

ORIGINAL

Handwritten signatures and initials: JAS, [unclear], JAK, [unclear], ARW

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF NORTHERN INDIANA PUBLIC SERVICE)
COMPANY FOR APPROVAL OF GAS DEMAND SIDE)
MANAGEMENT PROGRAMS TO BE EFFECTIVE JANUARY)
1, 2015 THROUGH DECEMBER 31, 2015, FOR AUTHORITY)
TO RECOVER ASSOCIATED START-UP,)
IMPLEMENTATION AND ADMINISTRATIVE COSTS ALONG)
WITH COSTS ASSOCIATED WITH THE EVALUATION,)
MEASUREMENT AND VERIFICATION OF THOSE)
PROGRAMS (“PROGRAM COSTS”) THROUGH ITS GAS)
EFFICIENCY FACTOR AND FOR AUTHORITY TO DEFER)
CERTAIN OF SUCH AMOUNTS FOR FUTURE RECOVERY.)**

CAUSE NO. 44501

APPROVED: OCT 29 2014

ORDER OF THE COMMISSION

**Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge**

On June 11, 2014, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of gas demand side management (“DSM”) programs to be effective January 1, 2015 through December 31, 2015, for authority to recover associated start-up, implementation and administrative costs along with costs associated with the evaluation, measurement and verification (“EM&V”) (“Program Costs”) of those programs through its Rider 472 –Energy Efficiency Rider and Appendix C – Gas Efficiency Factor (the “GDSM Mechanism”) and for authority to defer certain of such amounts for future recovery. NIPSCO prefiled its direct testimony and exhibits on June 11, 2014. The Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Notice of Intent Not to Prefile Testimony on September 2, 2014. NIPSCO and the OUCC filed a Stipulation and Settlement Agreement on September 3, 2014. NIPSCO prefiled testimony in support of the settlement on September 3, 2014. The Commission issued a Docket Entry on September 8, 2014, to which Petitioner responded on September 9, 2014.

The Commission conducted a public hearing on September 10, 2014 at 9:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing, NIPSCO and the OUCC appeared by counsel. NIPSCO offered its prefiled testimony and exhibits into evidence along with its responses to the Commission’s September 8, 2014 docket entry, all of which were admitted without objection. No members of the general public attended.

Based upon the applicable law and the evidence of record, the Commission now finds:

- 1. Notice and Jurisdiction.** Due, legal and timely notice of the hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility within the meaning of Ind. Code § 8-1-2-1 of the Public Service Commission Act, as amended. Pursuant to Ind. Code §§ 8-1-2-4 and 8-1-2-42, the Commission has jurisdiction over NIPSCO’s DSM programs

and associated cost recovery. Thus, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. **NIPSCO's Characteristics.** NIPSCO 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. NIPSCO renders 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.** On May 9, 2007, the Commission issued its Order in Cause No. 43051 approving NIPSCO's proposed gas energy efficiency programs (the "43051 Programs") and their associated budgets, authority to recover Program Costs through an Energy Efficiency Rider (now Rider 472 and Appendix C) (with estimated and actual costs reconciled on an annual basis) and the NIPSCO Oversight Board ("OSB"). The 43051 Programs expired on May 9, 2011.

On November 4, 2010, the Commission issued an Order in Cause No. 43894 approving NIPSCO's proposed extension of the 43051 Programs through November 9, 2012.

On December 28, 2011, the Commission issued an Order in Cause No. 44001 approving NIPSCO's proposed gas energy efficiency programs (the "44001 Programs"), budgets for its 44001 Programs, authority to recover Program Costs through Rider 472 – Energy Efficiency Rider and Appendix C – Gas Efficiency Factor (with estimated and actual costs reconciled on a semi-annual basis) and authority to defer certain of such amounts for future recovery. The Commission also authorized the continuation of the NIPSCO OSB. The 44001 Programs expire on December 31, 2014.

4. **Requested Relief.** NIPSCO requested (1) approval of its portfolio of gas DSM programs to be effective from January 1, 2015 through December 31, 2015 ("2015 Gas DSM Program"); (2) authority to recover Program Costs associated with its 2015 Gas DSM Program through its GDSM Mechanism in accordance with Ind. Code § 8-1-2-42; and (3) authority to defer expenses associated with the 2015 Gas DSM Program that are incurred prior to and subsequent to the issuance of an Order in this proceeding until such amounts are recovered through rates; (4) approval to continue to utilize its existing NIPSCO OSB to assist in the administration of the 2015 Gas DSM Program; (5) approval to continue the same EM&V mechanism for its 2015 Gas DSM Program; (6) approval of necessary tariff changes to effectuate approval of the 2015 Gas DSM Program; and (7) approval to continue to utilize the same reporting requirement to file quarterly scorecards detailing program performance for the 2015 Gas DSM Program.

5. **NIPSCO's Proposed 2015 Gas DSM Program.** NIPSCO proposed a one-year term of January 1, 2015 through December 31, 2015 for its 2015 Gas DSM Program which includes the following components:

Residential

- Residential Low Income Weatherization Program
- Residential New Construction Program
- Residential Energy Efficiency Rebates Program

- Residential Home Audit and Weatherization Program
- Residential Elementary Education Program
- Residential Home Energy Conservation Program

Commercial and Industrial (“C&I”)

- C&I Custom Program
- C&I Prescriptive Program
- C&I Small Business Direct Install Program

6. Stipulation and Settlement Agreement. The Stipulation and Settlement Agreement (“Settlement”) reflects consensus between NIPSCO and the OUCC (the “Settling Parties”) regarding NIPSCO’s 2015 Gas DSM Program. The Settling Parties believe the Settlement is reasonable and in the public interest because NIPSCO’s 2015 Gas DSM Program is designed to promote the efficient usage of natural gas and benefit customers by providing opportunities for them to manage energy costs. The Settlement is attached to this Order and incorporated herein by reference. The Settlement presents a comprehensive resolution of all matters pending before the Commission in this Cause, which the Settling Parties agree is fair and reasonable.

7. Petitioner’s Evidence.

A. Alison M. Becker. Alison M. Becker, Manager of Regulatory Policy for NIPSCO, testified NIPSCO recognizes the benefits of DSM and wants to provide those benefits to its customers, while maintaining an appropriate balance between costs and benefits. To that end, NIPSCO seeks to provide a robust, cost-effective portfolio of programs available to all customer classes, while taking steps to minimize the impact on its ratepayers. She stated that because customers can face budget constraints, NIPSCO takes into account the impact of these programs on the customer’s bill as well as the expected benefits.

Ms. Becker testified NIPSCO seeks authority to recover the Program Costs associated with its 2015 Gas DSM Program through its GDSM Mechanism. She stated the total estimated costs of the 2015 Gas DSM Program for the period January 1, 2015 through December 31, 2015 are projected to be approximately \$8.8 million. In addition, NIPSCO seeks the authority to spend amounts previously approved by the Commission with the approval of the NIPSCO OSB.

Ms. Becker described NIPSCO’s methodology to determine the level of funding for its proposed 2015 Gas DSM Program. She stated that NIPSCO first calculated its 2013 revenue by class. NIPSCO then multiplied the total revenue by 2% to determine a guide for the level of funding for its proposed 2015 Gas DSM Program. Based on this methodology, the amount available for the proposed 2015 Gas DSM Program is approximately \$12.5 million. She stated that NIPSCO’s methodology provides funding sufficient to allow NIPSCO to offer a robust portfolio of energy efficiency opportunities to its customers while mitigating the rate impact to customers.

Ms. Becker explained why NIPSCO found the 2% of total revenue to be an appropriate cap for DSM spending. She stated that there is a cost associated with the implementation of energy efficiency programs. NIPSCO is mindful of the budgetary constraints facing many of its customers, and has therefore decided to limit energy efficiency program spending to no more than 2% of the total revenue from 2013. This provides a projected savings of 5,074,883 therms for NIPSCO’s

customers while providing a balance of specific savings for individual customers and a manageable monthly bill impact.

Ms. Becker explained that using the methodology set out above, the baseline budget for NIPSCO's 2015 Gas DSM Program is \$12,542,276. From this, NIPSCO determined how much it expects to spend on NIPSCO Administration (\$270,818) and EM&V (\$407,105), with the remainder (\$11,864,353) available to spend on programs. She stated that based on the amount available to spend on programs, NIPSCO is proposing to spend approximately \$8.1 million on the 2015 Gas DSM Program. She explained that although NIPSCO used 2% of 2013 total revenue as a guide for developing programs, the comparatively low price of gas makes programs less cost-effective. Based on vendor projections for participation in 2015 (particularly in the C&I sector) and the need to maintain a cost-effective portfolio, it was determined that \$8.8 million is an appropriate program portfolio budget for 2015.

Ms. Becker testified NIPSCO proposes to continue to allocate Program Costs to either residential or non-transport only C&I customers. The forecasted costs are then divided by projected sales volumes, with any over- or under-recovery reconciled in future proceedings. The proposed methodology is not a change from the current allocation mechanism.

Ms. Becker described NIPSCO's proposed changes to Rider 472 – Energy Efficiency Rider and Appendix C – Gas Efficiency to effectuate approval of the 2015 Gas DSM Program, including authority to change the name of Rider 472 to “Gas Demand Side Management (“GDSM”) Rider” and Appendix C to “GDSM Factors.” She explained the proposed name changes are in line with the GDSM abbreviation adopted by NIPSCO and used by the Commission in its semi-annual filings.

Ms. Becker testified the current OSB structure and process has been beneficial to both NIPSCO and its stakeholders and NIPSCO proposes to maintain its NIPSCO OSB as approved in the Commission's 44001 Order. She stated the NIPSCO OSB will continue to have authority to modify program design or program funding amounts. Specifically, once the 2015 Gas DSM Program has been approved by the Commission, the NIPSCO OSB will have the flexibility to shift costs within a program budget as needed, shift funds among programs so long as the overall 2015 Gas DSM Program budget is not exceeded and design and implement new programs as long as they pass the Total Resource Cost test and the overall 2015 Gas DSM Program budget is not exceeded.

Ms. Becker testified NIPSCO proposes to maintain its EM&V process as approved in the 44001 Order.

Ms. Becker testified NIPSCO's 2015 Gas DSM Program is in the public interest. NIPSCO's 2015 Gas DSM Program is designed to benefit customers by providing opportunities for them to manage current energy costs through reduced consumption. The portfolio of programs and rate design are linked together to provide benefits to customers and NIPSCO.

B. Karl E. Stanley. Karl E. Stanley, Vice President, Commercial Operations for NIPSCO, stated that NIPSCO worked with CLEAResult (administrator of the proposed Residential programs except the Residential Home Energy Conservation Program), OPower (administrator of the proposed Residential Home Energy Conservation Program) and Franklin Energy (administrator of the proposed C&I program) to design programs and program budgets for 2015. Mr. Stanley

noted that because the proposed 2015 Gas DSM Program is only for one year, it is more cost effective to work with these existing vendors rather than pay the startup costs that would likely be required with a new vendor. In addition, it is generally more expensive to contract for a single year of service with a new vendor and often difficult to find vendors willing to sign a one-year contract that is not a renewal. NIPSCO provided CLEAResult, Franklin Energy and OPower with a framework for the programs and asked them to design programs that would have the greatest potential savings while maintaining NIPSCO's budget parameters.

Mr. Stanley described the benefits in utilizing one vendor for most Residential programs and one vendor for C&I programs. As an example, he stated the current Home Energy Audit ("HEA") program is frequently utilized as a direct lead into the current Home Weatherization program. Because the HEA program and the Home Weatherization program are currently administered by different vendors, according to the 2012 EM&V of the program, communication gaps between the vendors resulted in lower participation rates for the Home Weatherization program. A combined HEA and Home Weatherization program will streamline the provision of the measures previously provided under two programs and should increase the number of customers receiving weatherization benefits after having an energy audit.

Mr. Stanley testified that while NIPSCO is committed to the program portfolio as requested and has worked with the NIPSCO OSB to obtain feedback on the program offerings, considering the time constraints, NIPSCO is providing program descriptions that are based on the vendor proposals. He stated NIPSCO will continue to work with its OSB to refine the program offerings so that they deliver the greatest value to its customers.

Mr. Stanley testified that NIPSCO will ensure its combination natural gas and electricity customers are aware of the ways they can become more energy efficient with both fuels. Programs can be delivered in a more cost-effective manner because a single vendor can visit a home and install both gas and electric measures in homes with both gas and electric service. Offering the same programs in both the gas and electric service territory promotes administrative efficiency for all customers. Additionally, it will be beneficial to have one vendor for Residential programs and one vendor for C&I programs in offering the programs to the combination customer. Because CLEAResult will be the only vendor for the Residential programs (with the exception of the Residential Home Energy Conservation Program) and Franklin Energy will be the only vendor for the C&I programs, their network of providers will be able to more effectively market both gas and electric programs to NIPSCO's combination customer.

Mr. Stanley testified the vendors were aware that they could market both gas and electric programs to combination customers and took this under consideration when designing the programs and formulating the budgets.

Mr. Stanley provided program descriptions for the 2015 Gas DSM Program as follows:

Residential Elementary Education Program

The Elementary Education Program provides energy education to students providing an excellent way to influence energy behavior over the long term. The program will target elementary students, providing curriculum and in-classroom education support along with a take-home kit that raises awareness about how individual actions and

low-cost measures can provide significant reductions in electricity, natural gas and water consumption.

Residential Low Income Weatherization Program

The Low Income Weatherization Program, which will be available to homeowners as well as renters with landlord approval, will provide assistance to low-income customers to reduce their energy consumption by installing energy efficient technologies and measures in their homes. In addition, NIPSCO is including a budget of an average of \$500 per home to allow for remediation of health and safety measures that impede the ability to complete weatherization. This could include warped door frames that impede effective door sealing, broken windows, or even a small hole in the roof that, once repaired, allows the weatherization work to be completed. NIPSCO is pleased to be able to offer this component to the program as it will decrease the number of homes for which weatherization previously could not be completed due to these issues. In addition, many of the repairs themselves will assist the customers in being more energy efficient, so it makes sense to include the repairs as part of the DSM program.

NIPSCO is proposing to collaborate with Holistic Community Coalition, a 501(c)(3) organization in Lake County, Indiana, that has successfully developed its own program infrastructure to more effectively serve the low-income customers of Lake County. The organization hires individuals from the local area, gives them training in weatherization skills, and then utilizes these individuals to weatherize homes in the local area. The organization has a thorough communication plan whereby clients receive information prior to, during, and after the weatherization visit is completed. Prior to the initial weatherization visit to the home, clients are invited to attend an energy workshop, where clients are educated on the basic principles of energy efficiency and are given information on what to expect during the weatherization process, including assistance in completing any necessary forms. During the home visit, the technician will explain all of the steps a homeowner can take in being energy efficient as well as installing energy efficiency measures, which could include compact florescent lights (“CFLs”), pipe wrap and water saving devices. A few days after the home visit, there will be a follow up call to the client to see if they have any questions and to determine if they have any issues with any of the installed items.

In addition to being a locally-based resource understanding the unique needs of the communities it serves, Holistic Community Coalition has direct access to a large network of churches, which will assist the organization in reaching those customers most likely to be eligible for the program. While this provides a unique outreach activity, customers do not need to be a member of any particular religion in order to participate in the program. The program will actively solicit senior citizen participation and promote the benefits of an energy efficient home. Additionally, because of the direct connection between a church and its congregation, a program that is actively promoted by the church leadership will likely lead to increased participation. As with its other programs, NIPSCO will have a thorough EM&V of the program, which will enable NIPSCO to assess the benefits of this program as

well as possibly expand those benefits to its Low Income Weatherization program as a whole.

Holistic Community Coalition will act as a subcontractor for CLEAResult in implementing the Low Income Weatherization Program. NIPSCO is viewing this as a pilot program focused on the high need communities of Gary, Hammond and East Chicago. If it proves as successful as NIPSCO expects, NIPSCO plans to expand the program and hopefully offer other local opportunities as appropriate.

Residential Home Energy Audit and Weatherization (“HEAW”) Program.

The HEAW Program will utilize a two-phase approach to capture savings in existing single-family homes. *Phase I: Home Walk-through Energy Assessment* – the implementation contractor will provide customers a one-hour walk-through audit of their home and provide a report outlining opportunities to improve energy efficiency. The report will prioritize potential improvements, estimate their cost after incentives are applied and estimate the resulting energy cost savings and payback timeframe. The implementation contractor will also install appropriate low-cost measures, including pipe wrap and water-saving devices as a part of the assessment, and will also include electric energy efficiency measures such as CFLs and light emitting diode lamps in coordination with NIPSCO’s proposed 2015 Electric DSM Programs. *Phase II: Weatherization Services* – the assessor will work with the customer to determine a schedule by which the program will follow up to provide ongoing assistance with program offerings applicable to the customer. While the default schedule will be 30, 60, 90 and 180 days after the assessment, the follow ups will be tailored to suit individual needs. For example, the assessor may schedule eligible customers for duct sealing services within 30 days of the assessment and follow up to gain consent to proceed with insulation and air sealing after 60 days, as appropriate and agreed upon by each customer based on their individual needs. Customers will be able to choose from prequalified contractors, which will be selected based on their level of expertise, experience with previous implementation of NIPSCO’s Home Weatherization Program and itemized pricing for specified improvements. Utilizing a preapproved group of contractors to provide turnkey direct installation services will improve installation rates, while still allowing for customers to have choices. This provides a distinct customer benefit as the time and effort required to select and manage contractors is a key barrier to customers’ implementing improvements. Further, it will allow NIPSCO to closely manage customer service and quality control to ensure measures are properly installed.

Currently, the program is implemented as two distinct programs, with the HEA administered by GoodCents and the Home Weatherization Program administered by CLEAResult. Because the programs are not currently administered by the same vendor, in order for HEA clients to receive weatherization services, information must be transmitted from one vendor to another, a process that sometimes lags as long as six weeks. Under the new design, however, the program administrator will be the same for both the home assessment and weatherization portions of the program. This should improve both the customer experience in terms of having a single point of contact as well as improve the efficiency of program delivery.

Residential Energy Efficiency Rebates Program

The Residential Energy Efficiency Rebates Program will influence the purchase and installation of high-efficiency heating and cooling technologies, insulation and duct sealing through a combination of market push and pull strategies that stimulate demand while simultaneously increasing market provider investment in stocking and promoting high-efficiency products. The gas program will continue to promote measures such as high-efficiency natural gas furnaces (92% AFUE, or annual fuel utilization efficiency, and greater) and boilers (90% AFUE and greater) as well as programmable thermostats.

Residential New Construction Program

The Residential New Construction Program will continue to recruit and educate selected builders and their trade allies on the benefits associated with energy efficient homes and building practices designed to improve upon baseline efficiency. Builders will be provided with financial incentives to encourage the installation of premium-level efficient equipment and the use of better building techniques. As in NIPSCO's current program, the incentives will be based on the overall efficiency of the home as indicated by the Home Energy Rating System ("HERS") Score. The program will identify and recruit key builders who are not consistently (or seldom) building homes to meet the desired HERS Scores. Builders who choose to participate in the program will gain access to cash-back incentives designed to cover approximately 30% of the cost to upgrade and certify each home. In addition, they will be provided with personalized training on marketing energy efficiency to customers and energy efficient building standards.

Residential Home Energy Conservation Program

The Residential Home Energy Conservation Program is designed to significantly increase energy efficient behavior through increased customer engagement across a selected population within the NIPSCO service territory. Home Energy Reports are sent to a select population within the NIPSCO territory (1) to show large-scale, measurable and cost-effective energy savings over a one year period, (2) to increase program participation in select NIPSCO energy efficiency and DSM programs, and (3) to increase customer satisfaction through an improved customer experience. The Home Energy Report compares usage in one home that received the report to another comparable customer that did not receive the report (the control group). Any difference in usage over the same time period is counted as therm savings for that particular period. While the program design for 2015 is undergoing review, NIPSCO is proposing to expand the number of customers receiving reports to 239,500 from the current 165,000 and basing the number of reports sent to the customer determined by the customer's savings potential. In addition, all NIPSCO customers will be able access information through a web portal. NIPSCO will work with its OSB on the final program design if it changes from this proposal.

C&I Custom Program

The C&I Custom Program offers unique efficiency opportunities developed for the C&I customer through a custom approach for site specific measures and prescriptive custom measures. Incentive is paid as \$/therm saved for site specific systems or equipment efficiency improvement.

The C&I Custom “pipeline” is a budgeting methodology to address the time delay between when a project application is submitted and approved and when the project is actually completed, the incentive check is provided to the customer and the savings are counted by NIPSCO. In order to effectively budget for this time delay, Franklin Energy and NIPSCO originally assumed that for any project that was submitted, 20% would be completed the same year, 50% would be completed in the year following the application and all projects would be complete two years following the initial application. The intent of this methodology is to model when actual expenditures will take place and savings will accrue. Currently, there are 11 outstanding projects with approved applications and Franklin Energy is expecting all of these projects to be completed in 2014. Considering that virtually all of the existing projects are expected to be complete before the end of 2014, NIPSCO’s budget request includes funding for those projects that are expected to be applied for during the remainder of 2014 and all of 2015 and completed in 2015.

C&I Prescriptive Program

The C&I Prescriptive Program is designed to assist C&I customers in reducing gas consumption and costs. The program provides monetary incentives for specific measures based on the installation of energy efficient equipment upgrades such as high efficiency furnaces, boilers, and programmable thermostats. It will be offered in conjunction with the C&I Custom Program in 2015.

C&I Small Business Direct Install Program

The C&I Small Business Direct Install Program is used to penetrate the small commercial customer market based on evidence that small commercial customers do not have the expertise, time or available capital to make energy efficiency upgrades. This direct install approach includes programmable thermostats, pipe insulation and boiler tune-ups; it virtually eliminates the barriers of participant hassle and search costs. An added benefit of the program is that it introduces this market to other program offerings and encourages them to pursue additional energy efficiency investments through the C&I Prescriptive and C&I Custom programs.

Mr. Stanley discussed programs NIPSCO is currently offering in 2014 that are not included in its 2015 Gas DSM Program. NIPSCO is eliminating the Multi-Family Direct Install (“MFDI”) program for 2015 as it redesigns the program to address the types of multi-family units that have not already been served. NIPSCO has already done MFDI in most of the apartment complexes in its service territory. The next tier to be considered is smaller apartment buildings and other residential facilities that are not billed under an individual meter. NIPSCO’s OSB has communicated that this

is an important program, and NIPSCO plans to continue to work with its OSB as well as vendors and other stakeholders on a program design.

Mr. Stanley testified NIPSCO proposes a projected budget of \$7,170,383 for its Residential programs included in its 2015 Gas DSM Program, inclusive of program costs, EM&V and NIPSCO administration costs as follows:

Residential Programs	Projected Budget
Residential Elementary Education Program	\$388,524
Residential Low Income Weatherization Program	\$1,064,772
Residential Home Audit and Weatherization Program	\$1,848,296
Residential Energy Efficiency Rebates Program	\$2,368,319
Residential New Construction Program	\$874,526
Residential Home Energy Conservation Program	\$625,946
Total Residential Programs Projected Budget	\$7,170,383

Mr. Stanley testified NIPSCO proposes a projected budget of \$1,649,643 for its C&I programs included in its 2015 Gas DSM Program, inclusive of program costs, EM&V costs and NIPSCO administrative costs as follows:

C&I Programs	Projected Budget
C&I Custom Program	\$465,881
C&I Prescriptive Program	\$843,881
C&I Small Business Direct Install Program	\$339,881
Total C&I Programs Projected Budget	\$1,649,643

Mr. Stanley testified NIPSCO projects gross energy savings for 2015 as follows:

2015 Projected Energy Savings (Therms)	
Residential Programs	
Residential Elementary Education Program	274,877
Residential Low Income Weatherization Program	113,124
Residential Home Audit and Weatherization Program	703,609
Residential Energy Efficiency Rebates Program	1,710,962
Residential New Construction Program	217,311
Residential Home Energy Conservation Program	750,000
Total Residential Programs	3,769,883
C&I Programs	
C&I Custom Program	315,000
C&I Prescriptive Program	850,000
C&I Small Business Direct Install Program	140,000
Total C&I Programs	1,305,000
Total 2015 Gas DSM Program	5,074,883

Mr. Stanley stated that the savings projections are estimates provided by the vendors given the projected budget that was provided by NIPSCO. Each vendor was provided with a budget and then was asked to develop an energy savings plan based on the given dollar amount. The projected budgets and associated energy savings are NIPSCO’s best projections at this time. However, specific cost recovery will be handled in NIPSCO’s GDSM tracker proceedings, which are filed semi-annually.

Mr. Stanley testified the 2015 Gas DSM Program designs and projected budgets are not final, however NIPSCO does not expect them to change drastically. NIPSCO will continue to work with its OSB on program and budget design and, if approvals outside of the authority of its OSB are necessary, NIPSCO will request approval of those changes in its semi-annual GDSM tracker proceedings (Cause No. 44001 GDSM X).

Mr. Stanley stated the standard cost-benefit tests to evaluate the cost effectiveness of a demand-side resource option are: (1) Participant Test; (2) Utility Cost Test (“UCT”); (3) Ratepayer Impact Measure (“RIM”) Test; and (4) Total Resource Cost (“TRC”) Test. Mr. Stanley testified NIPSCO ran all of the standard cost-benefit tests for its proposed 2015 Gas DSM Program and the entire portfolio, the Residential portfolio, the C&I portfolio, and all of the individual programs passed the TRC Test and the UCT test with score greater than 1.0. He stated that because the TRC and UCT tests show scores greater than 1.0, this indicates that the programs included within the 2015 Gas DSM Program portfolio can be considered cost-effective as the benefits (avoided costs) are greater than the program costs.

Mr. Stanley provided the result of the cost-benefit analysis as follows:

Cost-Benefit Analysis					
NIPSCO DSM Gas Programs					
Program Name	Utility Test	TRC Test	RIM Test	Societal Test	Participant Test
NIPSCO DSM Gas C&I Portfolio	4.76	2.23	0.81	2.88	2.04
NIPSCO DSM Gas Residential Portfolio	2.67	1.91	0.66	2.47	3.27
NIPSCO DSM Gas Portfolio	3.05	1.99	0.70	2.57	2.80

7. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or order – including the approval of a settlement – must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 583 N.E.2d 330, 331 (Ind. 1991)). The Commission’s own procedural rules require that settlements be supported by

probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement is reasonable, just and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

A. NIPSCO's 2015 Gas DSM Program. The Settlement seeks Commission approval for a one-year term of January 1, 2015 through December 31, 2015 for NIPSCO's proposed 2015 Gas DSM Program. The Settlement also seeks approval of NIPSCO's proposed budgets associated with each component of its 2015 Gas DSM Program. NIPSCO's proposed 2015 Gas DSM Program is projected to be cost-effective based on benefit cost analyses. Mr. Stanley testified NIPSCO ran all of the standard cost-benefit tests for its proposed 2015 Gas DSM Program and the entire portfolio, the Residential portfolio, the C&I portfolio, and all of the individual programs passed the TRC Test and the UCT test with a score greater than 1.0. He stated that because the TRC and UCT tests show scores greater than 1.0, this indicates that the programs included within the 2015 Gas DSM Program portfolio can be considered cost-effective because the benefits (avoided costs) are greater than the program costs.

B. Recovery of Program Costs. The Settlement also seeks approval of NIPSCO's proposed projected budget of \$7,170,383 for its Residential programs included in its 2015 Gas DSM Program, inclusive of program costs, EM&V and NIPSCO administration costs. Mr. Stanley testified NIPSCO proposed a projected budget of \$1,649,643 for its C&I programs included in its 2015 Gas DSM Program, inclusive of program costs, EM&V costs and NIPSCO administrative costs. The Settlement states that NIPSCO will utilize its semi-annual GDSM mechanism recover costs and to reconcile any differences from projected costs.

C. Oversight Board. The Settlement seeks approval for NIPSCO to continue to utilize its existing NIPSCO OSB to assist in the administration of the 2015 Gas DSM Program. The Commission has previously approved OSBs to oversee and monitor energy efficiency programs for both gas and electric utilities. *See, e.g., Indiana Michigan Power Co.*, Cause No. 43959, 2011 Ind. PUC LEXIS (IURC Apr. 27, 2011); *Southern Indiana Gas and Elec. Co.*, Cause No. 43427, 2009 Ind. PUC LEXIS 495 (IURC Dec. 16, 2009).

D. Evaluation, Measurement and Verification. The Settlement seeks approval for NIPSCO to continue the same EM&V for its 2015 Gas DSM Program as authorized in the 44001 Orders.

E. Rider 472 Revisions. The Settlement seeks approval of NIPSCO's request to modify Rider 472 – Energy Efficiency Rider and Appendix C – Gas Efficiency to effectuate approval of the 2015 Gas DSM Program, including authority to change the name of Rider 472 to “Gas Demand Side Management (“GDSM”) Rider” and Appendix C to “GDSM Factors.”

F. Reporting Requirements. The Settlement seeks approval for NIPSCO to continue utilizing the same reporting requirement to file quarterly scorecards detailing program performance for the 2015 Gas DSM Program.

G. Conclusion. Ms. Becker and Mr. Stanley provided testimony in support of the various elements of NIPSCO's Gas DSM Program, which ultimately became the terms of the Settlement. The Settlement seeks to continue the Gas DSM Program most recently approved by the

Commission in Cause No. 44001 with the modifications described above.¹ We find the Settlement is reasonable and in the public interest, and should be approved.

H. Effect of Settlement. The Parties agree that the Settlement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (IURC March 19, 1997).

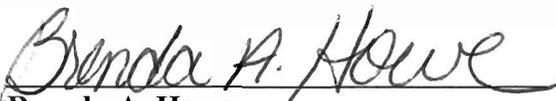
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Stipulation and Settlement Agreement between NIPSCO and the OUCC, a copy of which is attached hereto, shall be and hereby is approved.
2. This Order shall be effective on and after the date of its approval.

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

APPROVED: **OCT 29 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

¹ In Cause No. 44001, the Commission found that approval of the proposed Gas DSM programs was in the public interest. See *Northern Ind. Pub. Serv. Co.*, Cause No. 44001, at 22 (IURC Dec. 28, 2011).

AS

FILED

SEP 03 2014

INDIANA UTILITY REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)
 SERVICE COMPANY FOR APPROVAL OF GAS)
 DEMAND SIDE MANAGEMENT PROGRAMS TO BE)
 EFFECTIVE JANUARY 1, 2015 THROUGH DECEMBER)
 31, 2015, FOR AUTHORITY TO RECOVER)
 ASSOCIATED START-UP, IMPLEMENTATION AND)
 ADMINISTRATIVE COSTS ALONG WITH COSTS)
 ASSOCIATED WITH THE EVALUATION,)
 MEASUREMENT AND VERIFICATION OF THOSE)
 PROGRAMS ("PROGRAM COSTS") THROUGH ITS)
 GAS EFFICIENCY FACTOR AND FOR AUTHORITY)
 TO DEFER CERTAIN OF SUCH AMOUNTS FOR)
 FUTURE RECOVERY.)

CAUSE NO. 44501

STIPULATION AND SETTLEMENT AGREEMENT

Northern Indiana Public Service Company ("NIPSCO") and the Indiana Office of Utility Consumer Counselor ("OUCC") (collectively, the "Settling Parties"), by their respective counsel, stipulate and agree as follows in the interest of jointly resolving the issues addressed in the above captioned proceeding:

A. BACKGROUND.

1. NIPSCO is a "public utility" within the meaning of Ind. Code § 8-1-2-1 and provides natural gas utility service to more than 821,000 retail customers in 32 counties of Indiana pursuant to authority granted by the Indiana Utility Regulatory

Commission (the "Commission"). NIPSCO also provides electric utility service to more than 468,000 retail customers in 20 counties in Indiana pursuant to authority granted by the Commission.

2. NIPSCO currently offers a portfolio of demand side management ("DSM") programs to its gas customers consistent with approval granted by the Commission. Specifically, NIPSCO's portfolio of programs includes programs overseen by the NIPSCO Oversight Board ("OSB") as approved by the Commission in its December 28, 2011 Order in Cause No. 44001 ("44001 Order"). The OSB includes representatives of the OUCC, and Citizens Action Coalition of Indiana, Inc.

3. In addition to the portfolio of gas DSM programs, NIPSCO also offers a portfolio of electric energy efficiency programs pursuant to authority granted by the Commission, most recently in its December 18, 2013 Order in Cause No. 44363 ("44363 Order"), that are not directly the subject of this proceeding. Several of NIPSCO's gas programs are offered in conjunction with or associated or complementary to NIPSCO's electric programs. NIPSCO has a request for approval of electric DSM programs for the period January 1, 2015 through December 31, 2015 currently pending in Cause No. 44496.

4. Costs associated with NIPSCO's approved gas DSM programs are recovered through the Energy Efficiency Rider and Gas Efficiency Factor ("GDSM") Mechanism most recently approved in the 44401 Order.

5. Pursuant to the 44001 Order, budgets for NIPSCO's portfolio of DSM programs and the authority to recover program costs associated with them, as well as approval over NIPSCO's current OSB expires on December 31, 2014.

6. NIPSCO initiated this proceeding with the filing of its Verified Petition on June 11, 2014. NIPSCO seeks approval of a portfolio of gas DSM programs to be effective from January 1 through December 31, 2015 ("2015 Gas DSM Program") along with the continued authority to recover start-up, implementation and administrative costs along with costs associated with the evaluation, measurement and verification ("EM&V") of those programs ("Program Costs") associated with those programs as well as the continuation of its currently approved OSB. The portfolio of DSM programs for which approval is sought proposes the programs listed below:

Residential Programs

- Residential Low Income Weatherization Program
- Residential New Construction Program
- Residential Energy Efficiency Rebates Program
- Residential Home Audit and Weatherization Program
- Residential Elementary Education Program

- Residential Home Energy Conservation Program

Commercial and Industrial (“C&I”) Programs

- C&I Custom Program
- C&I Prescriptive Program
- C&I Small Business Direct Install Program

B. TERMS OF AGREEMENT.

7. The Settling Parties agree that the 2015 Gas DSM Program proposed by NIPSCO is a reasonable portfolio and should be approved to be effective from January 1, 2015 through December 31, 2015.

8. The Settling Parties agree that Program Costs associated with NIPSCO’s 2015 Gas DSM Program will be recovered through the GDSM Mechanism approved in the 44001 Order. In addition, the Settling Parties agree that NIPSCO should be permitted to defer expenses associated with the 2015 Gas DSM Program that are incurred prior to and subsequent to the issuance of an Order in this Cause until such amounts are recovered in rates through the semi-annual GDSM adjustments made consistent with the 44001 Order (Cause No. 44001-GDSM-X).

9. The Settling Parties agree that NIPSCO will continue to allocate program costs as approved by the Commission in its 44001 Order. Specifically, costs are allocated to either residential or non-transport only Commercial & Industrial customers.

The costs are then divided by sales volumes, with all costs forecasted and then reconciled.

10. The Settling Parties agree that the proposed budget for NIPSCO's 2015 Gas DSM Program is reasonable and should be approved for recovery through the GDSM Mechanism, subject to ongoing oversight by the OSB and limitations imposed by the Commission in its 44001 Order.

11. The Settling Parties agree that the existing OSB structure and process is reasonable and should continue to be in force through December 31, 2015.

12. The Settling Parties agree that the existing EM&V program is appropriate and should continue through December 31, 2015.

13. The Settling Parties agree that NIPSCO should continue to utilize the existing reporting requirement to file a quarterly scorecard detailing program performance for the 2015 Gas DSM Program.

14. The Settling Parties agree that the necessary tariff changes to effectuate approval of the 2015 Gas DSM Program, including authority to change the name of Rider 472 to "Gas Demand Side Management ("GDSM") Rider" and Appendix C to "GDSM Factors" is appropriate.

C. MISCELLANEOUS.

15. This Agreement is not to be deemed an admission by any Party in any other proceeding except as necessary to enforce its terms before the Commission, or any Court of competent jurisdiction. This Agreement is solely the result of compromise in the settlement process and, except as expressly provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any other future regulatory or other proceedings.

16. If this Agreement is not approved by the Commission, the Parties agree that the terms hereof shall be privileged and shall not be admissible in evidence or in any way discussed in any subsequent proceeding. Moreover, the concurrence of the Parties with the terms of this Agreement is expressly predicated upon the Commission's approval of this Agreement in its entirety without modification or further condition deemed unacceptable by any Party. If the Commission does not approve this Agreement in its entirety, this Agreement shall be null and void and deemed withdrawn, unless otherwise agreed in writing by the Parties.

17. This Agreement represents all of the terms and conditions agreed to by the Parties. It shall be construed in accordance with its plain meaning. Its terms may not be expanded, varied or interpreted based on supporting testimony, the order

approving this Agreement or any other documents. This Agreement shall be binding upon the Parties, successors and assigns.

18. The Settling Parties will submit prefiled written testimony into the record at the public hearing related to approval of this Agreement sufficient to support the Commission's finding that this Agreement is in the public interest.

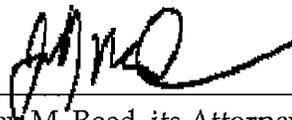
19. The communications and discussions during the negotiations and conferences which have produced this Agreement shall be conducted on the explicit understanding that they are, or relate to offers of settlement and shall be privileged and confidential, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

20. Each of the undersigned represents and agrees that he or she is fully authorized to execute this Agreement on behalf of the Party identified above his or her respective signature.

21. The Parties agree that the execution of duplicate signature page(s) hereto shall be binding upon each Party as if each had executed the same original document.

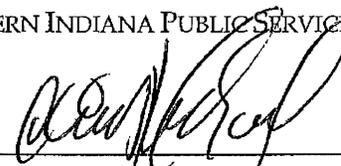
ACCEPTED AND AGREED this 3rd day of September, 2014.

INDIANA OFFICE OF UTILITY CONSUMER
COUNSELOR

By: 

Jeffrey M. Reed, its Attorney

NORTHERN INDIANA PUBLIC SERVICE COMPANY

By: 

Christopher C. Earle, its Attorney

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon the following:

A. David Stippler
Jeffrey M. Reed
Office of Utility Consumer Counselor
115 W. Washington Street,
Suite 1500 South
Indianapolis, Indiana 46204
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jreed@oucc.in.gov
infomgt@oucc.in.gov

With a courtesy copy to:

Joseph Rompala
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Indianapolis, IN 46282-0003
jrompala@lewis-kappes.com

Jennifer Washburn
Citizens Action Coalition of Indiana, Inc.
603 E. Washington Street, Suite 502
Indianapolis, Indiana 46204
jwashburn@citact.org

Dated this 3rd day of September, 2014.



Christopher C. Earle