated NIPSCO appreciates the OUCC's willingness to expedite and support NIPSCO's request to serve the non-certificated areas of Walker Township. He stated that if approved by the Commission, NIPSCO will be able to move forward, install natural gas lines and convert customers in the aforementioned areas from propane to natural gas, which provides a significant cost savings to the affected customers. Mr. Martin clarified that NIPSCO is the natural gas utility provider closest to the Expansion Area and that the City of Rensselaer is the next closest.

**5. Discussion and Findings.** Applicant has presented evidence in this proceeding that its proposed extension of gas distribution service to the Expansion Area meets the criteria set forth in Indiana Code § 8-1-2-87(d). Section 87(d) provides that the Commission shall grant an application for a CPCN to extend service in rural areas if it makes the following findings:

- (1) that the applicant has the power and authority to obtain the certificate and to render the proposed gas distribution service if it obtains the certificate;
- (2) that the applicant has the financial ability to provide the proposed gas distribution service;
- (3) that the public convenience and necessity require the providing of the proposed service; and
- (4) that the public interest will be served by the issuance of the necessity certificate.

The record here establishes that NIPSCO possesses the requisite corporate power and authority, and possesses the requisite financial capability, to provide natural gas service to the Expansion Area. No party challenged NIPSCO's evidence. Based on the evidence of record, the Commission finds that NIPSCO possesses the requisite corporate authority and financial capability to provide natural gas distribution service to the Expansion Area and that such service will further public convenience and serve the public interest.

**6. Consent to the Granting of Licenses, Permits and Franchises.** We find that pursuant to Indiana Code § 36-2-2-23, the County Commissioners of Jasper County, the county in which the Expansion Area which is the subject of Applicant's Necessity Certificate is located, may grant to NIPSCO such licenses, permits or franchises as may be required for the use of county property for the provision of gas distribution service in the Expansion Area, described as Sections 1-18, Township 31, Range 6 and Sections 3-10 and 15-18, Township 31, Range 5, in Jasper County, Indiana.

**7. Reporting.** Mr. Martin testified that NIPSCO intends to perform a detailed study of its entire service territory to identify any rural areas being served without the proper certification. Further, Mr. Martin testified that NIPSCO will provide the results of the study to the Commission by October 31, 2012. Therefore, NIPSCO shall file under this Cause the results of the detailed study by October 31, 2012.

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

1. A Certificate of Public Convenience and Necessity shall be and is hereby issued to NIPSCO to provide natural gas distribution service in the Expansion Area, described as Sections 1-18, Township 31, Range 6 and Sections 3-10 and 15-18, Township 31, Range 5, Jasper County, Indiana.

2. NIPSCO shall file under this Cause the results of the detailed study of its entire service territory identifying any rural areas being served without the proper certification, by October 31, 2012.

3. This Order shall be the sole evidence of such Certificate of Public Convenience and Necessity.

4. The County Commissioners of Jasper County, the county in which the Expansion Area is located, have the consent and approval of the Indiana Utility Regulatory Commission to grant such licenses, permits or franchises for the use of county property by NIPSCO as may be required for the provision of gas distribution services authorized in this Certificate of Public Convenience and Necessity.

5. This Order shall become 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**