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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF RATE 452 RATE FOR GAS SERVICE RENEWABLE GAS BALANCING SERVICE APPLICABLE TO ITS NATURAL GAS SERVICE.	))))))	CAUSE NO. 44447 APPROVED: JUN 18 2014

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Marya Jones, Administrative Law Judge

On January 21, 2014, Northern Indiana Public Service Company ("NIPSCO") filed its Verified Petition ("Petition") with the Indiana Utility Regulatory Commission ("Commission") for approval of Rate 452 - Rate for Gas Service - Renewable Gas Balancing Service ("RNG Tariff"). NIPSCO seeks authorization to transport renewable natural gas ("RNG") across its transmission and distribution system from RNG producers interconnected with its gas system to purchasers of RNG. On January 21, 2014, NIPSCO also filed the direct testimony and exhibits of Timothy R. Caister, Director of Regulatory Policy, and David J. Mays, Manager of Rates and Contracts for NIPSCO. On March 19, 2014, NIPSCO filed Revised Exhibit DJM-1to address concerns of the Indiana Office of Utility Consumer Counselor ("OUCC"). On April 9, 2014, the OUCC prefiled the testimony of Heather R. Poole, Senior Utility Analyst in the OUCC's Natural Gas Division.

The Commission held a public Evidentiary Hearing in this Cause on May 15, 2014, at 9:30 a.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC appeared at the hearing and offered their respective prefiled testimony and exhibits into evidence without objection. No member of the general public participated at the hearing.

Having considered the evidence and applicable law, the Commission now finds:

1. **Notice and Jurisdiction**. Due, legal, and timely notice of the public 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 Ind. Code § 8-1-2-1(a). The Commission has jurisdiction over NIPSCO's rates and charges pursuant to Ind. Code § 8-1-2-4 and NIPSCO's schedules of rates pursuant to Ind. Code § 8-1-2-42. Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. **NIPSCO's Characteristics**. NIPSCO is a corporation duly organized and existing under the laws of the State of Indiana. NIPSCO renders electric and gas utility service to to more than 786,000 residential, commercial and industrial customers in 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 Indiana. It owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Relief Requested**. NIPSCO seeks approval of its RNG Tariff authorizing the transportation of RNG across its transmission and distribution system from producers interconnected with its gas system to the purchasers of that gas.

4. **NIPSCO's Evidence**.

A. Timothy R. Caister. Mr. Caister testified that NIPSCO has been approached by RNG producers looking for opportunities to capture and dispose of RNG produced from agricultural and municipal waste in its service territory. He testified the proposed RNG Tariff is intended to assist RNG producers by affording them an opportunity to find a commercial outlet for the gas without posing an operational threat to NIPSCO's gas systems or its other customers.

Mr. Caister explained that for purposes of the RNG Tariff, NIPSCO limited the definition of RNG to gas produced from agricultural or municipal waste for two reasons. First, gas produced by these waste streams already exists in NIPSCO's service territory, and NIPSCO has been approached specifically by entities with an interest in marketing that gas. Second, the projected volume of the gas is comparatively small when compared to NIPSCO's overall throughput, therefore, the impact on NIPSCO's system from an operational perspective is manageable.

Mr. Caister testified that RNG does not have the same chemical composition as natural gas flowing from the seven interstate pipelines with which NIPSCO's system is interconnected. He explained that as a result, the RNG Tariff requires the RNG be consistent with NIPSCO's engineering standards applicable to pipeline-delivered natural gas prior to injection into its system to ensure safety and compatibility. He noted that RNG producers typically require processing equipment to purify the RNG to make it compatible with pipeline-quality natural gas present in the NIPSCO system. Mr. Caister testified NIPSCO will install monitoring devices upstream of the delivery point to verify that the gas produced is compatible with its engineering standards. He stated in the event a monitoring device determines that the RNG does not meet the applicable threshold criteria, the valve closes automatically preventing non-standard RNG from entering the NIPSCO system.

Mr. Caister testified the RNG Tariff is beneficial to NIPSCO's customers that produce RNG because it provides them a market for the RNG captured as part of their operations. He explained that in addition to the economic benefit, it also provides RNG producers a way to dispose of an otherwise problematic operational byproduct. Mr. Caister noted the RNG Tariff will also benefit transportation customers, pool operators, and Choice Suppliers doing business on NIPSCO's system by providing an alternative source of gas.

Mr. Caister noted that NIPSCO elected to allow eligible RNG producers to sell to other purchasers on its gas system rather than NIPSCO purchasing the gas as part of its supply portfolio.

He stated that although NIPSCO may evaluate purchasing this gas as an option in the future, by not including the gas in its supply portfolio, there are no gas purchases to track through NIPSCO's quarterly gas cost adjustment proceedings. He testified this eliminates both additional administrative burdens and the risk that other customers might subsidize such purchases or at least contest its inclusion into the supply portfolio. Mr. Caister opined that the RNG Tariff benefits NIPSCO's entire service territory because there is no incremental cost of service to its other customers and it encourages development of another diverse and renewable resource within its territory.

B. David Joseph Mays. Mr. Mays testified the RNG Tariff provides eligible RNG producers with a means to deliver gas to the NIPSCO gas transmission and distribution system for sale to transportation customers under Rates 428 or 438, or to authorized pool operators on the NIPSCO system. He noted the RNG Tariff also provides for balancing of nominated injections into the NIPSCO system. Mr. Mays explained the RNG Tariff is properly characterized as a balancing tariff because the cost of transporting the RNG across the NIPSCO system is already borne by the purchaser of the gas under the terms of the applicable NIPSCO transportation rate. He stated the RNG Tariff is intended to ensure that deliveries to NIPSCO's system are consistent with operational expectations and to establish the terms under which deliveries from RNG producers can be accepted.

Mr. Mays testified the RNG Tariff is available to RNG producers, defined as a company or its agent that makes or processes RNG. He testified that an RNG producer must (a) be connected to NIPSCO's natural gas system, and (b) certify in writing and demonstrate that its gas production will average at least 100 Dth but no more than 5,000 Dth per day on a calendar year basis, unless otherwise agreed to by NIPSCO. He noted that RNG producers must then enter into a mutually-agreeable written contract for the balancing of the producer's quantities of RNG delivered to NIPSCO's natural gas system for use by one of the following eligible recipients: (a) a customer taking service under Rate 428 (Large Transportation and Balancing Service), (b) a customer taking service under Rate 438 (General Transportation and Balancing Service), (c) an imbalance netting pool Operator, or (d) a choice supplier taking service under Rate 445 (supplier aggregation service).

Mr. Mays explained that RNG producers must agree on a delivery point that serves as the point of interconnection from the RNG producer's facilities to NIPSCO's transmission or distribution system. He stated RNG delivered to NIPSCO must be deliverable to and included in the daily nominations for any one of the four eligible classes of recipients, and must be received within the same transportation zone. Mr. Mays explained that NIPSCO's gas service tariff has five separate transportation zones within the NIPSCO service territory which interstate pipelines transportation customers, pool operators and choice suppliers may use to deliver gas volumes to specific areas of the NIPSCO system. He explained that since the RNG Tariff provides another delivery option to the NIPSCO system, it carries the same delivery limitations as any interstate pipeline delivering gas into the NIPSCO system. Mr. Mays testified that the quantity of RNG NIPSCO will accept from the producer each day may be limited, and is dependent on (a) NIPSCO's ability to physically accept deliveries at the delivery point each day, and (b) the RNG meeting applicable NIPSCO standards.

Mr. Mays explained that balancing and scheduling of RNG delivered by the producer must be performed in accordance with one of two options in conjunction with its written contract with NIPSCO. Option A is a nominated gas balancing service managed the same way as balancing is performed under NIPSCO's transportation Rates 428 or 438. Option B is a best efforts – no notice – balancing service. Mr. Mays testified NIPSCO has provided RNG producers with two options because it is unclear at this time how RNG producers may choose to handle their deliveries from a contractual standpoint. He also stated that NIPSCO is also concerned that the intricacies of the nomination and balancing process might not be feasible for RNG producers with lower production (down to 100 Dth/day). He noted that because the volumes of gas are comparatively small even at the upper end of the production parameters (up to 5,000 Dth/day), Option B provides a less complex mechanism for RNG producers.

Mr. Mays testified NIPSCO is proposing a monthly producer charge of $350.00 for RNG producers electing either Option A or Option B and that RNG producers electing Option A would also be charged a $1,325.00 monthly administrative charge. He noted that both the monthly producer charge and monthly administrative charge are the same as those provided for in Rate 428. Mr. Mays testified a service contract for an initial one-year term is required and that the contract is renewable on a month-to-month basis thereafter and subject to termination with 60 days' written notice.

5. OUCC's Evidence. Ms. Heather Poole testified the OUCC agrees that NIPSCO's proposed RNG Tariff provides an opportunity for producers to find commercial outlets for RNG produced from agricultural and municipal waste. She stated producers will be required to comply with NIPSCO's engineering standards applicable to pipeline-delivered natural gas prior to injection. Ms. Poole testified that she reviewed Options A and B available under the RNG Tariff structure and the similarities between NIPSCO's proposed RNG Tariff and other current NIPSCO tariffs. She stated that Option A is similar to NIPSCO's current tariff for Rate 428, noting the penalties are the same to encourage accurate nominated deliveries. Ms. Pool also stated the monthly charges for Options A and B and the monthly administrative charge for Option A are the same as Rate 428. Ms. Poole testified the OUCC initially had a concern that the RNG Tariff structure did not include a statement regarding how balancing charges are credited to certain customers, but noted that NIPSCO filed a revised tariff that resolved the issue. Ms. Poole testified the OUCC finds the RNG Tariff to be in the public interest and recommends Commission approval.

6. Commission Discussion and Findings. Based on the evidence presented, the Commission finds that NIPSCO's request is reasonable. We agree that approval of the RNG Tariff is in the public interest. The proposed service provides an opportunity requested by NIPSCO customers, and also provides both economic and non-economic benefits to other customers and to the general public. The RNG Tariff encourages development of renewable resources in NIPSCO's service territory. The RNG Tariff not only provides an alternate source of gas for NIPSCO's transportation customers, pool operators, and Choice Suppliers, it also provides RNG producers a means of disposing of a problematic operational byproduct. NIPSCO has put safeguards in place to assure that RNG adheres to its gas quality standards. NIPSCO does not plan to use RNG as part of its supply portfolio, thereby eliminating the risk that other customers might subsidize such purchases. The Commission finds that NIPSCO's RNG Tariff is approved.

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

1. NIPSCO's Rate 452 – Rate for Gas Service – Renewable Gas Balance Service, Second Revised Sheet Nos. 96 through 101 of its IURC Gas Service Tariff, Original Volume No. 7 is approved to become effective upon its filing with the Gas Division of the Commission.

2. NIPSCO's modification to the Table of Contents, Third Revised Sheet No. 2 of its IURC Gas Service Tariff, Original Volume No. 7 is approved, to become effective upon its filing with the Gas Division of the Commission.

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

STEPHAN, MAYS, AND ZIEGNER CONCUR; WEBER ABSENT:

APPROVED: JUN 18 2014

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission