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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF AN EXTENSION OF ITS GREEN POWER RIDER PROGRAM, WITH CERTAIN MODIFICATIONS AND ITS INCORPORATION AS A COMPONENT OF NIPSCO'S APPROVED TARIFF ON A NON-PILOT BASIS, PURSUANT TO IND. CODE § 8-1-2-42(a).	CAUSE NO. 44520 APPROVED: DEC 03 2014

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Marya E. Jones, Administrative Law Judge

On July 31, 2014, Petitioner Northern Indiana Public Service Company ("NIPSCO") filed its Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of an extension of its Green Power Rider ("GPR") program, with certain modifications, and its incorporation as a component of NIPSCO's approved tariff on a non-pilot basis. NIPSCO prefiled the direct testimony and exhibits of Timothy R. Caister and David J. Mays on August 1, 2014. The Indiana Office of Utility Consumer Counselor ("OUCC") prefiled testimony of Cynthia M. Armstrong on September 26, 2014.

The Commission convened a public hearing in this Cause on October 20, 2014, at 1:30 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, NIPSCO and the OUCC appeared by counsel and offered their respective prefiled testimony and exhibits, which were admitted into evidence without objection. No member of the general public participated at the hearing.

The Commission, having considered the evidence and applicable laws, now finds as follows:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearings in this Cause were given and published by the Commission as required by law. NIPSCO is a "public utility" within the meaning of Ind. Code § 8-1-2-1(a) 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 rates and charges and related tariffs. Thus, 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, with its principal place of business located at 801 East 86th Avenue, Merrillville, Indiana. 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 production, transmission, distribution and furnishing of such services to the public. NIPSCO is authorized to provide electric service to the public in all or part of Benton, Carroll, DeKalb, Elkhart, Fulton, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Newton, Noble, Porter, Pulaski, Saint Joseph, Starke, Steuben, Warren and White Counties in northern Indiana. NIPSCO provides electric utility service to over 468,000 residential, commercial, industrial, wholesale and other customers.

3. Background and Requested Relief. On May 7, 2012, NIPSCO requested approval from the Commission to offer a voluntary GPR pilot program to its electric customers through December 31, 2014. The Commission approved the pilot GPR program on December 19, 2012, in its Order in Cause No. 44198 (the "44198 Order"). The 44198 Order specified that through NIPSCO's GPR rate, NIPSCO would pass the costs of the Renewable Energy Certificates ("RECs"), including brokerage fees and trading commissions, and minimal administrative and marketing costs to participating customers. The 44198 Order provided that the GPR rate will be adjusted semi-annually. The 44198 Order also approved the inclusion of a reconciliation mechanism in NIPSCO's GPR rate, requiring NIPSCO to reconcile the previous estimated GPR rate with actual costs and estimate a new GPR rate for the upcoming six months.

Under the GPR pilot program customers designated 25%, 50% or 100% of their total electricity usage to be attributable to "Green Power." Commercial and industrial ("C&I") customers had the option to designate 5% or 10% of their total electricity usage to be attributable to "Green Power." Eligible sources of Green Power include solar; wind; geothermal; hydropower that is certified by the Low Impact Hydropower Institute; solid, liquid, and gaseous forms of biomass; and co-firing of biomass with non-renewables. NIPSCO purchased Renewable Energy Certificates ("RECs") certified by Green-e® from eligible sources of Green Power on behalf of participating customers to match the amount of Green Power they designated.

NIPSCO's GPR pilot program expires on December 31, 2014. NIPSCO requested the Commission approve an extension of its GPR program, with certain modifications and its incorporation as a component of NIPSCO's approved tariff on a non-pilot basis. NIPSCO proposed to incorporate a specific component of the GPR rate that would provide compensation up to a specified level for marketing and certification expenses incurred in maintaining and growing this program. NIPSCO requested approval of necessary tariff changes to effectuate approval of the modified GPR program. NIPSCO also proposed to continue filing an Annual Report, but requested to change the filing date to March 31st of each year.

4. NIPSCO's Direct Evidence. Timothy R. Caister, Director of Regulatory Policy, stated that the purpose of his testimony was to provide an explanation of and support for NIPSCO's request for extension of its GPR program with certain modifications and its incorporation as a component of NIPSCO's approved tariff on a non-pilot basis. He testified that the GPR program would be offered to all NIPSCO electric customers in order to allow customers the option to designate all or some of their electricity usage to be attributable to Green Power.

Mr. Caister explained that RECs are the environmental attributes associated with electricity that is generated from renewable resources and that NIPSCO buys the RECs on behalf of participating customers. He noted that for every unit of renewable electricity generated, an equivalent amount of RECs is produced. Mr. Caister testified the purchase of RECs helps offset conventional electricity generation in the region where the renewable electricity generator is located. He explained that NIPSCO has committed to transact for RECs tied with sources generating Green Power in the footprint of the Midcontinent Independent System Operator, Inc. ("MISO"). He testified that NIPSCO's GPR pilot RECs are certified through Green-e®, the nation's leading renewable energy certification and verification program, which provides independent, third-party certification to ensure that certified renewable energy meets strict environmental and consumer-protection standards.

Noting that customers currently have the option to designate that 25%, 50% or 100% of their total monthly usage be attributable to Green Power, Mr. Caister testified that NIPSCO purchases RECs to meet the designated amount. He stated that the 25% minimum for residential customers is based on the Green-e® requirement for a certified program. C&I customers also choose to designate that 5% or 10% of their electricity be from a renewable resource. He noted that C&I customers have greater average usage levels than residential customers and that the minimum election of 25% may prevent some of these customers from participating in the program.

NIPSCO originally proposed the GPR pilot program to: (1) provide an additional customer-focused option in its tariff that did not exist at that time to satisfy customer expectation or desire; (2) support Indiana's statewide goals to promote renewable and homegrown energy; and (3) support NIPSCO's renewable approach and programs as part of its mission to invest in clean, modern, and affordable energy solutions that support Indiana's long-term economic growth. Mr. Caister explained that NIPSCO proposed to eliminate the "pilot" designation and incorporate the GPR as an ongoing component of its tariff based on enrollment, customer feedback and interest, and the continued support of these objectives, including NIPSCO's desire to continue to support clean, modern, and affordable energy solutions.

Describing NIPSCO's experience with the GPR pilot program to date, Mr. Caister testified he sponsored NIPSCO's first Annual Report for calendar year 2013 (NIPSCO's Exhibit No. TRC-1) and highlighted a few of the key points, including: (1) as of June 30, 2014, overall customer enrollment exceeded NIPSCO's forecast with 655 total customers, including 635 residential and 20 commercial; (2) residential customers accounted for the majority of enrolled customers; (3) C&I energy accounted for the majority of designated energy; and (4) most customers, including C&I, designated 100% of their usage under the program. Mr. Caister stated that NIPSCO's customers reacted positively to the program, and, as the statistics indicated, there is continued interest in it. He explained that NIPSCO's staff continues to receive feedback that, although it is a small program, it is a valuable one and an important tool that helps to satisfy customer interest. He noted that NIPSCO's stakeholders also received positive feedback from customers and that customer feedback also supported keeping the GPR as a part of NIPSCO's program portfolio.

Mr. Caister testified that Green-e® certification provided confirmation that the renewable energy met strict environmental and consumer-protection standards, and included a variety of processes including an annual audit of the program to confirm retirement of RECs. He stated that NIPSCO proposed to continue Green-e® certification for the GPR but that Green-e®

certification is expensive and that in the future NIPSCO would analyze whether the costs of such certification exceeded the benefits to the program and participating customers.

Noting that NIPSCO assessed the viability of RECs purchased solely from Indiana projects, Mr. Caister pointed out that the number of projects producing qualifying RECs in Indiana is limited, and the purchase of solely Indiana RECs would increase the cost to electing customers under this program, likely making participation in the GPR unattractive to NIPSCO customers.[1] Mr. Caister stated that, NIPSCO proposed to continue the practice of acquiring RECs at the lowest available cost unless enrollment in the program increased and/or the availability of Indiana RECs presented improved opportunities for cost-effective REC purchases, subject to review by the Commission and the input of interested parties. He noted that NIPSCO has maintained its purchases in the MISO footprint and has not purchased any RECs associated with sources in Indiana which are much more expensive.

Mr. Caister explained that in 2013 NIPSCO spent $205,210 on marketing for the GPR program, which included $106,637 on media placement and $98,573 on development. He stated that NIPSCO expected to spend $187,000 for these items in 2014 to continue to market the program to increase enrollments. He noted that in addition to marketing, NIPSCO incurred approximately $13,800 in certification costs related to Green-e® as well as over $8,000 to facilitate a certification audit for Green-e®. Mr. Caister explained that NIPSCO should expect to incur this level of certification expenses annually and that NIPSCO proposed incorporating a specific component of the GPR rate that would compensate a portion of the marketing and certification expenses incurred in maintaining and growing the GPR program. He testified that NIPSCO was not requesting to immediately recover the entire amount of these expenses, but that it would be appropriate to incorporate a level of recovery greater than $500 permitted under the pilot program.

NIPSCO proposed to cap the recovery at $0.001150/kWh in order to limit the effect on the overall GPR rate due to concern that if the full cost were recovered, it would increase the factor to an unattractive level for customer enrollments. Mr. Caister stated that NIPSCO arrived at the cap by using the highest prior approved GPR rate of $0.002301 kWh as a starting point and deducting the forecast of $1.15 per REC for January 2015 or $0.001150/kWh to arrive at a cap of $0.001150/kWh. He noted that using a program forecast of 14,000,000 kWh/year, this component would provide revenue of $16,100 per year, thereby producing an amount greater than $500 currently provided by the GPR rate, but still much less than the anticipated expense level expected to exceed $200,000 in 2014. Still in the early stages of the GPR program, Mr. Caister explained that the cap would ensure that the rate does not increase too much to drive cancellations which would be an unfavorable result. He noted that NIPSCO would continue to analyze this balance in the future to determine whether future enrollments increased enough to support an increase to this component to provide greater cost recovery.

Mr. Caister testified that under the current pace of enrollments and expected level of expenses, the expense recovery under this component approach to the GPR rate was not anticipated to ever exceed NIPSCO's actual marketing and certification expenses. He testified that if NIPSCO were to observe such an increase in enrollments that this component of the factor

[1] In Cause No. 44198-GPR-3, NIPSCO witness Pluard discussed this further.

would provide revenue in excess of actual marketing and certification expenses, it would reduce the component to something less than $0.001150 / kWh to limit the revenue to the actual expense level. He explained that NIPSCO is not proposing to design the component to recover anything greater than the marketing and certification expenses associated with its GPR program.

Mr. Caister stated that NIPSCO also proposed to continue to maintain that piece of the GPR rate that allowed it to recover the actual costs of the RECs. Consistent with the current administration of the GPR program, NIPSCO would continue to purchase the RECs in the same manner and these costs would be passed through to GPR customers on an actual dollar-for-dollar basis. He explained there is no cap or limitation on this piece of the GPR, but that the program would continue to be revenue neutral and would include a reconciliation mechanism. Mr. Caister stated that, consistent with the GPR pilot, NIPSCO has not requested to recover any incremental costs of administering the GPR program; rather, Mr. Caister noted NIPSCO intends to continue the current semi-annual GPR adjustment reconciliation mechanism required in Cause No. 44198.

NIPSCO would continue to file annual reports in Cause No. 44198, but Mr. Caister noted that NIPSCO proposed to change the filing date to March 31 of each year to allow for more time to close the records for the previous calendar year. He stated that NIPSCO also planned to add further discussion in its annual reports to address the cost/benefit analysis of Green-e® and whether that continued certification makes sense for the program as well as discussion of its actual expenses incurred to help the Commission and stakeholders review the relationship of marketing and certification expenses relative to the proposed component of the GPR rate. He noted that any interested party that desired to investigate these issues further could request a hearing inside of the GPR factor process. He also stated that if NIPSCO recommended a change in certification of the program away from Green-e®, it would propose such a change in a GPR sub-docket proceeding.

Mr. Caister testified that NIPSCO considered whether the GPR program could be used as a vehicle to encourage development of renewable resources in Indiana in light of its Feed-in Tariff program. He explained that with the modest level of enrollment in the current program, the opportunity is slight or minimal at this point, but something that NIPSCO would continue to review and provide discussion of in future annual reports. He stated that NIPSCO is open to further discussions and evaluation of such opportunities for renewable resources if enrollment levels increase and the associated economics make such opportunities meaningful.

David Joseph Mays, Manager of Rates and Contracts, sponsored NIPSCO's proposed changes to Rider 686 – Green Power Rider, Appendix H – Green Power Rider Rate and Appendix A – Applicable Riders. Mr. Mays explained the billing aspects of the GPR program. He testified that NIPSCO would continue to bill participants under their current applicable rate with a separate line item showing the premium to participate in the GPR. He explained that NIPSCO would calculate this premium by multiplying the GPR rate by the kilowatt-hours the customer specifies to be subject to the GPR. He clarified that this depends on the customer's designation of 5%, 10%, 25%, 50%, or 100%.

Mr. Mays testified that customers may enroll by secure Internet or telephone, and that no contract is necessary to participate in NIPSCO's GPR program. He explained that when a customer notifies NIPSCO that it wants to terminate participation in the program, termination occurs at the beginning of the next billing cycle. He testified that all customer classes, including residential and C&I, taking service under Rate 611, 612, 613, 620, 621, 622, 623, 624, 625, 626, 632, 633, 634, 641, 642, 644, 650, 655, 660 and Rider 676 are eligible to participate. He noted that no limit was placed on purchases from customers since there was no impact on the integrity of the electric distribution system because REC purchasing is purely an administrative function.

Mr. Mays testified the GPR program is revenue neutral. He stated the GPR rate is intended to cover the cost of RECs, including all brokerage fees and trading commissions, a designated amount for marketing, and all applicable taxes. He explained that costs and revenues are subject to a "true up" in subsequent six-month filings via a reconciliation mechanism.

Noting that initially the GPR pilot did not include RECs purchased by NIPSCO under its wind power purchase agreements, Mr. Mays testified that in Cause No. 44198 GPR 2, the Commission authorized NIPSCO to have the option to transfer RECs obtained in conjunction with wind energy purchases under NIPSCO's wind purchase power agreements with Barton and Buffalo Ridge I Wind Farms to the GPR program at market price. He explained that those RECs are held in an account for NIPSCO's customers who pay the fuel adjustment clause and that this results in cost savings to GPR customers because the RECs are obtained directly without additional transactional fees.

Mr. Mays explained how the proposed changes to the GPR will be implemented through the semi-annual GPR filings. He explained that the GPR factor will be broken down into two (2) subcomponents. The first subcomponent will fluctuate with the market price for RECs and is simply the forecasted REC price in kWh. The second subcomponent compensates for marketing and certification costs. The marketing and certification costs subcomponent will be capped at $0.001150 per kWh, which was calculated by using a forecasted price of $1.15 per REC and keeping the overall GPR rate at the highest prior Commission-approved GPR factor of $0.002301 per kWh. He explained that at the current program forecast of 14,000 MWh/year, approximately $16,100 of marketing and certification costs would be recovered annually. He noted that in the event of an over or under collection, a reconciliation calculation would be incorporated into the factor.

5. <u>OUCC's Evidence.</u> Cynthia M. Armstrong, Senior Utility Analyst in the Electric Division at the OUCC, presented the OUCC's position regarding NIPSCO's request to extend its GPR program beyond the pilot phase.

Ms. Armstrong testified NIPSCO's proposal to recover the specified level of marketing costs for its GPR program through its semi-annual GPR adjustment mechanism is reasonable. She stated that NIPSCO incurred over $200,000 in program marketing costs in 2013 and expects to incur another $187,000 for the program in 2014. She stated she reviewed NIPSCO's marketing materials and radio advertisements specific to the GPR and that, although NIPSCO will be collecting more in GPR marketing costs than it did during its pilot program, the annual capped amount is currently far less than what NIPSCO has actually spent on marketing the program.

Ms. Armstrong testified NIPSCO's marketing program has stimulated customer participation since NIPSCO began its marketing campaign in August 2013. She noted that continuing the program at the marketing costs NIPSCO experienced in 2013 and 2014 may not be sustainable over the long term. Ms. Armstrong testified it may be appropriate for NIPSCO to spend more initially to encourage participation in the program, but that NIPSCO should continue to monitor enrollment levels to determine if the current marketing campaign attracts enough new customers to merit NIPSCO's current spending levels.

Ms. Armstrong testified the OUCC recommends approval of NIPSCO's proposed extension of and changes to its current GPR program. She stated that offering ratepayers the option to purchase renewable power at an affordable price is beneficial to customers. She stated the OUCC recommends that NIPSCO continue to file an annual report with the Commission on March 31 of each year containing the program details the OUCC previously recommended, which included: (1) number of customers enrolled in the program per month, including the breakdown by residential and C&I customers, and by participation level within each category; (2) the suppliers of the RECs purchased for the program; (3) the quantity of the RECs purchased for the program; (4) the price and costs of RECs purchased for the program; (5) the administrative costs of the program by major category; (6) the marketing costs by major category, (7) a summary of program activities, results and observations; (8) a copy of any marketing materials sent to customers.

6. <u>Commission Discussion and Findings.</u> The Commission finds that the evidence of record supports NIPSCO's request for an extension of its GPR program with proposed modifications and its incorporation as a component of NIPSCO's approved tariff on a non-pilot basis. NIPSCO's proposal to incorporate a specific component of the GPR rate to recover up to a specified level for marketing and certification expenses associated with maintaining and growing its GPR program is a reasonable approach that encourages growth in the program while limiting the potential rate impact to customers. This course of action is consistent with NIPSCO's proposal to incorporate the GPR program into its tariff on a non-pilot basis. NIPSCO not only requested approval of necessary tariff changes to effectuate approval of the modified GPR program, but also proposed to continue the reporting requirement of filing an annual report containing an assessment of administrative resources along with the additional information discussed in Finding Paragraph No. 5 above, and in Finding Paragraph No. 7 of the 44198 Order. NIPSCO's proposal to file its annual report by March 31st of each year in order to allow more time to assemble the necessary information from the prior year is also reasonable.

We note that NIPSCO filed its most recent semi-annual GPR filing for approval of a revised Green Power Rider Rate to be applicable for bills rendered during the billing cycles of January through June, 2015 on September 30, 2014 in Cause No. 44198 GPR 4. Consistent with the docketing convention for NIPSCO's current semi-annual GPR filings, we direct NIPSCO to use the same docketing convention for its next and subsequent semi-annual filings, i.e., Cause No. 44198 GPR 4, Cause No. 44198 GPR 5.

The Commission finds NIPSCO's request to extend its GPR program to be reasonable and in the public interest. NIPSCO's request for an extension of its GPR program with proposed modifications and its incorporation as a component of NIPSCO's approved tariff on a non-pilot basis is approved. NIPSCO's proposal to continue the reporting requirement to file an annual report by March 31st of each year detailing the performance and activities of the GPR program is also approved.

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

1. NIPSCO's Rider 686 – Green Power Rider (NIPSCO's Exhibit No. DJM-1), as herein described, is approved to become effective upon its filing with and approval by the Electricity Division of the Commission;

2. NIPSCO's necessary tariff changes to effectuate approval of the revised Green Power Rider program are approved;

3. NIPSCO shall file in Cause No. 44198 an annual report containing an assessment of administrative resources along with the additional information set out in Finding Paragraph No. 5 above and Finding Paragraph No. 7 of the 44198 Order by March 31st of each year, with the next annual report being filed on March 31, 2015, covering the calendar year January through December, 2014;

4. NIPSCO shall use the docketing convention described in Finding Paragraph No. 6 above for future Green Power Rider Rate filings; and

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

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

APPROVED: DEC 03 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