
ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Lora L. Manion, Administrative Law Judge

On August 17, 2018, Northern Indiana Public Service Company LLC (“NIPSCO” or “Petitioner”) filed its Petition for Commission approval of resource adequacy adjustment (“RA Adjustment”) factors to be applicable during the billing cycles of November 2018 through April 2019. Petitioner also prefiled its case-in-chief on August 17, 2018, which consisted of the testimony and attachments of Katherine A. Cherven, Manager of Regulatory of NiSource Corporate Services Company, and Benjamin J. Turner, Manager of Operations & Market Support of NIPSCO.

NIPSCO Industrial Group filed its Petition to Intervene on August 27, 2018, which was subsequently granted without objection. On October 1, 2018, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Kaleb G. Lantrip, a Utility Analyst for the OUCC.

The Commission conducted a public hearing on October 16, 2018, at 9:00 a.m., in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing, Petitioner, the OUCC, and NIPSCO Industrial Group appeared by counsel. Petitioner and OUCC offered their respective prefiled testimony and attachments, which were admitted into evidence without objection.

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

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given as required by law. Petitioner is a limited liability company under the laws of Indiana, operating an electric utility in northern Indiana and is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended, Ind. Code ch. 8-1-2. Pursuant to Ind. Code § 8-1-2-42, the Commission has jurisdiction over rates and charges for utility service, including tracking mechanisms. Thus, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner has its principal office at 801 East 86th Avenue, Merrillville, Indiana. Petitioner is engaged in rendering electric public utility service in Indiana and owns, operates, manages, and controls, among other things, plants and equipment within Indiana used for the production, transmission, delivery, and furnishing of such service to the public.
3. **Background and Requested Relief.** In this proceeding, NIPSCO requested Commission approval of Resource Adequacy ("RA") Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing cycles of November 2018 and April 2019 or until replaced by different factors approved in a subsequent filing pursuant to provisions of the Public Service Commission Act, as amended; the Commission’s August 25, 2010 Order in Cause No. 43526 ("43526 Order"); the Commission’s December 21, 2011 Order in Cause No. 43969 ("43969 Order"); and the Commission’s July 18, 2016 Order in Cause No. 44688 ("44688 Order"). This filing includes actual costs for capacity purchases and 75% of the actual interruptible credits paid during the period January through June 2018, adjusted demand allocators, and forecasted usage for the period November 2018 through April 2019. This filing also includes a reconciliation of prior RA costs to actual RA revenues for the period November 2017 through April 2018.

The 43526 Order approved a purchase capacity cost recovery mechanism referred to as the Resource Adequacy or RA Adjustment. The 43969 Order approved the implementation of the RA Adjustment approved in Cause No. 43526 by approving NIPSCO’s Rider 674 – Adjustment of Charges for Resource Adequacy and NIPSCO’s Appendix F – Resource Adequacy Adjustment Factor. The 43969 Order specified that the RA Adjustment will be a semi-annual mechanism coordinated with the fuel adjustment charge (“FAC”) audit process.

The 43969 Order specified that the RA Adjustment will allow for recovery of prudently incurred capacity costs and 75% of costs associated with any credits paid as a result of Rider 675 – Interruptible Industrial Service Rider. The 43969 Order also specified that due to the lag between payment and recovery of credits, the actual amount of credits paid will be deferred in a balance sheet account until they are recovered in the RA Adjustment, or in the case of the 25% portion, in the FAC. The 43969 Order set forth the allocators for the RA Adjustment. Joint Exhibit E to the Stipulation and Settlement Agreement approved in the 43969 Order specified that the allocators will be revised to reflect MWs of interruptible service taken by class. The demand allocators have now been modified to reflect the amount of interruptible load served under Rates 632 and 634 and the impact of customer migration to different rate classes subsequent to the 43969 Order.

The Commission’s July 13, 2011 Order in Cause No. 43922 and March 4, 2015 Order in Cause No. 44393 authorized NIPSCO to defer the costs of purchases of capacity under the Renewable Feed-In Tariff ("FIT") for future recovery through NIPSCO’s RA Adjustment or such successor mechanism approved by the Commission.

The 44688 Order authorized Rider 775 – Interruptible Industrial Service as a continuation of Rider 675 with some modifications, including increasing the total megawatts allowed to 530 MW, increasing the total demand credit limit to $57 million, updating the provision applicable to Option C, and creating a new Option E. The changes to Rider 675 were effective with the first billing cycle in August 2016. The 44688 Order authorized the allocators for the RA Adjustment as set forth in Joint Exhibit C of the Settlement Agreement. The new allocators were effective with the first billing cycle in October 2016.

4. **Commission Discussion and Findings.**

A. **Billing Period.** Ms. Cherven, Manager of Regulatory of NiSource Corporate Services Company, testified that the RA Adjustment factors proposed in this proceeding are for the
billing cycles of November 2018 through April 2019, and include actual costs for capacity purchases and 75% of the actual interruptible credits paid during the period January through June 2018. She testified that a reconciliation of prior RA costs to actual RA revenues from November 2017 through April 2018 is included in NIPSCO’s filing in this Cause.

**B. Total Recoverable Costs.** Petitioner’s total costs to be recovered during the billing cycles of November 2018 through April 2019 are $19,986,516. Of that amount, a charge of $509,817 constitutes actual capacity purchases and capacity proceeds for the period January through June 2018, $19,653,010 constitutes recovery of 75% of credits paid for interruptible load for the period January through June 2018, and an over collection of $176,311 constitutes the variance from the reconciliation of prior RA costs to actual RA revenues for the period November 2017 through April 2018.

Based on our discussion of the record evidence set forth below, we find that these costs are appropriate and shall be included for recovery through the RA Adjustment factors presented in this Cause for bills rendered during the billing cycles of November 2018 through April 2019. Based on the factor for Rate Code 711, the typical residential customer using 1,000 kWh per month will see an increase of $0.51 from the current approved factor.

**C. Purchased Capacity Costs and Capacity Proceeds.** Petitioner included $0 of purchased capacity costs and $103,120 credits associated with the Midcontinent Independent System Operator, Inc. (“MISO”) capacity auction proceeds (excluding capacity payments made pursuant to NIPSCO’s Renewable FIT and demand credits paid pursuant to the Interruptible Industrial Service Rider) for recovery through the RA Adjustment factors in this proceeding. Mr. Turner, Manager of Operations & Market Support of NIPSCO, testified that for the 2018-2019 Planning Resource Auction, NIPSCO had Zonal Resource Credits in excess of its load obligation that were offered and subsequently cleared the Planning Resource Auction, the net proceeds of which are dispersed daily by MISO and will be credited to customers subject to the RA tracker as they are realized. NIPSCO realized net proceeds from the sale of excess capacity of $103,120 for the months of January through June 2018 in this filing.

Based on the record evidence, we find that Petitioner’s charge of $103,120 for MISO capacity auction proceeds is calculated correctly and shall be included in Capacity Purchases through the RA Adjustment for bills rendered during the billing cycles of November 2018 through April 2019.

**D. Capacity Payments under Renewable FIT.** Petitioner included $612,936 of capacity charges made pursuant to NIPSCO’s Renewable FIT for recovery through the RA Adjustment factors in this proceeding.

Based on the record evidence, we find that Petitioner made capacity charges and credits in the amount of $612,936 pursuant to NIPSCO’s Renewable FIT and that these costs are appropriate and shall be included for recovery through the RA Adjustment factors.

**E. Interruptible Credits under Rider 775 – Interruptible Industrial Service.** Mr. Turner testified that Rider 775 – Interruptible Industrial Service was approved and implemented pursuant to the 44688 Order. He testified that Rider 775 is available to customers taking service under Rates 732, 733, or 734 and provides five options of interruptible service. Rider 775 sets forth a
demand credit that varies depending on which option the customer selects. Mr. Turner stated that the total capacity made available under Rider 775 is limited to 530 MWs and the total number of demand credits available is limited to $57,000,000 per calendar year.

Mr. Turner testified that during the reconciliation period, 0 MW were subscribed to Options A, B, D, and E, and 527.776 MW were subscribed to Option C. He also testified that during the reconciliation period under Rider 775, MISO did not call any curtailments and NIPSCO initiated interruptions on 11 separate days during the period January through June 2018 for a total of 167 hours under Option C.

Ms. Cherven testified that Petitioner incurred total costs associated with demand credits paid pursuant to NIPSCO’s Interruptible Industrial Service in the amount of $26,204,013 during the period January through June 2018. She testified that Petitioner included 75% of the total costs, $19,653,010, for recovery through the RA Adjustment factors in this proceeding.

Based on the record evidence, we find that Petitioner made reasonable interruptible demand credit payments in the amount of $26,204,013 pursuant to NIPSCO’s Interruptible Industrial Service and that 75% of these costs, $19,653,010, should be included for recovery through the RA Adjustment factors.

**F. Variance from Prior Periods.** Ms. Cherven testified that the total RA Adjustment variance included in this proceeding as a result of the reconciliation of prior RA costs to actual RA revenues from November 2017 through April 2018 is an over-collection in the amount of $176,311.

Based on the record evidence, we find that Petitioner properly included a variance of $176,311 for return through the RA Adjustment factors.

**G. Allocation of Total Recoverable Costs.** The 44688 Order specified that the demand allocators for the RA Adjustment factors would be those shown in Joint Exhibit C to the Stipulation and Settlement Agreement approved in the 44688 Order, representing the Production Rate Base allocated by the rate classes’ 12 Coincident Peaks (“CP”). Ms. Cherven testified the NIPSCO has modified its demand allocators to reflect the amount of interruptible load contained in Rates 732, 733, and 734. She stated that NIPSCO modified its demand allocation percentages to reflect the significant migration of customers.

Based on the record evidence, we find that Petitioner properly adjusted the 12 CP demands to account for interruptible demand subscribed under Rider 775 and customer migration as shown in Pet. Ex. No. 1.

**H. OUCC Audit Report.** Mr. Lantrip, a Utility Analyst for the OUCC, testified the figures used in the RA tracker for the period January through June 2018 were supported by invoices and workpapers provided by NIPSCO. Mr. Lantrip explained the impact of the RA in this proceeding and NIPSCO’s current resource adequacy status. Mr. Lantrip testified that nothing came to his attention that would indicate the proposed recovery of Petitioner’s RA Adjustment factors for actual costs/revenues incurred during January through June 2018, and the variance from the prior period November 2017 through April 2018, were unreasonable. The OUCC recommends the Commission approve NIPSCO’s proposed RA Adjustment factors included in this proceeding.
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner’s requested RA Adjustment factors to be applicable to bills rendered during the billing cycles of November 2018 through April 2019, as set forth in Pet. Ex. No. 1, are approved.

2. Prior to implementing the rate(s), Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission’s Energy Division. Such rate(s) shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

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

HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR; OBER ABSENT:

APPROVED: OCT 3 1 2019

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

Mary M. Becerra
Secretary of the Commission