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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC )  
SERVICE COMPANY FOR (1) APPROVAL OF A )  
TRANSMISSION, DISTRIBUTION AND )  
STORAGE SYSTEM IMPROVEMENT CHARGE )  
("TDSIC") RATE SCHEDULE, (2) APPROVAL )  
OF PETITIONER'S PROPOSED COST )  
ALLOCATIONS, (3) APPROVAL OF THE )  
TIMELY RECOVERY OF TDSIC COSTS )  
THROUGH PETITIONER'S PROPOSED TDSIC )  
RATE SCHEDULE, AND (4) AUTHORITY TO )  
DEFER APPROVED TDSIC COSTS, PURSUANT )  
TO IND. CODE CH. 8-1-39. )

CAUSE NO. 44371

APPROVED: **MAY 07 2014**

ORDER OF THE COMMISSION

**Presiding Officers:**

**David E. Ziegner, Commissioner**

**David E. Veleta, Administrative Law Judge**

On July 19, 2013, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") petitioned the Indiana Utility Regulatory Commission ("Commission") for (1) approval of a Transmission, Distribution and Storage System Improvement Charge ("TDSIC") Rate Schedule, (2) approval of Petitioner's proposed cost allocation, (3) approval of the timely recovery of TDSIC costs through Petitioner's proposed TDSIC Rate Schedule, and (4) authority to defer approved TDSIC costs, pursuant to Indiana Code ch. 8-1-39.

An evidentiary hearing was conducted on November 12, 2013 at 9:30 a.m. in Room 222, PNC Center, Indianapolis, Indiana. On February 17, 2014, the Commission issued an Order in this Cause.

On March 10, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the OUCC's Petition for Reconsideration ("Petition for Reconsideration"), requesting the Commission reconsider portions of its findings within its February 17, 2014 Order in this Cause. On March 20, 2014, NIPSCO filed its Response to the OUCC's Petition for Reconsideration. On March 20, 2014, the NIPSCO Industrial Group ("Industrial Group") filed its Response to the OUCC's Petition for Reconsideration.

**1. Commission Jurisdiction.** The bases for our jurisdiction over NIPSCO and the subject matter of this proceeding is set forth in our February 17, 2014 Order, and are hereby incorporated into this Order on Reconsideration. The Commission has jurisdiction over NIPSCO and the subject matter of this proceeding in the manner and to the extent provided by the law of the State of Indiana.

**2. Petition for Reconsideration.** The OUCC, in its Petition for Reconsideration, requests that the Commission reconsider portions of its February 17, 2014 Order in this Cause. The OUCC's brief filed in support of its Petition for Reconsideration sets forth the following two reasons for reconsideration. First, the OUCC argues that the recoverable TDSIC costs should be adjusted to reflect the removal of any return and depreciation expenses embedded in base rates that are associated with original transmission and distribution investments that will be retired as a result of new TDSIC investments.

Second, the OUCC argues that NIPSCO's request to apply adjusted customer class allocation factors should be denied and they should be required to apply the customer class revenue allocators from the Commission's Order in Cause No. 43969.

**3. NIPSCO's Response.** NIPSCO argues that the TDSIC statute specifically authorizes recovery of the costs of eligible replacement projects. Further, the TDSIC statute does not require any adjustment or offset to the TDSIC costs. Thus, NIPSCO argues that the Commission should reject the OUCC's request that TDSIC costs be adjusted to remove any return and depreciation expenses embedded in base rates that are associated with original transmission and distribution investments that will be retired as a result of new TDSIC investments.

Second, NIPSCO argues that the "cost allocation factors approved by the Commission in Section 5(A)(i) of the February 17, 2014 Order comport with the TDSIC statute and with the basic cost causation principles..." Therefore, NIPSCO requests that the Commission reject the OUCC's request to reconsider its findings regarding the proper allocation of TDSIC costs.

**4. Industrial Group's Response.** The Industrial Group argues that the OUCC has not presented any new evidence to justify the Commission's reconsideration of the allocation of NIPSCO's estimated transmission and distribution costs. Thus, the Industrial Group argues that the Commission should reject the OUCC's argument regarding costs allocation.

**5. Commission Discussion and Findings.** The OUCC noted in its Petition for Reconsideration that "netting or offset of retired assets is not expressly required or permitted by statute or rule." Instead, the OUCC argued "it is in the public interest and consistent with good regulatory practice." The arguments presented by the OUCC in support of its Petition for Reconsideration are similar to those presented in the underlying proceeding and rejected in our February 17, 2014 Order. As we noted in our February 17, 2014 Order, the statutory definition of eligible improvements at Indiana Code § 8-1-39-2 authorizes recovery of investment for replacement projects and the definition of pretax return at Indiana Code § 8-1-39-3 provides that revenues should provide for such investments, notably without suggesting any deduction or netting of the replaced asset. We do not find statutory support for the netting of investment in determining the appropriate investment to be afforded cost recovery. Furthermore, 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 review all costs. Thus, we decline to require NIPSCO to adjust TDSIC costs to reflect the removal of any return and depreciation expenses embedded in base rates that are associated with original transmission and distribution investments that will be

retired as a result of new TDSIC investments.

With respect to the OUCC's second issue, we note that our February 17, 2014 Order in this Cause addressed this issue, and the OUCC presents no additional basis for the Commission to reconsider its prior determination.

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

1. The OUCC's Petition for Reconsideration, filed on March 10, 2014, is hereby denied.
2. This Order shall be effective on and after the date of its approval.

**ATTERHOLT, MAYS, AND STEPHAN CONCUR; WEBER NOT PARTICIPATING;  
ZIEGNER ABSENT:**

**APPROVED:      MAY 07 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**