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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR (1))
APPROVAL OF AN ADJUSTMENT TO ITS)
ELECTRIC SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION, AND)
STORAGE SYSTEM IMPROVEMENT CHARGE)
("TDSIC") RATE SCHEDULE; (2) AUTHORITY)
TO DEFER 20% OF THE APPROVED TDSIC)
COSTS FOR RECOVERY IN PETITIONER'S)
NEXT GENERAL RATE CASE; AND (3))
APPROVAL OF PETITIONER'S UPDATED 7-)
YEAR ELECTRIC PLAN, INCLUDING ACTUAL)
AND PROPOSED ESTIMATED CAPITAL)
EXPENDITURES AND TDSIC COSTS THAT)
EXCEED THE APPROVED AMOUNTS, ALL)
PURSUANT TO INDIANA CODE CH. 8-1-39 AND)
THE COMMISSION'S ORDERS IN CAUSE NOS.)
44370 AND 44371.)**

CAUSE NO. 44371 TDSIC 1

APPROVED: NOV 25 2014

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge**

On August 28, 2014, Northern Indiana Public Service Company ("NIPSCO") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") in this Cause for approval of a new Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") pursuant to Indiana Code ch. 8-1-39. United States Steel Corporation filed a petition to intervene on September 10, 2014, Indiana Municipal Utilities Group ("IMUG") filed a petition to intervene on September 15, 2014, and NIPSCO Industrial Group ("Industrial Group") filed a petition to intervene on September 17, 2014, which were granted on September 23, 2014 and September 29, 2014 respectively.

The Commission held an evidentiary hearing in this Cause on November 10, 2014, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, NIPSCO, the Indiana Office of Utility Consumer Counselor ("OUCC"), IMUG and Industrial Group appeared and participated. No member of the public appeared or participated at the hearing.

At the evidentiary hearing, NIPSCO presented the testimony and exhibits of Timothy R. Caister, Director of Regulatory Policy; Derric J. Isesee, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department; Matthew G. Holtz, Director of

System Reliability & Development; and Phillip S. Winter, Director of AMR and TDSIC Execution. The OUCC presented the testimony of Stacie R. Gruca, Senior Utility Analyst in the OUCC's Electric Division; Michael D. Eckert, Senior Utility Analyst in the OUCC's Electric Division; Eric M. Hand, Utility Analyst in the OUCC's Electric Division; Edward R. Rutter, Utility Analyst in the OUCC's Resource Planning and Communications Division; and Anthony A. Alvarez, Utility Analyst in the OUCC's Resource Planning and Communications Division. The Industrial Group presented the testimony of Nicholas Phillips, Jr., Managing Principal with Brubaker & Associates, Inc.

Having considered the evidence presented and being duly advised, the Commission now finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility as that term is defined in Indiana Code §§ 8-1-2-1(a) and 8-1-39-4 and an energy utility as defined in Indiana Code § 8-1-2.5-2. Under Indiana Code ch. 8-1-39, the Commission has jurisdiction over a public utility's petition to approve rate schedules establishing a TDSIC that will allow the periodic automatic adjustment of the public utility's basic rates and charges to provide for timely recovery of eighty percent of approved capital expenditures and TDSIC costs. Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. NIPSCO's Characteristics. NIPSCO is a public utility organized and existing under the laws of the State of Indiana and having its principal office at 801 E. 86th Street, Merrillville, Indiana 46410. NIPSCO 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.

3. Background and Relief Requested. On July 19, 2013, NIPSCO filed a Petition, docketed as Cause No. 44370, for approval of a 7-year plan for eligible transmission, distribution and storage system improvements ("7-Year Electric Plan"), pursuant to Indiana Code § 8-1-39-10(a). On the same day, NIPSCO filed a separate Petition, docketed as Cause No. 44371, for: (1) approval of a TDSIC rate schedule, (2) approval of NIPSCO's proposed cost allocation, (3) approval of the timely recovery of TDSIC costs through NIPSCO's proposed TDSIC rate schedule, and (4) authority to defer approved TDSIC costs, pursuant to Indiana Code ch. 8-1-39. On February 17, 2014, the Commission issued its Orders in Cause Nos. 44370 and 44371.

In Cause No. 44370, the Commission approved NIPSCO's 7-Year Electric Plan and held (1) NIPSCO's cost estimate for its 7-Year Electric Plan is reasonable; (2) the investments included in NIPSCO's 7-Year Electric Plan are reasonably necessary for it to continue to provide adequate retail service to its customers; (3) the expected costs of the 7-Year Electric Plan are justified by the expected incremental benefits attributable to the Plan; and (4) NIPSCO's 7-Year Electric Plan is reasonable, under the conditions set out in the Order. Further, the Commission held that the projects contained in Year 1 of NIPSCO's 7-Year Electric Plan are "eligible transmission, distribution, and storage system improvements" within the meaning of Indiana Code § 8-1-39-2; (2) municipal lighting projects are eligible for TDSIC treatment as economic development projects when selected in accordance with the findings set forth in Paragraph 6.D.;

(3) the project categories contained in Years 2 through 7 of NIPSCO's 7-Year Electric Plan are presumed "eligible transmission, distribution, and storage system improvements" within the meaning of Indiana Code § 8-1-39-2, subject to further definition and specifics being provided through the plan update proceedings; (4) NIPSCO's proposed definitions of key terms for purposes of interpreting Indiana Code ch. 8-1-39 are approved; and (5) NIPSCO's proposed process for updating major changes to the 7-Year Electric Plan in sub-docket proceedings as discussed in Paragraph 6.G. is approved.

In its February 17, 2014 Order in Cause No. 44371 ("44371 Order"), the Commission (1) authorized NIPSCO to implement its TDSIC rate schedule pursuant to Indiana Code § 8-1-39-9(a) to effectuate the timely recovery of 80% of eligible and approved capital expenditures and TDSIC costs; (2) ordered NIPSCO to use a full weighted average cost of capital ("WACC"), including zero-cost capital, to calculate pretax return; (3) authorized NIPSCO to defer post in service TDSIC costs, including carrying costs, on an interim basis until such costs are recognized for ratemaking purposes through NIPSCO's proposed TDSIC mechanism or otherwise included for recovery in NIPSCO's base rates in its next general rate case; (4) approved NIPSCO's proposed allocation of transmission and distribution project costs; (5) authorized NIPSCO to defer 20% of eligible and approved capital expenditures and TDSIC costs and to recover such deferred expenditures and TDSIC costs in its next general rate case; and (6) authorized NIPSCO to adjust its authorized net operating income to reflect any approved earnings associated with the TDSIC for purposes of Indiana Code § 8-1-2-42(d)(3). The Commission also held that, for purposes of satisfying Indiana Code § 8-1-39-14, NIPSCO's proposed calculation that compares the increase in TDSIC revenue in a given year with the total retail revenues for the past 12 months is consistent with the TDSIC statute.

In this proceeding, NIPSCO seeks: (1) approval of an adjustment to its TDSIC rate schedule to be applicable for bills rendered during the billing cycles of December 2014 through May 2015 to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs incurred in connection with NIPSCO's eligible transmission, distribution, and storage system improvements; (2) authority to defer 20% of the approved TDSIC costs; (3) approval of NIPSCO's Updated 7-Year Electric Plan ("Updated Plan"), including actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts approved in Cause No. 44370; and (4) approval to recover 80% of eligible and approved capital expenditures and TDSIC costs in connection with the Updated Plan through the TDSIC and to defer 20% of eligible and approved capital expenditures and TDSIC costs in connection with the Updated Plan, for recovery in its next general rate case, all pursuant to Indiana Code ch. 8-1-39 and the Commission's February 17, 2014 Orders in Cause Nos. 44370 and 44371.

4. Commission Discussion and Findings Regarding TDSIC. In its 44371 Order, the Commission approved NIPSCO's request for approval of a TDSIC rate schedule and accompanying changes to NIPSCO's electric service tariff to allow for timely recovery of 80% of eligible and approved capital expenditures and TDSIC costs pursuant to Indiana Code § 8-1-39-9. Consistent with the ratemaking and accounting principles approved by the 44371 Order, NIPSCO requests approval of its TDSIC-1 factors to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs incurred through June 30, 2014.

A. Indiana Code § 8-1-39-9.

Indiana Code § 8-1-39-9(a) provides:

Subject to subsection (c), a public utility that provides electric or gas utility service may file with the commission rate schedules establishing a TDSIC that will allow the periodic automatic adjustment of the public utility's basic rates and charges to provide for timely recovery of eighty percent (80%) of approved capital expenditures and TDSIC costs. The petition must:

- (1) use the customer class revenue allocation factor based on firm load approved in the public utility's most recent retail base rate case order;
- (2) include the public utility's seven (7) year plan for eligible transmission, distribution, and storage system improvements; and
- (3) identify projected effects of the plan described in subdivision (2) on retail rates and charges.

The public utility shall provide a copy of the petition to the office of the utility consumer counselor when the petition is filed with the commission. The public utility shall update the public utility's seven (7) year plan under subdivision (2) with each petition the public utility files under this section. An update may include a petition for approval of a targeted economic development project under section 11 of this chapter.

i. Customer Class Revenue Allocation under Indiana Code § 8-1-39-9(a)(1).

In our 44371 Order, we approved NIPSCO's proposal that transmission costs should be allocated on the basis of the revenue allocation found in Joint Exhibit C of the Stipulation and Settlement Agreement approved in the Commission's December 21, 2011 Order in Cause No. 43969 (the "43969 Order"), modified to reflect an adjustment for Rider 675 credits paid related to the interruptible load served under Rates 632 and 634 over the previous twelve months. We also approved NIPSCO's proposal that distribution costs be allocated to distribution customers on the basis of the revenue allocation found in Joint Exhibit C of the Stipulation and Settlement Agreement approved in the 43969 Order modified to reflect the exclusion of Rates 632, 633, and 634, which are only available to transmission and subtransmission customers. Mr. Isensee testified that Exhibit 2, Schedule 4 provides the calculation of the allocation factors which NIPSCO used to allocate the related transmission and distribution revenue requirements in this proceeding as shown in Exhibit 1, Revised Schedule 7.

OUCG witness Hand testified the OUCG believes the Commission's approval of the customer allocators in Cause No. 44371 was improper and the issue is currently before the Court of Appeals. Mr. Hand testified the OUCG again recommends the Commission approve the customer class allocators in Joint Exhibit C to the Stipulation and Settlement Agreement approved in the 43969 Order, NIPSCO's last base rate case. Mr. Hand testified that these allocators are appropriate because the Joint Exhibit C allocators meet both requirements of Indiana Code § 8-1-39-9(a). Mr. Hand testified there is no dispute that they were approved in

the last base rate case and the OUCC believes they are based on firm load. Mr. Hand testified that at the time they were negotiated, NIPSCO either had cancelled or was cancelling its existing interruptible special contracts. Mr. Hand testified, as part of its rate case in Cause No. 43969, it would create a new interruptible tariff, which any qualifying customer could utilize. Mr. Hand stated at the time of the Settlement Agreement, there were no customers on the new interruptible tariff and all load was firm load, including load attributable to the Settling Parties who agreed to the Joint Exhibit C allocators.

Mr. Hand testified that the OUCC recommends that the Commission (1) deny Petitioner's request to apply the adjusted allocators proposed by NIPSCO; and (2) affirm that Joint Exhibit C from Cause No. 43969 is the only customer class allocators allowable for NIPSCO TDSIC petitions until new allocators are appropriately determined on the basis of a cost-of-service study in NIPSCO's next base rate case.

Industrial Group witness Phillips testified that he disagrees with the recommendations of OUCC witness Hand. He stated NIPSCO's proposed Commission-approved allocators best reflect cost causation, the result of NIPSCO's last base rate case, and the language of Indiana Code § 8-1-39-9(a)(1). Mr. Phillips stated that Mr. Hand's recommendation is not in accord with the law, cost causation or the last base rate case. He explained NIPSCO's cost of service study in Cause No. 43969 did not attempt to determine cost to provide interruptible service as part of its cost of service study. Ultimately, the provision of interruptible service was made available through a rider. Mr. Phillips testified that many of the same customers taking interruptible service under Rider 675 were interruptible prior to the date of the 43969 Order and continued to be interruptible after the 43969 Order. He explained it is not "rewriting the Settlement Agreement" to use an allocation factor which adjusts for interruptible service; rather it is a method which is consistent with the statute and cost allocation principles.

Mr. Phillips testified that it is not appropriate to allocate distribution investment to high voltage customers. He stated that classes served at higher voltage levels do not use the lower voltage distribution equipment and do not cause those costs to be incurred. He testified that new distribution investment allowed to be tracked in-between rate cases should only be allocated to distribution customers consistent with the manner that NIPSCO has proposed in this filing.

In rebuttal, Mr. Caister testified that there were two sets of allocation factors approved in the 43969 Order: (1) Joint Exhibit C to the Stipulation and Settlement Agreement (revenue allocation); and (2) Joint Exhibit E to the Stipulation and Settlement Agreement (12-CP). Mr. Caister stated Joint Exhibit C squarely meets the requirements of the TDSIC statute because Joint Exhibit C literally allocates the settled revenue requirement to classes, whereas Joint Exhibit E allocates costs to classes based on the 12-CP method and was only used to allocate costs for certain defined rate adjustment mechanisms (the RA and RTO trackers). Mr. Caister testified that adjusting the revenue allocation factor for the Rider 675 interruptible credit in order to remove the non-firm portion of revenues from Rates 632 and 634 is consistent with Indiana Code § 8-1-39-9(a)(1) because the statute requires NIPSCO to use the customer class revenue allocation factor based on firm load developed in the most recent base rate case. He explained many of the same customers currently taking interruptible service under Rider 675 were interruptible prior to the date the 43969 Order was issued. Mr. Caister testified that pursuant to

the 43969 Order, NIPSCO's old interruptible rates were terminated and replaced by the new firm rates plus an interruptible Rider 675, which established a different method to designate load as non-firm or interruptible. In other words, in order for the Joint Exhibit C allocation factors to properly reflect the customer class revenue allocation factors based on firm load, they must be adjusted to remove the interruptible credits paid under Rider 675. Likewise, Mr. Caister testified that excluding Rates 632, 633, and 634 for the purpose of allocating distribution costs comports with Indiana Code § 8-1-39-9(a)(1) and general cost causation principles. He explained this is not really a proposal to adjust allocation factors; rather it is a proposal to refrain from allocating distribution-related TDSIC costs to rate classes that do not utilize the distribution system. Rate 632, 633, and 634 customers do not use NIPSCO's distribution system. Mr. Caister testified that customer classes that do not use the distribution system should not be charged with costs associated with new distribution investments in this Cause. Therefore, he stated, it is appropriate to remove Rates 632, 633, and 634 from the Exhibit C allocation factors for purposes of allocating distribution-related TDSIC costs so that rate classes that do not use the distribution system are not allocated distribution costs.

Based on our review of the evidence, we do not find any changes in the facts relating to cost allocation or the TDSIC statute since our 44371 Order that support any change in the approved cost allocation factors. We find NIPSCO's proposal that the revenue allocation factor be adjusted for the Rider 675 interruptible credit in order to remove the nonfirm portion of revenues from Rates 632 and 634 is consistent with Indiana Code § 8-1-39-9(a)(1) and should be approved. Further, NIPSCO's proposal to exclude Rates 632, 633, and 634 is a reasonable method to accomplish the alignment of the cost causation with cost allocation, under the evidence specific conditions presented in this proceeding together with the 43969 Order, for the purpose of allocating distribution costs in a manner that comports with Indiana Code § 8-1-39-9(a)(1). We find it is appropriate to adjust the 43969 Order approved Joint Exhibit C allocation factors by removing Rates 632, 633, and 634 from the calculation for purposes of allocating distribution related TDSIC costs so rate classes that do not use the distribution system are not allocated distribution costs. Based on the evidence, we find that NIPSCO's approved capital expenditures and TDSIC costs have been properly allocated to the various customer classes in accordance with Indiana Code § 8-1-39-9 (a)(1) and our 44371 Order.

ii. **NIPSCO's 7-Year Electric Plan under Indiana Code § 8-1-39-9(a)(2).**

As part of its case-in-chief, NIPSCO attached its currently approved 7-Year Electric Plan which was approved in Cause No. 44370 as well as its proposed Updated Plan. Therefore, NIPSCO has satisfied the requirement set forth in Indiana Code § 8-1-39-9(a)(2). We note that in each semi-annual TDSIC filing, NIPSCO must update its 7-Year Electric Plan pursuant to Indiana Code § 8-1-39-9(a) and in accordance with the specific parameters set forth in our Order in Cause No. 44370, which we will discuss in Section 5.

iii. **Projected Effect on Retail Rates and Charges as Required by Indiana Code § 8-1-39-9(a)(3).**

Mr. Isensee sponsored Exhibit 2, Schedule 5, which identifies: (1) NIPSCO's original calculation of the projected effect of the 7-Year Electric Plan on retail rates and charges included

in NIPSCO's original case in chief in Cause No. 44371; (2) the projected effect of the Updated Plan on retail rates and charges based on ratemaking provisions as proposed in this proceeding; and (3) the projected effect of the Updated Plan on retail rates and charges based on ratemaking provisions as proposed in this proceeding. Exhibit 2, Schedule 5 also summarizes the total estimated revenue requirement for each rate class from 2014 to 2020. Finally, Mr. Isensee testified the estimated average monthly bill impact for a typical residential customer using 688 kWh per month is \$0.12 and the estimated average monthly bill impact for a typical residential customer using 1,000 kWh per month is \$0.18.

Based on our review of the evidence, we find that NIPSCO provided sufficient information regarding the projected effects of the Updated Plan on retail rates and charges as required by Indiana Code § 8-1-39-9(a)(3).

B. Past and Future Rate Case Timing and TDSIC Timing.

i. Indiana Code § 8-1-39-9(c).

Indiana Code § 8-1-39-9(c) states that “[e]xcept as provided in section 15 of this chapter, a public utility may not file a petition under subsection (a) within nine (9) months after the date on which the commission issues an order changing the public utility’s basic rates and charges with respect to the same type of utility service.” Mr. Caister testified that the Commission issued an order changing NIPSCO’s basic rates and charges on December 21, 2011. NIPSCO filed its Petition under Indiana Code § 8-1-39-9(c) on August 28, 2014. We find that Cause No. 44371 TDSIC-1 was filed more than nine months after NIPSCO’s last general rate case in accordance with Indiana Code § 8-1-39-9(c).

ii. Indiana Code § 8-1-39-9(d).

Indiana Code § 8-1-39-9(d) states that “[a] public utility that implements a TDSIC under this chapter shall, before the expiration of the public utility’s approved seven (7) year plan, petition the commission for review and approval of the public utility’s basic rates and charges with respect to the same type of utility service.” Mr. Caister testified that NIPSCO intends to comply with this requirement, and we find that NIPSCO shall petition the Commission for review and approval of NIPSCO’s basic electric rates and charges before the expiration of NIPSCO’s 7-Year Electric Plan pursuant to Indiana Code § 8-1-39-9(d).

iii. Indiana Code § 8-1-39-9(e).

Indiana Code § 8-1-39-9(e) states that “[a] public utility may file a petition under this section not more than one (1) time every six (6) months.” Mr. Caister testified that NIPSCO intends to file a petition for a TDSIC adjustment for the timely recovery of its TDSIC costs approximately every six months. We find that NIPSCO’s filing in this proceeding is consistent with Indiana Code § 8-1-39-9(e) and is reasonable.

C. **Average Aggregate Increase in Total Retail Revenues Under Indiana Code § 8-1-39-14.**

Section 14(a) states as follows:

The commission may not approve a TDSIC that would result in an average aggregate increase in a public utility's total retail revenues of more than two percent (2%) in a twelve (12) month period. For purposes of this subsection, a public utility's total retail revenues do not include TDSIC revenues associated with a target economic development project.

Mr. Isensee sponsored Exhibit 1, Revised Schedule 9, which shows that there is no amount in excess of 2% of retail revenues for the past 12 months. Mr. Isensee testified that in accordance with the 44371 Order, NIPSCO has calculated the 2% cap by comparing the increase in TDSIC revenues in a given year with the total retail revenues for the past 12 months. He stated the retail revenues used in this calculation represent the revenues related to the 12 months ended June 30, 2014 time period. These revenues were obtained from Cause No. 38706 FAC 104. Based on this evidence, we find that NIPSCO's proposed TDSIC-1 factors will not result in an average aggregate increase in NIPSCO's total retail revenues of more than two percent in a 12 month period.

D. **TDSIC-1 Factors.**

i. **Billing Period.**

In this proceeding, NIPSCO requests approval of TDSIC factors to be applicable to bills rendered during the billing cycles of December 2014 through May 2015 to effectuate the timely recovery of 80% of TDSIC costs incurred in connection with NIPSCO's eligible transmission, distribution, and storage system improvements. Mr. Isensee testified the TDSIC factors include TDSIC costs incurred through June 30, 2014.

ii. **Semi-Annual Revenue Requirement – Capital.**

In this proceeding, NIPSCO requests approval of a total adjusted semi-annual revenue requirement associated with a return on eligible transmission, distribution, and storage system improvements ("T&D Assets") incurred through June 30, 2014 of \$983,046 (Exhibit 1, Revised Schedule 5, Line 3). The 80% recoverable adjusted semi-annual revenue requirement associated with a return on the T&D Assets is \$786,437 (Exhibit 1, Revised Schedule 5, Line 9). The 20% portion of the adjusted semi-annual revenue requirement associated with a return on the T&D Assets is \$196,609 (Exhibit 1, Revised Schedule 5, Line 6).

The total cost of the eligible T&D Assets incurred through June 30, 2014, upon which NIPSCO requests authority to earn a return is \$19,438,008 (Exhibit 1, Second Revised Schedule 2, Line 3). Mr. Isensee testified this total includes an Allowance for Funds Used During Construction ("AFUDC"), other indirect costs, and is net of accumulated depreciation. Mr. Isensee testified the AFUDC related to TDSIC projects was calculated in accordance with the instructions of the Federal Energy Regulatory Commission or NARUC Uniform System of

Accounts, which is consistent with GAAP. Mr. Isensee testified that if the Commission approves the proposed ratemaking treatment for costs of eligible T&D Assets incurred through June 30, 2014, NIPSCO will cease accruing AFUDC on construction costs once the incurred costs receive construction work in progress ratemaking treatment, are otherwise reflected in base electric rates, or the project is placed in service, whichever occurs first.

The 44371 Order ordered NIPSCO to use a full Weighted Average Cost of Capital (“WACC”), including zero-cost capital, to calculate pretax return and provided that the WACC should be updated in each semi-annual TDSIC filing to reflect an updated capital structure and cost of debt. The calculation of NIPSCO’s updated total weighted cost of capital is shown on Exhibit 2, Schedule 1. Mr. Isensee explained that the annual revenue requirement for the return on investment is calculated by multiplying the June 30, 2014 net book value of all T&D projects by the debt and equity components of NIPSCO’s weighted cost of capital. The product of this calculation is then multiplied by 50% in order to calculate a semi-annual revenue requirement. This semi-annual amount is then multiplied by the revenue conversion factor, as discussed below, and further reduced to 80%, as seen in Exhibit 1, Revised Schedule 5, in order to determine the total return-related revenue requirement to be recovered for bills rendered during the billing cycles of December 2014 through May 2015.

Based on the record evidence, we find that NIPSCO’s request to begin earning a return on the value of the eligible transmission, distribution, and storage system improvements incurred through June 30, 2014 set forth above, complies with the TDSIC tracker authority approved in the 44371 Order and should be approved. We further find that NIPSCO’s proposed total semi-annual revenue requirement associated with a return on the T&D Assets and the 80% recoverable semi-annual revenue requirement as set forth above have been calculated in compliance with the TDSIC tracker methodology approved in Cause No. 44371 and should be approved.

iii. Semi-Annual Revenue Requirement – Depreciation and Property Tax Expenses.

In this proceeding, NIPSCO requests approval of a total depreciation and property expense of \$856 (Exhibit 1, Revised Schedule 5, Line 4). The 80% recoverable depreciation and property tax expense associated with eligible TDSIC projects through June 30, 2014 is \$685 (Exhibit 1, Revised Schedule 5, Line 10). The 20% portion of the depreciation and property tax expense associated with eligible TDSIC projects through June 30, 2014 is \$171 (Exhibit 1, Revised Schedule 5, Line 7).

OUC witness Eckert addressed NIPSCO’s calculation of depreciation expense. Mr. Eckert believes that NIPSCO is not using the more accurate methodology used by Indiana Michigan Power Company in its nuclear life-cycle management (“LCM”) tracker and Vectren Energy Delivery of Indiana, Inc. in its TDSIC tracker. Mr. Eckert stated, as he understands NIPSCO’s TDSIC approach, the increase to gross plant caused by the new asset is counted, but the decrease to gross plant caused by the retirement of the old asset is not counted.

Mr. Eckert testified NIPSCO’s TDSIC factors do not need to be adjusted in this TDSIC-I proceeding to provide a more accurate calculation of incremental depreciation expense as

TDSIC-1 deals almost exclusively with the construction phase. Furthermore, Mr. Eckert stated TDSIC-1 includes no material amount of depreciation expense, so an adjustment to the TDSIC-1 factor is not required to deal with the over-estimation of incremental depreciation expense inaccuracy that he had identified. Mr. Eckert testified depreciation expense does not begin until construction is complete and the asset goes into service.

In rebuttal, NIPSCO witness Caister testified that the Commission already addressed and rejected the same recommendation by the OUCC in Cause No. 44371. He testified that NIPSCO's proposed TDSIC factors apply the ratemaking and accounting treatment authorized by the Commission in Cause No. 44371. He testified that the TDSIC statute has not changed since the 44371 reconsideration order so it would not be appropriate to relitigate the issue of the treatment of replaced asset investment cost. Mr. Caister disagreed with Mr. Eckert's characterization on page 8 of Public's Exhibit No. 2 that the depreciation expenses associated with eligible transmission, distribution, and storage investments included for recovery via the TDSIC have been "marked up." He stated the TDSIC statute provides that depreciation expenses incurred with respect to eligible transmission, distribution, and storage system improvements are "TDSIC costs," 80% of which are recoverable through the TDSIC. He explained that in calculating the depreciation expenses included in NIPSCO's proposed TDSIC-1 factors (shown on Exhibit 1, Schedule 4), NIPSCO multiplied the depreciation rates approved in NIPSCO's most recent base rate case by the investment in eligible transmission, distribution, and storage system improvements that had been placed in service as of June 30, 2014. Mr. Caister stated this is specifically contemplated by the TDSIC statute and is straightforward math. He stated there is simply no mark-up, and it is erroneous to imply the depreciation shown on Exhibit 1, Schedule 4 is based on anything other than actual depreciation expenses.

We decline to adopt the OUCC's recommendation. In the 44371 Order, we stated: "we do not find statutory support for the netting of investment in determining the appropriate investment to be afforded cost recovery. In addition, the TDSIC statute requires a general rate case before the expiration of the utility's 7-year plan which provides a built in mechanism to update the net investment of the utility. Thus, we decline to require NIPSCO to recognize the replaced asset investment cost already embedded in base rates because Indiana Code ch. 8-1-39 does not support it outside of the required rate case." 44371 Order at 17-18. The TDSIC statute has not changed since our 44371 Order, and we find no reason to reverse our decision in that case.

Based on the record evidence, we find that NIPSCO's total depreciation and property tax expense associated with eligible TDSIC projects through June 30, 2014 and the 80% recoverable depreciation and property tax expense set forth above have been calculated in compliance with the TDSIC tracker methodology approved in Cause No. 44371 and should be approved.

iv. Reconciliation.

Mr. Isensee testified NIPSCO is not including a reconciliation of revenues and costs in this filing as this is the first filing for this mechanism and no previous factors were in effect. The first reconciliation of revenues and costs included in this proceeding will be included in TDSIC-3, which will be filed in September of 2015.

v. **Calculation of TDSIC Factors.**

Mr. Isensee sponsored Exhibit 1, Revised Schedule 8, which shows the calculation of the TDSIC factors by rate code based on the total adjusted semi-annual revenue requirement of \$787,121 (Exhibit 1, Revised Schedule 5, Line 12). He testified the factors are calculated by combining the various components of the allocated revenue requirement and dividing those components by forecasted volumes to compute a billing factor for bills rendered during the billing cycles of December 2014 through May 2015. Mr. Isensee sponsored Revised Exhibit 3 (Appendix J – Transmission, Distribution and Storage System Improvement Charge (First Revised Sheet No. 210)) showing the TDSIC factors proposed to be applicable for bills rendered during the billing cycles of December 2014 through May 2015.

OUCG witness Gruca testified that, based on her analysis for NIPSCO's proposed TDSIC Factors for the billing period of December 2014 through May 2015, NIPSCO's proposed TDSIC tracking factors appear to comport with the ratemaking and accounting treatment authorized by the Commission in Cause No. 44371. Ms. Gruca stated that she reached this conclusion based on the information filed on August 28, 2014, which is the filing that started the OUCG's sixty day review period. Ms. Gruca stated she briefly reviewed NIPSCO's revisions filed on October 23, 2014, and preliminarily concluded that those revisions result in a slightly lower rate increase.

Ms. Gruca testified that, based on her calculation of total TDSIC costs tracked in TDSIC-1, the effect is an increase of approximately \$0.000179 per kWh for residential customers. Including the TDSIC-1 costs along with current base rates and charges, a typical residential customer using 1,000 kWh per month would experience a bill of approximately \$108.86, which equates to an average cost per kWh of 10.87 cents. Based on NIPSCO's October 23, 2014 filing of revisions, Ms. Gruca reached a preliminary conclusion that rate impacts would decline slightly.

Ms. Gruca noted the concerns raised by OUCG witnesses Hand and Eckert regarding the calculation of depreciation expense and cost allocation. Ms. Gruca further testified that the Order establishing parameters of NIPSCO's TDSIC tracker has been appealed by the OUCG and Industrial Group in Case No. 93A03-1403-EX-158. Due to these concerns, Ms. Gruca testified that the OUCG does not support NIPSCO's proposed TDSIC rate increase in this Cause. Ms. Gruca stated that with the aforementioned appeals currently pending, the OUCG respectfully requests that any rate increase approved in TDSIC-1 be interim and subject to refund pending the outcome of such appeals.

In rebuttal, NIPSCO witness Caister testified that NIPSCO disagrees that the TDSIC factors should be made interim and subject to refund. He explained the 44371 Order prescribed a methodology for implementing the TDSIC mechanism, and that is the methodology utilized in this filing. Mr. Caister testified that to the extent a party wishes to challenge the TDSIC factors approved in this proceeding, that party may appeal the final order in this Cause.

Based on the record evidence, we approve the proposed TDSIC factors set forth in NIPSCO's Revised Exhibit 3 to be applicable to bills rendered during the billing cycles of December 2014 through May 2015 or until replaced by new factors. However, we are inclined

to grant the OUCC's request to make the factors approved in this TDSIC-1 proceeding interim and subject to refund pending the outcome the appeals of the Commission's Orders in Cause Nos. 44370 and 44371.

vi. Deferred TDSIC Costs.

In the 44371 Order, we authorized NIPSCO to (1) defer post in service TDSIC costs, including carrying costs based on the WACC consistent with that approved herein, on an interim basis until such costs are recognized for ratemaking purposes through NIPSCO's proposed TDSIC mechanism or otherwise included for recovery in NIPSCO's base rates in its next general rate case; and (2) defer as a regulatory asset and recover in NIPSCO's next general rate case all tax expenses recorded as a result of the deferral of 20% of all approved capital expenditures and TDSIC costs. 44371 Order at 19.

In this proceeding, Mr. Isensee sponsored Exhibit 1, Revised Schedule 10 which shows 20% of the total revenue requirements calculated in Exhibit 1, Revised Schedule 5. He testified the amount included in Column F represents the ongoing carrying charges, based on NIPSCO's WACC, on all deferred TDSIC costs incurred through June 30, 2014. He stated these costs will be included for recovery in NIPSCO's base rates in its next general rate case. Based on the record evidence, we find that the costs to be deferred and recovered in NIPSCO's base rates in its next general rate case is \$196,780 (Exhibit 1, Revised Schedule 10, Line 12) in accordance with our 44371 Order.

vii. Residential Space Heating Transition Plan.

In Cause No. 44436, NIPSCO requested approval of a revenue neutral proposal to transition residential space heating customers from Rates 611, 612 and 613 to Rate 611 over a 5-year period in accordance with the Commission's December 21, 2011 Order approving a Stipulation and Settlement Agreement in Cause No. 43969. In Cause No. 44436, NIPSCO proposed that the transition plan would take place over a 5-year period, and would evenly increase the customers' bills each year until all customers are paying the Rate 611 Energy Charges at the end of the 5-year period. However, NIPSCO proposed that in the first year of the transition, 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. NIPSCO proposed to begin the transition with the first billing cycle for the billing month of January 2015.

Mr. Isensee testified that if NIPSCO's proposed mechanism for the phase-out of residential space heating discounts is approved by the Commission in Cause No. 44436, NIPSCO will submit revised tariffs to the Commission's Electricity Division to adjust the rates and charges for Rates 611, 612, and 613 prior to January 1, 2015. This filing would include a revision to the TDSIC factors to combine the factors applicable to Rates 611, 612, and 613 into one factor applicable to each of those rates. On September 3, 2014, the Commission issued a final order in Cause No. 44436 in which we approved NIPSCO's proposed space heating transition plan. Therefore, we find that NIPSCO should, prior to January 1, 2015, submit a revised tariff to the Commission's Electricity Division with a revision to the TDSIC factors to

combine the factors applicable to Rates 611, 612, and 613 into one factor applicable to each of those rates to be effective for the January 2015 billing cycle.

5. Commission Findings and Conclusions Regarding Updated Plan.

A. NIPSCO's Updated Plan.

As noted above, Indiana Code § 8-1-39-9(a) requires a utility to update its 7-Year Electric Plan as a component of TDSIC periodic automatic adjustment filings. The statute is silent as to what should be included in the update. However, the statute does require the Commission to issue an order in the tracker proceeding in 90 days, which is a shorter time frame than the 210 days afforded for the initial plan filing. In Cause No. 44370, the Commission created “a mechanism to ensure the updates are afforded sufficient scrutiny by this Commission and other interested stakeholders...” Further, the Commission noted in Cause No. 44370, that “[i]t is our expectation that NIPSCO will move its upcoming year specific projects into a firmness and therefore eligible state similar to that which it has provided and we have approved for Year 1...” Finally, NIPSCO agreed to a sub-docket, with a 210 day clock, if they propose a major change in their plan.

We will review NIPSCO's Updated Plan by applying the framework of requirements set forth in Indiana Code § 8-1-39-10. Indiana Code § 8-1-39-10(b) states that the Commission shall issue an order that includes the following:

- (1) A finding of the best estimate of the cost of the eligible improvements included in the plan;
- (2) A determination whether the public convenience and necessity require or will require the eligible improvements included in the plan; and
- (3) A determination whether the estimated costs of the eligible improvements included in the plan are justified by the incremental benefits attributable to the plan.

Further, “[i]f the Commission determines that the public utility's seven (7) year plan is reasonable, the Commission shall approve the plan and designate the eligible transmission, distribution, and storage improvements included in the plan as eligible for the TDSIC treatment.” *Id.*

In this case, NIPSCO requests approval of its Updated Plan, including actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts approved in Cause No. 44370. The Updated Plan is largely consistent with the 7-Year Electric Plan we approved in Cause No. 44370 pursuant to Indiana Code § 8-1-39-10, and contains updates of cost estimates for the 2014 projects, a comprehensive overview of all proposed projects, by project category and by Electric FERC Account for all 7 years of the Plan, and a detailed project list and cost estimates for 2015 projects. The Updated Plan also contains a revised risk ranking of NIPSCO's transmission and distribution assets.

B. Best Estimate of the Cost of the Eligible Improvements.

Mr. Holtz testified that the Updated Plan shows updated cost estimates for the 2014 Projects, project-level cost estimates for the 2015 Projects, and updated annual projected spends for the remaining years. Consistent with the 7-Year Electric Plan, Mr. Holtz stated the Updated Plan includes the type of work that is core to NIPSCO's T&D business. Projects of the type contemplated in the Updated Plan have been previously completed by the NIPSCO team and as such, NIPSCO has experience with respect to the costs necessary for project completion. He stated cost estimates for this work have been based on NIPSCO's own experiences for similar work. In addition, during the development of years 2016-2020 of the Updated Plan, NIPSCO utilized unit cost data described by Mr. Dehring in Cause No. 44370 and attached to his direct testimony in Petitioner's Exhibit No. TAD-4. Petitioner's Exhibit No. MGH-5 (Confidential) provides the unit cost data.

OUCC witness Rutter testified that the OUCC recommends adoption of the Updated Plan adjusted for both the accounting errors discovered in NIPSCO's October 23, 2014 filing and the recommendation of OUCC witness Alvarez relative to the Gary 4 kV Conversion projects. Additionally, Mr. Rutter testified that the OUCC recommends NIPSCO reconcile the conflicting information pertaining to the project before the Commission approves the project's updated cost estimate. Mr. Rutter stated the work order level estimates provided in support of the Updated Plan were in the same format and detail that was accepted by the Commission in its 44370 Order. Mr. Rutter stated that his review of the revised cost estimates plus discussions with NIPSCO personnel tasked with the day-to-day operation and maintenance of the transmission, distribution and storage facilities, lead to the recommendation that once adjusted for the exclusion of expenditures incurred prior to the March 1, 2014 cutoff date and resolution of the conflicting information referred to above, they be approved as reasonable costs associated with NIPSCO's TDSIC plan.

In rebuttal, NIPSCO witness Holtz testified that NIPSCO made adjustments to the Updated Plan to correct the accounting errors discovered in NIPSCO's October 23, 2014 filing as recommended by Mr. Rutter. He stated that on October 29, 2014, NIPSCO filed a Revised Exhibit Electric Plan Update-1 (Confidential) which reflects the removal of expenditures that were incurred prior to March 1, 2014 and the related AFUDC and Indirect Costs for the year 2014. The revision affected Pages 1 through 5 and Pages 8 through 11 of Revised Exhibit Electric Plan Update-1 (Confidential). Further, NIPSCO witness Winter provided rebuttal testimony to explain the Gary 4 kV Conversion projects and clarify the cost information as recommended by Mssrs. Alvarez and Rutter.

Based on our review of the evidence we find that NIPSCO has provided sufficient support for the estimate of the cost of the eligible improvements included in the Updated Plan. The evidence shows the cost estimates for the investments included in the Updated Plan were based on NIPSCO's experiences for similar work. Furthermore, during the development of the years 2016-2020 of the Updated Plan, NIPSCO utilized unit cost data described by Mr. Dehring in Cause No. 44370, which is provided in NIPSCO's Exhibit No. MGH-5 (Confidential). Finally, NIPSCO incorporated actual costs incurred into its revised estimates for the 2014 projects. Therefore, consistent with our findings in Cause No. 44370 relating to the 7-Year Electric Plan, and based upon the evidence presented in this proceeding, we find that the

Updated Plan includes the best estimate of the cost of the eligible improvements included in the plan.

C. Public Convenience and Necessity.

Mr. Holtz testified that consistent with the 7-Year Electric Plan, the eligible improvements included in the Updated Plan will serve the public convenience and necessity in various ways. First, like the 7-Year Electric Plan, NIPSCO's Updated Plan is largely a replacement plan. Mr. Holtz testified the equipment that is in service today is used and useful in safely and reliably serving NIPSCO's customers with electric service. However, in order to continue serving NIPSCO's customers safely and reliably, Mr. Holtz stated the public convenience and necessity require that the assets identified in the Updated Plan be replaced. The public's reliance on electricity is linked directly with quality of life, economic enhancement, and overall public safety. Mr. Holtz testified that NIPSCO takes its role seriously in serving its customers safely and reliably, and this includes protecting NIPSCO's customers and employees from potential injury, property damage, and sustained electrical outages. Mr. Holtz explained that NIPSCO's Updated Plan follows the requirements of the statute by making new and replacement T&D investments for the purposes of safety, reliability, system modernization and economic development. This is consistent with public policy and serves the public interest. Mr. Holtz explained the eligible investments are essential in protecting the integrity, safety, and reliable operation of the system—not only for NIPSCO's customers, but also for the bulk electric system as a whole. These investments provide for the public convenience and necessity not only for NIPSCO customers, but at a much broader level through maintaining the reliability of NIPSCO's bulk electric systems assets that help make up and impact other utilities and their customers in the Eastern Interconnection.

NIPSCO has a statutory obligation to provide reasonably adequate service, pursuant to Indiana Code § 8-1-2-4, in its assigned electric service territory. It performs this obligation for the public convenience and necessity. We find that NIPSCO has sufficiently supported that the investments described in its Updated Plan are reasonably necessary for it to continue to provide adequate retail service to its assigned customers. Therefore, consistent with our findings in Cause No. 44370 relating to the 7-Year Electric Plan, and based upon the evidence presented in this proceeding, we find that the public convenience and necessity require or will require the eligible improvements included in the Updated Plan.

D. Incremental Benefits Attributable to the Updated Plan.

Mr. Holtz testified that NIPSCO has a large number of aging assets on its electric transmission and distribution system. He stated the assets have aged naturally as a function of NIPSCO's service territory development over time and the natural life of the assets. These assets need to be replaced. Mr. Holtz testified the Updated Plan is a plan to address these replacements. Mr. Holtz testified that consistent with the 7-Year Electric Plan, the Updated Plan is targeted at reducing system risk by considering both the probability of failure and the impact to the system through consequence of failure. The Updated Plan is optimized to reduce overall risk by focusing on the highest risk assets across all asset classes while also starting to group projects by geography and through system outages to take advantage of efficiencies and reduce system

impact. The updated risk ranking of projects based on the updated risk model was provided in NIPSCO's Exhibit No. MGH-2 (Confidential). Mr. Holtz testified that consistent with the 7-Year Electric Plan, the Updated Plan focuses on maintaining safe, reliable service for NIPSCO's customers in a cost effective manner. While the 7-Year Electric Plan addresses all four types of eligible investment (safety, reliability, system modernization or economic development) in the TDSIC statute, most of the Updated Plan's investments positively impact electric reliability. Mr. Holtz testified that consistent with the 7-Year Electric Plan, the Updated Plan allows for planned replacement of electric assets, realizing construction efficiencies versus replacement in unplanned conditions. Premium labor rates for emergent replacements are mitigated. Premiums that are sometimes required to expedite the manufacture of long lead time items, such as transmission transformers and breakers, are also mitigated. Mr. Holtz also explained that more modern system protection devices which are included in the Updated Plan provide for faster clearing of system faults that will protect the asset lives of expensive system equipment and minimize outage scales.

Mr. Holtz testified that the continued safety of NIPSCO's employees and customers is enhanced and potential damage to other electric system components is avoided when the risks of violent failures (i.e., explosions, fires, downed power lines) are mitigated. Lastly, the extension of new facilities or the rebuilding of older facilities almost always provide for a more robust system to meet system delivery or interconnection requirements. He stated that consistent with the 7-Year Electric Plan, the Updated Plan cost effectively addresses safety, reliability, system modernization, and economic development concerns, and provides incremental benefits to NIPSCO's customers.

In the 44370 Order, we found that "NIPSCO has provided sufficient evidence that the estimated costs of the eligible improvements included in the 7-Year Electric Plan are justified by the reasonably expected incremental benefits attributable to the plan." 44370 Order at 14. Based on our review of the evidence, the facts underlying that conclusion have not changed. The evidence of record is that NIPSCO has a large number of aging assets on its electric transmission and distribution system. The assets appear to have aged naturally as a function of NIPSCO's service territory development over time and the natural life of the assets. The evidence supports NIPSCO's position that these assets need to be replaced. NIPSCO's Updated Plan puts forth a plan to address these replacements. NIPSCO conducted a quantitative risk assessment of these assets, which took into account both probability of failure and consequence of failure. Further, the evidence shows that NIPSCO should realize construction efficiencies through a planned replacement of assets that would not be possible in emergent conditions. In summary, there is sufficient evidence that incremental benefits are likely, even though these benefits are difficult to quantify. Therefore, consistent with our findings in Cause No. 44370 relating to the 7-Year Electric Plan, and based upon the evidence presented in this proceeding, we find the estimated costs of the eligible improvements included in the Updated Plan are justified by the incremental benefits attributable to the Updated Plan.

E. Whether NIPSCO's Updated Plan is Reasonable.

OUCC witness Alvarez testified the new projects NIPSCO proposed in its Updated Plan appear reasonable, however, the OUCC requests NIPSCO to provide more technical and

background information regarding these projects; review its own design practices, adopt, and maintain industry accepted design standards and practices; and raise the importance of replacing obsolete distribution system protection equipment to the forefront of its 7-Year Electric Plan. Mr. Alvarez stated the OUCC does not object to the corrected cost estimates included in the Updated Plan, but that NIPSCO should provide detailed explanations in the next tracker filing to support its corrected cost estimates. Mr. Alvarez testified that the OUCC does not object to the delayed projects in the Updated Plan. However, he added, before NIPSCO reintroduces this particular project in future tracker updates, it should provide detailed cost estimates with higher expected range of accuracy. Mr. Alvarez further testified that the OUCC does not oppose the updated cost estimates of the failed transformers because they appear reasonable. Mr. Alvarez stated, however, the conflicting cost estimates and confusing information to support the increased cost estimate of the Gary, 4 kV Conversion - Upgrade Circuit 2143 - Fairbanks to Colfax - 4 kV to 12.5 kV (Line No. 35) project raises concern with the OUCC. Mr. Alvarez testified NIPSCO should reconcile the conflicting information first before the Commission approves the project's updated cost estimate, and before the Gary 4 kV Conversion (Line No. 35) project receives the budget transfer from the AB Chance Cutout and Aluminum Bells (Line No. 62) project.

Mr. Alvarez testified the OUCC recommended the Commission: (1) approve the Updated Plan subject to the OUCC concerns discussed; (2) require NIPSCO to provide technical and background information regarding individual projects in its case-in-chief in future TDSIC proceedings; (3) require NIPSCO to provide detailed cost estimates with higher expected range of accuracy before it introduces back the delayed projects in future TDSIC filings; and (4) require NIPSCO to reconcile the conflicting information for the Gary, 4 kV Conversion (Line No. 35) project first before the Commission approves the project's updated cost estimate, and before the Gary, 4 kV Conversion (Line No. 35) project receives the budget transfer from the AB Chance Cutout and Aluminum Bells (Line No. 62) project.

In rebuttal, NIPSCO witnesses Holtz and Winter provided additional information as recommended by Mr. Alvarez. Specifically, Mr. Holtz provided further explanation regarding the new projects included in the Updated Plan, the cost estimates with errors, and the "Failed Transformer" project on Page 5, Line No. 51 of the Updated Plan. Mr. Holtz also testified that NIPSCO will endeavor to include more technical and background information regarding any new projects included in future updates to its 7-Year Electric Plan similar to the explanation provided for the Demotte Substation (Line No. 49) in this filing. Mr. Winter provided a detailed explanation of the Gary, 4 kV Conversion projects (Line Nos. 35 and 36) as well as the AB Chance Cutout and Aluminum Bells project (Line No. 62) and clarified the cost information for those projects.

Based upon our review of the evidence of record, we find that NIPSCO's Updated Plan is reasonable. We find that NIPSCO has defined the Year 2 projects sufficiently to be deemed as eligible for TDSIC treatment. Further, we continue to expect that eligible project categories in the Updated Plan will become better defined in terms of specificity as their respective investment year comes of age. Therefore, consistent with our findings in Cause No. 44370 and based on the findings set forth herein, we find the Updated Plan to be reasonable.

6. Confidential Information. NIPSCO filed a motion for protective order on August 28, 2014 which was supported by affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Indiana Code §§ 5-14-3-4(a)(4) and Indiana Code § 24-2-3-2. The Presiding Officers issued a Docket Entry on September 9, 2013 finding such information to be preliminarily confidential, after which such information was submitted under seal. We find all such information is confidential pursuant to Indiana Code § 5-14-3-4 and Indiana Code § 24-2-3-2, is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

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

1. The projects contained in Year 2 of NIPSCO's Updated Plan are "eligible transmission, distribution, and storage system improvements" within the meaning of Indiana Code § 8-1-39-2.

2. NIPSCO's requested TDSIC factors set forth in Petitioner's Revised Exhibit 3 are approved on an interim basis and subject to refund pending the outcome the appeals of the Commission's Orders in Cause Nos. 44370 and 44371.

3. NIPSCO shall file with the Electricity Division of the Commission, prior to placing in effect the TDSIC factors approved above, an amendment to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.

4. 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 4.D(vii).

5. NIPSCO is authorized to defer and recover 80% of the approved TDSIC costs incurred in connection with the eligible transmission, distribution, and storage improvements identified in Paragraph No. 4 above in its rates and charges for electric service in accordance with NIPSCO's TDSIC beginning with the December 2014 billing cycle.

6. NIPSCO is authorized to defer 20% of the TDSIC costs incurred in connection with the eligible transmission, distribution, and storage improvements described in Paragraph No. 4, and recover those deferred costs in its next general rate case and NIPSCO is authorized to record ongoing carrying charges based on the current overall weighted average cost of capital on all deferred TDSIC costs until such costs are recovered in NIPSCO's base rates as a result of its next general rate case.

7. NIPSCO's Updated Plan as set forth in Revised Exhibit Electric Plan Update-1 (Confidential), including the updated project lists and project cost estimates for 2014 and 2015 and the updated annual projected spends for the remaining years of the Plan (2016-2020) is hereby approved and the projects included in the Updated Plan are designated as eligible

transmission, distribution, and storage system improvements under Indiana Code § 8-1-39-2 consistent with the findings above. NIPSCO is hereby authorized to recover 80% of the costs incurred in connection with the Updated Plan through the TDSIC and to defer 20% of the TDSIC costs incurred in connection with the Updated Plan, including ongoing carrying charges on all deferred TDSIC costs, for recovery in its next general rate case.

8. The information filed by Petitioner in this Cause pursuant to its Motion for Protective Order is deemed confidential pursuant to Indiana Code § 5-14-3-4 and Indiana Code § 24-2-3-2, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

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

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

APPROVED: NOV 25 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