

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE)
COMPANY FOR AUTHORITY TO MODIFY ITS RATES)
AND CHARGES FOR ELECTRIC UTILITY SERVICE AND)
FOR APPROVAL OF: (1) CHANGES TO ITS ELECTRIC)
SERVICE TARIFF INCLUDING A NEW SCHEDULE OF)
RATES AND CHARGES AND CHANGES TO THE)
GENERAL RULES AND REGULATIONS AND CERTAIN)
RIDERS; (2) REVISED DEPRECIATION ACCRUAL)
RATES; (3) INCLUSION IN ITS BASIC RATES AND)
CHARGES OF THE COSTS ASSOCIATED WITH)
CERTAIN PREVIOUSLY APPROVED QUALIFIED)
POLLUTION CONTROL PROPERTY, CLEAN COAL)
TECHNOLOGY, CLEAN ENERGY PROJECTS AND)
FEDERALLY MANDATED COMPLIANCE PROJECTS;)
AND (4) ACCOUNTING RELIEF TO ALLOW NIPSCO TO)
DEFER, AS A REGULATORY ASSET OR LIABILITY,)
CERTAIN COSTS FOR RECOVERY IN A FUTURE)
PROCEEDING.)

CAUSE NO. 44688

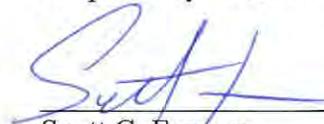
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

ERIC M. HAND – PUBLIC’S EXHIBIT NO. 8

JANUARY 22, 2015

Respectfully submitted,



Scott C. Franson
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Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***OUCC TESTIMONY OF ERIC M. HAND*** has been served upon the following parties of record in the captioned proceeding by electronic service on January 22, 2015.

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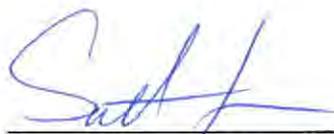
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TESTIMONY OF OUCC WITNESS ERIC M. HAND
CAUSE NO. 44688
NORTHERN INDIANA PUBLIC SERVICE COMPANY

1 **Q: Please state your name, employer, current position, and business address.**

2 A: My name is Eric Mark Hand. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Utility Analyst in the Electric Division. My
4 business address is 115 W. Washington Street, Suite 1500 South Tower,
5 Indianapolis, Indiana 46204. My educational and professional experience is
6 detailed in Appendix A attached to my testimony.

7 **Q: What is the purpose of your testimony in this Cause?**

8 A: My testimony addresses Northern Indiana Public Service Company's
9 ("NIPSCO") proposed Low-Income Program, its proposed funding mechanism
10 and offers a counter recommendation. I also address NIPSCO's request for a
11 waiver for its current Economic Development Rider contracts to prevent them
12 from terminating with the establishment of new base rates.

13 **Q: What did you do to prepare your testimony?**

14 A: I reviewed the Verified Petition and portions of Mr. Shambo's and Mr.
15 Westerhausen's Direct Testimonies relating to the Low-Income Program and the
16 Economic Development Rider ("EDR"). I reviewed the Commission approved
17 Gas Universal Service Program ("USP") Order (Cause No. 44094), and discussed
18 this case with OUCC staff.

I. LOW-INCOME PROGRAM

1 **Q: Please summarize NIPSCO's proposed Low-Income Program.**

2 A: NIPSCO proposes to implement a Low-Income Program that will provide a one-
3 time \$50 credit to the June bill of its electric customers who receive bill assistance
4 through the Low Income Home Energy Assistance Program ("LIHEAP").
5 NIPSCO proposes to fund the program by a mandatory twenty cent per month
6 fixed surcharge on residential customers; yielding approximately \$970,000
7 annually.

8 **Q: Will NIPSCO and its shareholders participate in funding the Low-Income**
9 **Program?**

10 A: No, not as currently proposed by NIPSCO.

11 **Q: Is the OUCC concerned about the effect of utility rate increases on low-**
12 **income customers?**

13 A: Yes. The OUCC takes seriously its statutory charge to represent ratepayers'
14 interests as well as its mission to advocate on behalf of ratepayers for quality,
15 reliable utility services at the most reasonable prices possible. The impact of
16 utility rate increases are especially difficult for low-income customers to bear, and
17 ratepayers are often faced with difficult decisions in order to find funds to pay for
18 necessary utility services.

19 **Q: Is NIPSCO's proposed low-income electric program similar to the USP for**
20 **gas utilities?**

21 A: No. Per Cause No 44094, the gas USPs give a credit to qualifying low-income
22 customers bills, require funding by both the utilities and customers, require
23 recognition of lowered bad debt expenses, reconciliation of over/under recovery,
24 and annual compliance filings. NIPSCO's proposed low-income electric program

1 lacks these features, and burdens residential customers with a mandatory
2 surcharge.

3 **Q: Do you have other concerns with Petitioner's low-income proposal?**

4 A: Yes. NIPSCO's low-income assistance proposal creates several problems, which
5 is why the OUCC is advocating low-income assistance for NIPSCO's electric
6 customers to be accomplished through another method. First, NIPSCO provided
7 very little evidence on how the Program will function. NIPSCO stated in
8 testimony that the estimate of 18,300 customers is based on experience with
9 LIHEAP. The enrollment in LIHEAP changes from year to year and there is no
10 indication how NIPSCO determined the 18,300 customers; is it a yearly figure or
11 an average of enrollment over several years. There is no indication of what will
12 occur if the number of customers that qualify under LIHEAP is greater or less
13 than projected. Unlike the gas USPs, NIPSCO's low-income electric proposal
14 will not be reconciled for over collection or under collection, and there is no
15 compliance filing proposed. NIPSCO also failed to offer any insight into how it
16 arrived at its proposed \$50 one-time credit, and what, if any, alternative low-
17 income assistance programs (such as voluntary bill round-up programs or
18 shareholder matching of voluntary contributions) it evaluated. In addition,
19 NIPSCO failed to explain how it determined the need for such a program in its
20 service territory and whether the proposal's benefit to NIPSCO's low-income
21 customers is adequate.

22 Second, in structuring its proposed revenue requirement in this Cause,
23 NIPSCO does not propose any reductions to expenses that may decrease if bill

1 assistance to low-income customers is provided. NIPSCO did not take into
2 account that the creation of a low-income credit may reduce its bad debt expense,
3 improve payment patterns, and possibly reduce the number of disconnections and
4 reconnections. NIPSCO has not proposed a reduction to any *pro forma* revenue
5 or labor adjustments due to the effect of a customer-paid, low-income fund on its
6 operating expenses and revenues. As proposed, NIPSCO would receive the
7 benefit of reducing the amount of bad debt it experiences and also benefit by
8 keeping its bad debt expense at a level that does not account for payments coming
9 from the low-income program. Thus, NIPSCO would benefit twice and bear none
10 of the cost to fund the low-income program.

11 Finally, NIPSCO's Low-Income Program is structured in such a way that
12 it would require low-income customers to fund the assistance they would receive,
13 which undermines the actual benefit they will realize. Funding NIPSCO's Low-
14 Income Program as proposed would require all Rate 711 customers to pay the
15 surcharge to fund program. Rate 711 is the rate for all residential customers,
16 including those low-income customers who would qualify for the one-time \$50
17 bill credit. In essence, NIPSCO's proposal would require low-income customers
18 to pay a higher bill for eleven months out of the year, so that they can receive a
19 lower bill for one month.

20 **Q: Does the OUCC have a recommendation as to how NIPSCO could better**
21 **assist its low-income electric utility customers?**

22 **A:** Yes. The Commission should modify NIPSCO's proposed Low-Income Program
23 to create a fund through which low-income electric customers could receive bill
24 assistance. The funding for the low-income fund should be accomplished via

1 voluntary contributions instead of a mandatory tariff rate surcharge. NIPSCO
2 should provide the opportunity for all customers (not just residential), employees
3 and shareholders to voluntarily participate in funding a low-income assistance
4 fund. NIPSCO should also participate in funding the low income fund by
5 matching the voluntary contributions. Additionally, NIPSCO should be required
6 to make an annual compliance filing showing the funds collected and the benefits
7 distributed.

II. ECONOMIC DEVELOPMENT RIDER

8 **Q. What are the current tariff provisions concerning the duration of economic**
9 **development contracts under the current EDR 677?**

10 A. NIPSCO's current Commission-approved tariff RIDER 677 states as follows:

11 For new Customers, service under this Rider shall commence upon
12 the effective date of a contract between the Company and the
13 Customer providing for service under the appropriate Rate
14 Schedule between the Customer and the Company and **shall**
15 **terminate upon the earliest of: (1) the contract term; or (2)**
16 **upon the effective date of new base rates resulting from a**
17 **Commission Order in a base rate case. [Emphasis added]**

18 **Q. Is NIPSCO proposing a waiver to this tariff provision?**

19 A. Yes. For current EDR 677 contracts, NIPSCO is requesting a waiver of the
20 requirement that existing EDR contracts terminate upon the effective date of new
21 base rates established in this case. Moreover, NIPSCO proposes to defer recovery
22 of these discounted rate revenues until its next rate case such that the Company
23 proposes to establish a regulatory asset that will allow for the amortization of this
24 deferred amount plus a profit on the deferred balances equal to the authorized
25 overall ROR in this case.

1 **Q. Should NIPSCO'S proposed waiver be granted?**

2 A. No. NIPSCO's last general rate case (Cause No. 43969) was very controversial
3 and highly contested. However, all of the parties were able to reach a settlement
4 in that case that involved considerable give and take on all issues. This settlement
5 was approved by the Commission and the current tariff provision is clear and
6 unambiguous. NIPSCO now seeks a waiver from the tariff provision to permit
7 continued discounted rates well after the time period it and the settling parties had
8 agreed to in the last case. Furthermore, given the plain language in the current
9 tariff, commercial and industrial customers that are currently enjoying discounted
10 rates, were clearly aware of the termination provisions within the tariff and made
11 their decisions accordingly. Considering that NIPSCO's last rate case was more
12 than four years ago, certainly no EDR customers are, or were, "caught off guard"
13 with this tariff requirement.

14 Should NIPSCO desire to continue discounted rates to existing EDR
15 contract customers -- in a manner inconsistent with the approved tariff provisions -
16 then it should only be permitted to do so at the cost to shareholders and not at the
17 responsibility of captive ratepayers.

18 **Q. Do you object to NIPSCO's proposed EDR 777 for customers that qualify**
19 **under the provisions of the proposed tariff rider?**

20 A. I have no objection to NIPSCO offering an EDR in general or specifically its
21 proposed EDR 777 except to the extent the proposed rider (777) extends existing
22 rider (677) contracts beyond the effective date of new base rates.

23 **Q: Does this conclude your testimony?**

24 A: Yes.

APPENDIX A

1 **Q: Please summarize your educational background.**

2 A: I graduated from Rose-Hulman Institute of Technology with a Bachelor of
3 Science degree in Mathematical Economics. I received a Masters in Business
4 Administration from Indiana University with majors in Management, Marketing,
5 and International Business. As part of my continuing education, I have attended
6 the National Association of Regulatory Utility Commissioners' ("NARUC")
7 Regulatory Studies Program in 2010 and 2012 in Lansing, Michigan plus
8 numerous energy related conferences and seminars.

9 **Q: Please describe your professional experience.**

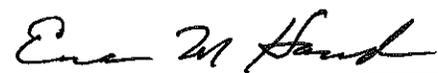
10 A: I have been an OUCC Electric Division Utility Analyst for six years and have
11 participated in various proceedings involving utility planning, special contracts,
12 economic development rates/riders, rate cases and other tariff-related matters.
13 Prior experience included a 30-year automotive industry career with
14 administrative positions in manufacturing, engineering, and contracts;
15 culminating in management positions in finance, contracts, and information
16 technology. Additionally, I have served the last 15 years on the Board of Trustees
17 of CTRWD, the largest regional wastewater district in Indiana.

18 **Q: Have you previously testified before the Commission?**

19 A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Eric M. Hand
Utility Analyst
Indiana Office of Utility Consumer Counselor

January 22, 2016

Date

Cause No. 44688
NIPSCO