STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR (1) APPROVAL OF AN ADJUSTMENT TO ITS GAS SERVICE RATES THROUGH ITS TRANSMISSION, DISTRIBUTION, AND STORAGE SYSTEM IMPROVEMENT CHARGE (“TDSIC”) RATE SCHEDULE; (2) AUTHORITY TO DEFER 20% OF THE APPROVED CAPITAL EXPENDITURES AND TDSIC COSTS FOR RECOVERY IN PETITIONER’S NEXT GENERAL RATE CASE; AND (3) APPROVAL OF PETITIONER’S UPDATED 7-YEAR GAS PLAN, INCLUDING ACTUAL AND PROPOSED ESTIMATED CAPITAL EXPENDITURES AND TDSIC COSTS THAT EXCEED THE APPROVED AMOUNTS IN CAUSE NO. 44403-TDSIC-9, ALL PURSUANT TO IND. CODE § 8-1-39-9.

CAUSE NO. 44403-TDSIC-10
APPROVED: OCT 16 2019

ORDER OF THE COMMISSION

Presiding Officers:
Sarah E. Freeman, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge


NIPSCO Industrial Group (“Industrial Group”) filed a petition to intervene on August 20, 2019, which was subsequently granted.¹

On August 27, 2019, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its direct testimony and exhibits.

An evidentiary hearing was held on September 20, 2019, at 10:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO, the OUCC, and

¹ The members of the Industrial Group in this proceeding are ArcelorMittal USA, BP Products North America, Inc., Fiat Chrysler Automobiles, Praxair, Inc., United States Steel Corporation, and USG Corporation.
Industrial Group appeared and participated. At the hearing, the parties’ prefiled evidence was offered and admitted into the record without objection.

Based on the applicable law and evidence presented, the Commission now finds:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as that term is defined in Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Under Ind. Code ch. 8-1-39 (“TDSIC Statute”), the Commission has jurisdiction over a public utility’s petition to approve rate schedules establishing a TDSIC that will allow the periodic automatic adjustment of the public utility’s basic rates and charges to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner’s Characteristics.** Petitioner is a public utility organized and existing under the laws of the State of Indiana with its principal office at 801 E. 86th Avenue, Merrillville, Indiana 46410. Petitioner 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 generation, transmission, distribution, and furnishing of such service to the public. Petitioner provides gas utility service to approximately 835,000 residential, commercial, and industrial gas customers in northern Indiana.

3. **Background and Relief Requested.** On April 30, 2014, the Commission issued an Order in Cause No. 44403 ("44403 Order") approving Petitioner’s 7-year plan for eligible transmission, distribution, and storage system improvements ("7-Year Gas Plan" or "Plan"), pursuant to Ind. Code §§ 8-1-39-10 and 11. Subsequent to the 44403 Order, the Commission has issued Orders in semi-annual TDSIC filings by Petitioner that have approved updates to the Plan and associated rate making treatment.

In accordance with Ind. Code ch. 8-1-39 and the Commission’s TDSIC Orders, NIPSCO requests in this proceeding ("TDSIC-10") that the Commission: (1) approve an adjustment to its Appendix F – Transmission, Distribution and Storage System Improvement Charge to be applicable for gas bills rendered by NIPSCO during the months of November 2019 through May 2020, or until replaced by different factors that are approved in a subsequent proceeding, to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs incurred in connection with NIPSCO’s eligible transmission, distribution, and storage system improvements ("eligible improvements"); (2) authorize the deferral, as a regulatory asset, 20% of eligible and approved capital expenditures and TDSIC costs incurred in connection with its 7-Year Gas Plan and record ongoing carrying charges based on the current overall weighted average cost of capital ("WACC") on all deferred TDSIC costs until such costs are included for recovery in NIPSCO’s base rates consistent with Ind. Code § 8-1-39-9(c); (3) approve NIPSCO’s updated Plan ("Plan Update-10"), including actual and proposed estimated capital expenditures and TDSIC

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2 The Commission issued an Order in NIPSCO’s gas rate case in Cause No. 44988 on September 19, 2018. In accordance with Ind. Code § 8-1-39-9(d), NIPSCO’s filing was not made “within nine (9) months after the date on which the commission issues an order changing the public utility’s basic rates and charges with respect to the same type of utility service.” As a result of this requirement, and to adjust the recovery period for future filings, NIPSCO requested approval of factors to remain in effect for seven months (November 2019 through May 2020).
costs that exceed the amounts approved in Cause No. 44403 TDSIC 9; (4) approve deferral and recovery of 80% of eligible and approved capital expenditures and TDSIC costs in connection with the Plan Update-10 through the TDSIC and deferral of 20% of eligible and approved capital expenditures and TDSIC costs in connection with the Plan Update-10, for recovery in its base rates consistent with Ind. Code § 8-1-39-9(c).

4. **Evidence Presented.**

A. **NIPSCO’s Case-In-Chief.** NIPSCO presented the testimony and exhibits of Alison M. Becker, Manager of Regulatory Policy for NIPSCO; James F. Racher, Director of Regulatory for NiSource Corporate Services Company (“NCSC”); and Donald L. Bull, Director of Gas TDSIC Projects for NCSC.

Ms. Becker testified NIPSCO is requesting approval of Plan Update-10, including the actual capital expenditures incurred through April 30, 2019, as well as updated cost estimates for the projects designated in Plan Update-10, including actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts approved in Plan Update-9.

Ms. Becker testified all of the TDSIC projects included for recovery in this filing were or will be undertaken for the purpose of safety, reliability, system modernization or economic development and the rural extensions projects were undertaken for the purpose of extending gas service in rural areas. She testified that none of these projects were included in NIPSCO’s rate base in Cause No. 44988. She stated NIPSCO is requesting approval of all of the projects designated in Plan Update-10 that are included for recovery in the proposed TDSIC-10 factors.

Ms. Becker noted the Commission issued an order changing NIPSCO’s basic rates and charges on September 19, 2018 in Cause No. 44988 (“Rate Case Order”). She testified that NIPSCO complied with the requirement in Ind. Code § 8-1-39-9(e) through its filing in Cause No. 44988.

Ms. Becker explained that to date NIPSCO has not undertaken any Targeted Economic Development Projects that are eligible for recovery through the Gas TDSIC. However, NIPSCO continues to work with interested parties on potential projects. She further testified that in Cause No. 44403 TDSIC 1 (“TDSIC-1 Order”), the Commission approved NIPSCO’s proposal to include all rural customers in the updated estimate and to provide an 80% credit to the TDSIC tracker for actual margins received from all new customers added under the rural extension projects.

Ms. Becker testified that NIPSCO met with the OUCC and interested stakeholders, including representatives of the Industrial Group and US Steel on June 6, 2019. During that meeting, NIPSCO identified known changes to projects from Plan Update-9. She testified that NIPSCO is not aware of any unresolved issues, nor is it including any major change as part of this proceeding.

Regarding NIPSCO’s proposed ratemaking treatment, Mr. Racher testified the total cost of the eligible improvements upon which NIPSCO requests authority to earn a return is $27,355,711. This amount includes allowance for funds used during construction (“AFUDC”), other indirect costs, and is net of accumulated depreciation, incurred through April 30, 2019.
Mr. Racher testified that NIPSCO is only seeking approval to recover a return on its investment and the related depreciation expense, property taxes, and carrying charges associated with $3,322,780 of the total direct capital costs incurred through December 31, 2015 for the 112th Street Project. He stated this amount represents NIPSCO’s best estimate provided in Cause No. 44403 and is inclusive of the 20% contingency percentage. He stated that in accordance with the Rate Case Order, the 112th Street Project is now included in rate base and that after this filing, will no longer be included in the TDSIC tracker filing. Further, consistent with the TDSIC-1 Order, NIPSCO deferred for recovery in its base rates the depreciation expense and property taxes related to the difference between this amount and the actual amount of the 112th Street Project. The depreciation and property taxes NIPSCO deferred relating to this difference for the months of July through September 2018 is $69,048 and the total deferred balance is $946,162.

Mr. Racher provided an overview of the indirect capital costs that are associated with capital projects, which must be capitalized in order to comply with Generally Accepted Accounting Principles (“GAAP”). He noted these often cannot be charged directly to a specific capital project work order because they cannot be directly linked to one particular project and tend to be incurred away from the job site. He stated that NIPSCO groups these indirect capital costs into three categories: (1) overheads, (2) stores, freight, and handling, and (3) AFUDC.

Mr. Racher testified that NIPSCO computes AFUDC amounts and relevant AFUDC rates for the eligible improvements in accordance with the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts and is also consistent with GAAP. He stated that NIPSCO also has a process to ensure that AFUDC is no longer recorded after such costs are given construction work in progress (“CWIP”) ratemaking treatment, are otherwise reflected in base gas rates, or the project is placed in service, whichever occurs first. After the in-service date, NIPSCO will calculate and include for recovery post in-service carrying charges on costs which have been placed into service and are not receiving ratemaking treatment until such costs receive CWIP ratemaking treatment, or are otherwise reflected in base gas rates.

Mr. Racher testified NIPSCO has calculated the depreciation expense related to TDSIC capital expenditures according to each asset’s designated FERC account classification. Each asset, upon being placed in service, is depreciated by NIPSCO according to the associated FERC account composite remaining life approved by the Rate Case Order.

Mr. Racher explained the calculation of NIPSCO’s “return on” portion of the revenue requirement for costs of the eligible improvements incurred through April 30, 2019. He stated the annual revenue requirement for the return on investment is calculated by multiplying the April 30, 2019 net book value of all TDSIC projects by the debt and equity components of NIPSCO’s WACC. The product of this calculation is then multiplied by 7/12 to calculate a seven-month revenue requirement for this filing. This amount is then multiplied by the revenue conversion factor and further reduced to 80% to determine the total return-related revenue requirement to be recovered for bills rendered during the months of November 2019 through May 2020, not to exceed an average aggregate increase in NIPSCO’s total retail revenues of more than 2% in a 12-month period.

Mr. Racher provided the computation of the revenue conversion factor used to compute NIPSCO’s pre-tax revenue requirement. He testified that the revenue conversion factor is
calculated for debt and equity in order to properly synchronize interest for the purpose of calculating the revenue requirement. The state income tax rate used in this computation was determined in accordance with Ind. Code § 6-3-2-1.

Mr. Racher provided information regarding depreciation expense, operations and maintenance ("O&M"), and property taxes for the period July 2018 through April 2019. The actual expenses and taxes incurred were reduced to 80% to determine the proposed revenue requirement to be recovered for bills rendered during the months of November 2019 through May 2020, not to exceed the 2% excess revenue test. He explained that based on the allocators approved in Cause No. 44403 TDSIC 3 ("TDSIC-3 Order"), NIPSCO will allocate 91.1% of O&M expenses related to the System Integrity Data Integration Project ("Records Project") based on the distribution allocator and 8.9% based on the transmission allocator.

Mr. Racher testified the TDSIC-1 Order approved NIPSCO’s proposal to provide an 80% credit to the TDSIC tracker for actual margins received from all new customers added under the rural extension projects. He stated these amounts are calculated by obtaining the related customer usage values and billing rate information to compute the total margin billed for the period July 2018 through April 2019.

Mr. Racher explained that the revenue requirement calculated in Cause No. 44403 TDSIC 8 is being reconciled against the actual revenues received from customers during July through December 2018, which resulted in an over-recovery of $3,325,030.

Mr. Racher provided the allocation factors as approved in the Rate Case Order, which NIPSCO used to allocate the related transmission, distribution, and storage revenue requirements. He also explained the calculation of the TDSIC factors by rate code based on the previously calculated revenue requirements.

Mr. Racher testified there is no amount in excess of 2% of retail revenues for the past 12 months. He testified NIPSCO has calculated the 2% cap by comparing the increase in TDSIC revenues with the total retail revenues for the past 12 months. The retail revenues used in this calculation represent the revenues related to the 12 months ending March 31, 2019.

Mr. Racher sponsored a clean and redlined version of NIPSCO’s revised Appendix F – Transmission, Distribution and Storage System Improvement Charge showing the TDSIC factors proposed to be applicable for bills rendered during the months of November 2019 through May 2020, or until replaced by different factors that are approved in a subsequent proceeding. He also sponsored an attachment identifying the projected effect of NIPSCO’s Plan Update-9 and Plan Update-10 on retail rates and charges and the total estimated revenue requirement for each rate class from 2014 to 2020. He stated the estimated average monthly bill impact for a typical residential customer using 69 therms per month is $0.07, which is a $0.21 increase from the factor that will be effective July 1, 2019.

Finally, Mr. Racher noted that in the TDSIC-1 Order, the Commission authorized NIPSCO to defer 20% of the TDSIC costs incurred in connection with the approved eligible improvements, including ongoing carrying charges based on the current overall WACC, and recover those deferred costs in base rates. Accordingly, NIPSCO has deferred as a regulatory asset 20% of all
TDSIC costs as a result of the deferral of 20% of all TDSIC costs for recovery in its next base rate case.

Mr. Bull sponsored NIPSCO’s Plan Update-10 and Plan Update-9. He also sponsored Petitioner’s Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Columns B through D and H through J), showing the actual capital expenditures incurred through April 30, 2019 relating to designated eligible improvements. He also sponsored Petitioner’s Exhibit 3, Attachment 3-A (Summary the Gas System Deliverability, Gas System Integrity, and Records Project categories), Confidential Attachment 3-B (rural extensions projects), Confidential Attachment 3-C (Summary of Plan Project Variances (Moves & Costs)), Confidential Attachment 3-D (Plan Update-10 projects and associated direct costs included in NIPSCO’s rate base and remaining direct costs included in TDSIC tracker filing), Confidential Attachment 3-E (Cap Movement), and Attachment 3-F (Plan Update-10 Compared to Cap).

Mr. Bull described NIPSCO’s project management processes and procedures, which were developed around the Project Management Institute’s Project Management Body of Knowledge guidelines. He stated the processes are designed to integrate project design and project planning, scope management, schedule and cost management, and risk management to provide a project life cycle plan and provide consistency in execution.

Mr. Bull described how NIPSCO manages the portfolio of projects included in the 7-Year Gas Plan. He explained that the Engineering department developed the Plan and the initial cost estimates for the projects. The projects were then assigned to the appropriate departments (including Engineering and Gas Major Projects) for design and execution. He testified that the Project Manager and the Project Controls Team have the primary responsibility to verify that costs are accurately forecasted, accounted, and tracked for all TDSIC projects. It is also responsible for obtaining, tracking, and paying invoices for the TDSIC projects as well as creating monthly forecasts and accruals.

Mr. Bull described NIPSCO’s cost management process, which begins with initiating a new TDSIC work order. The Project Engineer/Manager submits a Capital Initiative Form to the TDSIC Support Budget Analyst who does a preliminary check of the asset register to verify the work is a valid TDSIC project, initiates the work order, and routes the form to the Plan Owner and the Project Execution/Engineering Team for two levels of review. The purpose of the first level of review is to verify that the project and costs are TDSIC eligible. The purpose of the second level of review is to approve the scope and cost of the project work. Both the review and approval are required before work is performed and project costs are incurred.

Mr. Bull stated that once a TDSIC work order is initiated, NIPSCO records charges to the work order in accordance with NIPSCO’s internal controls. He stated that in addition to those controls, the TDSIC Project Controls Team provides bi-weekly reports that show the year-to-date actual costs to each project and an estimate of the weekly costs for the current month. The TDSIC Project Controls Cost Engineers meet two times per month with the Project Managers and Manager, Gas Major Projects to review actual costs, to estimate accruals, and to update the forecast for the current year estimate at completion and full project estimate at completion for multi-year projects. The Project Managers also review all project costs to ensure that costs are properly
recorded to the TDSIC work orders. He noted that any unusual charges are investigated and corrected if necessary.

Mr. Bull described NIPSCO’s process for executing the projects included in its 7-Year Gas Plan and provided an overview of NIPSCO’s process for managing costs in its 7-Year Gas Plan. He noted that many of the projects are substantial projects that span more than a single year.

For projects that are included in Plan Update-10, Mr. Bull stated NIPSCO utilizes an estimating process that includes a project scope review. He explained how cost estimates are refined and move from being considered a Class 3 estimate to a Class 2 estimate. He testified that until construction begins, and until the project is complete, it is difficult to define all of the factors that influence a project’s final cost. He testified that projects planned for 2020 continue to undergo refinement.

Mr. Bull explained the process NIPSCO uses to determine whether requested changes in cost estimates are eligible for TDSIC treatment. He testified that NIPSCO uses a reprioritization process to review and approve changes in current year project estimates. The reprioritization process starts when the need for a project estimate change is identified and the Project Management team completes a Project Change Request (“PCR”) form. He stated the intent of the reprioritization process is for leadership to review and approve estimate changes before they occur.

Mr. Bull noted that in the TDSIC-1 Order, the Commission approved NIPSCO’s proposal to include all rural gas extensions, both those that qualify using the 20-year margin test under Ind. Code § 8-1-39-11 and those that may qualify under NIPSCO’s existing line extension policy, and provide an 80% credit to the TDSIC tracker for actual margins received from all new customers added under the rural extensions projects. He explained the two primary methods NIPSCO uses to determine whether a new rural business project is eligible for TDSIC treatment. He testified the rural extensions projects included in Plan Update-10 are projected to pass the 20-year test identified in Ind. Code § 8-1-39-11.

Regarding the Records Project, Mr. Bull testified that to date, NIPSCO has successfully completed 23 out of 28 deliverables for the project, resulting in approximately 54,310 linens mined and 292,755 features added for placement into Petitioner’s Geographic Information System. He testified that in Plan Update-10, NIPSCO is not proposing any changes to the approved cost estimates for the Records Project.

Mr. Bull described the Plan update process approved in the Commission’s 44403 Order and the contents of Plan Update-10. He stated that the Plan update process is important because information is continually gathered around asset condition and updated risk analysis data. Additionally, configuration of NIPSCO’s system, load growth, deliverability to critical customers and other system events will serve to modify the consequence of failure driver in NIPSCO’s aging infrastructure risk model. As NIPSCO’s customer demands evolve, both from a location and utilization perspective, system deliverability requirements must evolve with them.

Mr. Bull testified as of April 30, 2019, the total gross direct capital expenditures associated with NIPSCO’s designated eligible improvements is $23,917,347; the total indirect capital expenditures is $2,874,078; and the total AFUDC for capital expenditures is $588,585, for total
Mr. Bull stated that there may be differences in the transmission and distribution subtotals when comparing Project Category to FERC account. He explained that some projects, such as inspect and mitigate projects, may incur charges that are booked to both distribution and transmission FERC accounts. However, because a majority of project costs related to specific projects are charged to either distribution or transmission FERC accounts, the project is classified into either a transmission or distribution project category on Plan Update-10 and related schedules.

Mr. Bull testified Plan Update-10 reflects current cost estimates for the completion of the projects in the 7-Year Gas Plan. The result is an overall increase in direct capital costs of $4,814,190 or about 0.82% across the remainder of the 7-Year Gas Plan. When indirect capital costs and AFUDC projections are incorporated, the overall projected 7-Year Gas Plan cost increase is $2,493,603 or about 0.37%.

Mr. Bull testified Plan Update-10 does not include any new projects that were not previously included in the 7-Year Gas Plan. He showed the total projected capital spending, including indirect capital costs and AFUDC, for Plan Update-10 compared to Plan Update-9, as follows:

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Mr. Bull testified the indirect cost percentage and AFUDC percentage used in Plan Update-10 reflects the actual indirect cost percentage and AFUDC percentage for 2018, but the indirect cost percentage used for 2019 and 2020 did not change. He explained that as was experienced previously, additional costs may be incurred in a subsequent calendar year for a prior year project for a variety of reasons.

Mr. Bull explained how NIPSCO reflects the costs incurred in a subsequent calendar year in the 7-Year Gas Plan. He stated that in Plan Update-10, the Remaining Years Actual Costs (i.e., the amount of actual costs for the project year that may be incurred in a subsequent year) is $(230,594) for Project Year 2014, $215,586 for Project Year 2015, $(250,810) for Project Year 2016, and $(213,951) in Project Year 2017, resulting in a Prior Year Reconciliation of $(187,761) in 2015, $273,136 in 2016, $(116,342) in 2017, $(449,156) in 2018, and $353 in 2019.

Mr. Bull sponsored Attachment 3-D of Petitioner's Exhibit 3 showing a list of Plan Update-10 projects and associated direct costs included in NIPSCO's rate base and the remaining direct costs included in the TDSIC tracker filing. He stated that none of the capital costs associated with the projects that went into rate base are, or will be, included for recovery in this or future TDSIC tracker filings.
Mr. Bull testified Plan Update-10 reflects an overall decrease in direct costs in 2018 of $1,665,293 (cost increases of $8,560,005 and net moves out of 2018 of $10,225,298). He stated that while there were cost increases, the two projects with a noteworthy cost increase (i.e., variance greater than $100,000 or 20%, whichever is greater, over what was approved in Plan Update-9) were in service as of December 31, 2018 and have been included in NIPSCO's rate base and none of these capital costs are, or will be, included for recovery in this or future TDSIC tracker filings.

Mr. Bull testified Plan Update-10 reflects an overall decrease in direct costs in 2019 of $52,377,954 (cost increases of $5,582,356 and net moves out of 2019 of $57,960,310). He explained what drove the noteworthy cost increase for one of the 2019 Projects.

Mr. Bull testified Plan Update-10 reflects an overall increase in direct costs in 2020 of $58,857,437 (cost decreases of $2,464,143 and net moves into 2020 of $61,321,580). He explained what drove the noteworthy cost increase for one of the 2020 Projects.

Mr. Bull testified Plan Update-10 shows actual costs for the 2014 Projects, 2015 Projects, 2016 Projects, 2017 Projects, and 2018 Projects as well as updated cost estimates for the 2019–2020 Projects. He testified Plan Update-10 provides information to support NIPSCO’s best estimate of the cost of investments included in the Plan. He stated that Plan Update-10 includes: project estimates for 2019–2020; summary of unit cost estimates; an asset register that includes detailed cost information; PCR forms for 2018 and 2019 Projects; and a Risk Model (updated in TDSIC-7). Mr. Bull testified that the updated cost estimates provided for the 2018 Projects are based on actual costs for the year. For 2019 Projects, the updated estimates are generally based on the current forecast to complete the project. For 2020 Projects, the estimates are largely unchanged except for the moves into 2020 from 2019 while project scopes, priority, and timing are re-evaluated.

Mr. Bull testified concerning the differences between cap moves and cost variances. He sponsored Confidential Attachment 3-E to Petitioner's Exhibit 3, which shows the project moves from one year to another. Mr. Bull testified that the total cap for 2020 decreased by $8,131,946 due to the removal of two projects from the Plan. Mr. Bull stated that NIPSCO does not anticipate exceeding the 2019 cap amount of $50,680,541, but does anticipate exceeding the cap of $161,047,768 in 2020.

Mr. Bull testified the eligible improvements included in Plan Update-10 will serve the public convenience and necessity by making investments for safety, reliability, system modernization, and economic development consistent with public policy and the public interest. Mr. Bull testified NIPSCO has a statutory obligation to provide adequate retail service in its certificated gas service territory and that NIPSCO performs this obligation for the public convenience and necessity.

Mr. Bull testified that the estimated costs of the eligible improvements included in Plan Update-10 are justified by incremental benefits attributable to the Plan. He stated that Plan Update-10 focuses on maintaining safe, reliable service for NIPSCO's customers in a cost-effective manner. He stated that the emphasis of most of the Plan's investments is to positively impact public safety. Safety drivers focus on risk reduction related to gas system leaks, pipeline ruptures, or
incidents of pressure excursion. Reliability drivers include the avoidance of gas outages driven from the inability to maintain gas system pressure during peak load events.

Mr. Bull testified that Plan Update-10 is intended to provide benefits in the form of investments to maintain and improve system reliability through the capacity of the system to deliver gas to customers when they need it, replacement of certain system assets to ensure the ongoing integrity and safe operation of the gas system, investment in data and technology required for the Records Project, and the extension of gas facilities into rural areas. He stated the rural extensions projects included in Plan Update-10 will continue to increase the number of rural customers served over the life of the Plan. Mr. Bull concluded that Plan Update-10 cost effectively addresses safety, reliability, system modernization, and the extension of gas service into rural areas, and provides incremental benefits to NIPSCO’s customers.

B. OUCC’s Case-in-Chief. The OUCC filed the testimony of Mark H. Grosskopf, a Senior Utility Analyst in the Natural Gas Division and Leon A. Golden, a Utility Analyst in the Natural Gas Division.

Mr. Grosskopf recommended approval of NIPSCO’s TDSIC calculations as shown in Attachment 1, Schedule 8 of Petitioner’s Exhibit 1, Attachment 1-A. He stated the schedules and calculations included in attachments to the Verified Petition in this Cause are consistent with the findings set forth in prior Commission Orders for NIPSCO’s previous TDSIC filings.

Mr. Grosskopf stated he performed a comprehensive analysis of the calculations and data flow contained in NIPSCO’s TDSIC rate schedules. He stated he tied specific data to source documentation provided by NIPSCO, verified calculations, and compared the schedules to those schedules approved in NIPSCO’s prior TDSIC filings. He stated he also reviewed work order documentation to verify completed capital projects, inquired into the calculation and procedures for indirect costs and AFUDC, reviewed summary detail of O&M expenses, and verified customer counts and total therms billed with summary documentation. Mr. Grosskopf stated he verified the calculation for NIPSCO’s cost of long term debt and reconciled cost of capital balances with NIPSCO’s balance sheet. He also verified the public utility fee and tax rates.

Mr. Grosskopf testified the customer class revenue allocation percentages are set forth in Joint Exhibit E of the Stipulation and Settlement Agreement in Cause No. 44988, NIPSCO’s last rate case. He also reviewed and verified the resulting calculation of the TDSIC factors included on Attachment 1, Schedule 7 of Petitioner’s Exhibit 1, Attachment 1-A.

Mr. Grosskopf testified NIPSCO’s 2% cap test reflected in Attachment 1, Schedule 9 of Petitioner’s Exhibit 1, Attachment 1-A is calculated correctly. He stated he traced pertinent numbers to accompanying schedules and verified the calculations provided by NIPSCO. He stated NIPSCO’s proposed annualized revenue requirement does not exceed the 2% retail revenue cap for the 12 months ended March 31, 2019.

Mr. Grosskopf testified Attachment 1, Schedule 8 of Petitioner’s Exhibit 1, Attachment 1-A presents the calculation of the total TDSIC rate adjustment factors. He stated he reviewed the calculations and flow of inputs from other schedules and Schedule 8 accurately calculates the TDSIC rate factors.
Mr. Grosskopf testified Attachment 1, Schedule 6 of Petitioner’s Exhibit 1, Attachment 1-A shows the reconciliation of the revenue requirement approved in Cause No. 44403 TDSIC 8 with actual revenue collected during the 6-month period of July 2018 through December 2018. He stated the result is an over-recovery in the amount of $3,325,030, which will be deducted from the revenue requirement to be collected from customers through the TDSIC rate calculation in this Cause.

Mr. Grosskopf testified Attachment 3 of Petitioner’s Exhibit 1, Attachment 1-A includes the new proposed TDSIC Rate Schedules on Appendix F and accurately reflects the TDSIC calculations presented by Attachment 1 of Petitioner’s Exhibit 1, Attachment 1-A.

Mr. Grosskopf testified Schedule 10 of Petitioner’s Exhibit 1, Attachment 1-A reflects the cumulative total deferred revenue requirements, broken out by return on capital, return of expense, and carrying charges. He stated prior to this filing, much of the deferred revenue requirements from past TDSICs was rolled into base rates in Step 1 and Step 2 compliance filings in Cause No. 44988. He testified the remaining deferred revenue requirements from Cause No. 44403 TDSIC 9 that were not rolled into base rates, and the new TDSIC-10 deferred revenue requirement, reflect a new starting balance of revenue requirement to be deferred for recovery in NIPSCO’s next rate case. Mr. Grosskopf traced all data input in Schedule 10 to the source schedules in TDSIC-10 and compliance filings in Cause No. 44988, and verified the calculations. He stated it is accurately tracking deferred capital expenditures and expenses, pending recovery in NIPSCO’s next base rate case.

Mr. Grosskopf testified NIPSCO adjusted the TDSIC recovery calculation to reflect the specific cost recovery treatment for the 112th Street Project approved in the TDSIC-1 Order. Also, consistent with the TDSIC-1 Order, NIPSCO deferred, for recovery in its next base rate case, the depreciation and property tax expense related to the difference between the approved amount and the actual amount of the 112th Street Project. Mr. Grosskopf testified the deferred expenses associated with the 112th Street Project shown on Attachment 1, Schedule 11 of Petitioner’s Exhibit 1, Attachment 1-A represent the final amounts to be flowed into base rates in NIPSCO’s recent rate case, Cause No. 44988, effective October 1, 2018. He then confirmed no additional expenses related to the 112th Street Project will be reflected in future TDSIC filings.

Mr. Grosskopf agreed with the rural extension margin credit calculated on Attachment 1, Schedule 5 of Petitioner’s Exhibit 1, Attachment 1-A. He stated the margin credit balances the interests of the utility and the ratepayers and the OUCC continues to support NIPSCO’s approved 80% margin credit for rural extensions for each TDSIC filing.

Mr. Golden discussed his analysis of transmission, distribution, and storage projects included in NIPSCO’s Plan Update-10. He discussed projects that have experienced increased actual costs, increased cost estimates, or moves between Plan years. He also discussed his review of cap moves for the remaining Plan years. Mr. Golden recommended the Commission approve NIPSCO’s Plan Update-10.

With respect to transmission system projects, Mr. Golden testified there were seven projects with an increase of 20% or $100,000 over that approved in NIPSCO’s Plan Update-9. He
testified NIPSCO adequately explained the cost increases for the projects and that the OUCC did not object to any of the updated cost estimates.

With respect to distribution system projects, Mr. Golden testified there were four projects with an increase of 20% or $100,000 over that approved in NIPSCO’s Plan Update-9. He testified NIPSCO adequately explained the cost increases for the projects and that the OUCC did not object to any of the updated cost estimates.

With respect to project cap moves, Mr. Golden testified the OUCC does not object to the cap moves for 2019 or 2020. He stated the Settlement Agreement approved by the Commission in NIPSCO’s previous TDSIC Plan update includes a 5% flexibility factor, which does not apply to the total 7-Year Gas Plan cap, rather to each annual cap. He stated while 2020 capital spending estimates exceed the cap for that year, the excess estimated dollars are 4.7% above the cap.

5. Commission Discussion and Findings.

A. Plan Update-10. Ind. Code § 8-1-39-9(a) requires a utility to update its seven-year plan as a component of TDSIC periodic automatic adjustment filings. In this case, NIPSCO requests approval of Plan Update-10, which contains updates to eligible improvements and associated cost estimates for each year of the Plan. We have previously found that plan updates should include a discussion of any changes in an eligible improvement’s best estimate of cost, necessity, and associated incremental benefits upon which the Commission based its determination to approve NIPSCO’s proposed Plan as reasonable.

1. Cost Estimates. Mr. Bull testified Plan Update-10 shows actual costs for the 2014–2018 Projects and updated cost estimates for the 2019–2020 Projects. He testified Plan Update-10 provides information to support NIPSCO’s current best estimate of the cost of investments included in the Plan. Plan Update-10 includes: (1) confidential project estimates for 2020; (2) confidential summary of unit cost estimates; (3) confidential asset register that includes detailed cost information; (4) PCR forms for 2018 and 2019 Projects; and (5) a 2017 Risk Model Update.

Consistent with prior TDSIC cases and expectations, NIPSCO provided testimony addressing the reasons for variances greater than $100,000 or 20%, whichever is greater. The Commission’s review of cost increases, however, is not limited to these more substantial increases. Rather, we review all project increases and the related documentation provided by NIPSCO.

Mr. Bull explained that updated cost estimates provided for the 2018 Projects are based on actual costs for the year. For 2019 Projects, the updated estimates are generally based on the current forecast for completion. For 2020 Projects, the estimates are largely unchanged except for the moves into 2020 from 2019 while project scopes, priority, and timing are re-evaluated.

No party objected to any of the cost estimates and the OUCC recommended the Commission approve NIPSCO’s Plan Update-10.

Accordingly, we find that NIPSCO has provided a sufficient level of detail in support of its Plan Update-10, including justification for the cost variances associated with projects through
its exhibits as well as additional testimony for those projects exceeding the greater of $100,000 or 20%, and we approve these costs in Plan Update-10.

2. **Public Convenience and Necessity.** Mr. Bull testified that consistent with NIPSCO’s approved Plan, the eligible improvements included in Plan Update-10 will serve the public convenience and necessity. He explained that Plan Update-10 follows the requirements of the TDSIC Statute by making investments for the purposes of safety, reliability, system modernization, and economic development consistent with public policy and the public interest. No evidence was presented in this Cause to contest the continued public convenience and necessity associated with the eligible improvements in the Plan.

NIPSCO has a statutory obligation to provide reasonably adequate retail service in its certificated gas service territory for the public convenience and necessity pursuant to Ind. Code §§ 8-1-2-4, -87, and -87.5. We find that NIPSCO has sufficiently supported that the eligible improvements as described in Plan Update-10 are reasonably necessary for it to continue to provide adequate retail service to its customers, and the public convenience and necessity continues to require or will require those eligible improvements.

3. **Incremental Benefits Attributable to the Updated Plan.** Mr. Bull testified that consistent with the approved Plan, Plan Update-10 focuses on maintaining safe, reliable service for NIPSCO’s customers in a cost-effective manner. Plan Update-10 is also intended to provide benefits in the form of investments to maintain and improve system reliability through the capacity of the system to deliver gas to customers when they need it, the replacement of certain system assets to ensure the ongoing integrity and safe operation of the gas system, investments to enhance pipeline safety and reliability, and the extension of gas facilities into rural areas.

In the 44403 Order (at 23), we found that “NIPSCO’s 7-Year Gas Plan contains solutions that will enhance customer and employee safety, avoid outages, preserve operational integrity, provide equipment protection, and meet evolving customer demands.” Although the cost estimates for some projects have increased compared to those approved in Plan Update-9, and some projects have been delayed beyond the 7-Year Gas Plan timeframe, no evidence was presented to dispute that the eligible improvements provide incremental benefits to NIPSCO’s customers.

Based upon the evidence presented in this proceeding and for the reasons set forth above, we find the estimated costs of the eligible improvements included in Plan Update-10 as approved are justified by the incremental benefits attributable to the Plan.

4. **Conclusion.** Plan Update-10 includes sufficient evidence for us to determine the best estimate of the cost of the eligible improvements and the public convenience and necessity continues to require or will require the eligible improvements, and the estimated costs of the eligible improvements continue to be justified by the incremental benefits attributable to Plan Update-10. NIPSCO’s Plan Update-10 appropriately and reasonably addresses NIPSCO’s aging infrastructure through projects intended to enhance, improve, and replace system assets for the provision of safe and reliable natural gas service, as well as the extension of service into rural areas. Therefore, based on the evidence presented, we approve Plan Update-10.
B. **TDSIC-10 Factors.** In the TDSIC-1 Order, the Commission approved NIPSCO’s request for approval of a TDSIC Rate Schedule and accompanying changes to NIPSCO’s gas service tariff to allow for timely recovery of 80% of eligible and approved capital expenditures and TDSIC costs pursuant to Ind. Code § 8-1-39-9. Consistent with the ratemaking and accounting principles approved by the TDSIC-1 Order, NIPSCO requests approval of its TDSIC-10 factors to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs incurred through April 30, 2019.

1. **Section 9 Requirements.** Ind. Code § 8-1-39-9(a) provides:

   [s]ubject to subsection (d), a public utility that provides electric or gas utility service may file with the commission rate schedules establishing a TDSIC that will allow the periodic automatic adjustment of the public utility’s basic rates and charges to provide for timely recovery of eighty percent (80%) of approved capital expenditures and TDSIC costs. The petition must:

   (1) use the customer class revenue allocation factor based on firm load approved in the public utility’s most recent retail base rate case order;
   (2) include the public utility’s TDSIC plan for eligible transmission, distribution, and storage system improvements; and
   (3) identify projected effects of the plan described in subdivision (2) on retail rates and charges.

   a. **NIPSCO’s 7-Year Gas Plan.** Petitioner’s Exhibit 1 contains NIPSCO’s currently approved 7-Year Gas Plan as well as its proposed Plan Update-10. Therefore, NIPSCO has satisfied the requirement set forth in Ind. Code § 8-1-39-9(a)(2).

   b. **Customer Class Revenue Allocation.** Attachment 2, Schedule 4 of Petitioner’s Exhibit 1, Attachment 1-A provides the calculation of the allocation factors as approved in the Rate Case Order, which NIPSCO used to allocate the related transmission and distribution revenue requirements in this proceeding as shown in Attachment 1, Schedule 7 of Petitioner’s Exhibit 1, Attachment 1-A.

   Therefore, we find that NIPSCO’s approved capital expenditures and TDSIC costs have been properly allocated to the various customer classes in accordance with Ind. Code § 8-1-39-9(a)(1) and the Rate Case Order.

   c. **Projected Effect on Retail Rates and Charges.** Mr. Racher sponsored Attachment 2, Schedule 6 of Petitioner’s Exhibit 1, Attachment 1-A, which identifies:

   (1) the projected effect of Plan Update-9 on retail rates and charges, and (2) the projected effect of Plan Update-10 on retail rates and charges. This exhibit also summarizes the total estimated revenue requirement for each rate class from 2014 to 2020. Finally, Mr. Racher testified the estimated average monthly bill impact for a typical residential customer using 69 therms per month is $0.07 and represents a $0.21 increase from the factor currently in effect. Based on our review of the evidence, we find that NIPSCO provided sufficient information regarding the projected effects of the Plan Update-9 and Plan Update-10 on retail rates and charges as required by Ind. Code § 8-1-39-9(a)(3).
2. **Reconciliation.** Mr. Racher testified that NIPSCO is including a reconciliation of revenues in this filing. The revenue requirement calculated in Cause No. 44403 TDSIC 8 is being reconciled against the actual revenues received from customers during July through December 2018. This under-/over-recovery analysis is performed as part of Attachment 1, Schedule 6 of Petitioner’s Exhibit 1, Attachment 1-A.

3. **Semi-Annual Revenue Requirement.**
   
a. **Capital.** In this proceeding, NIPSCO requests approval of a total adjusted 7-month revenue requirement associated with a return on eligible improvements incurred through April 30, 2019 of $1,051,599 (Attachment 1, Schedule 2, Line 4, Column M of Petitioner’s Exhibit 1, Attachment 1-A). The 80% recoverable adjusted 7-month revenue requirement associated with a return on the eligible improvements is $841,280 (Id at Line 6). The 20% portion of the adjusted semi-annual revenue requirement associated with a return on the eligible improvements is $210,319 (Id at Line 5).

   The total cost of the eligible improvements incurred through April 30, 2019, upon which NIPSCO requests authority to earn a return is $27,355,711 (Attachment 1, Schedule 2, Line 1, Column M of Petitioner’s Exhibit 1, Attachment 1-A). Mr. Racher testified this total includes AFUDC, other indirect costs, and is net of accumulated depreciation. He testified the AFUDC related to TDSIC projects was calculated in accordance with the FERC Uniform System of Accounts, which is consistent with GAAP. He further testified that if the Commission approves the proposed ratemaking treatment for costs of the eligible improvements incurred through April 30, 2019, NIPSCO will cease accruing AFUDC on construction costs once the incurred costs receive CWIP ratemaking treatment, are otherwise reflected in base gas rates, or the project is placed in service, whichever occurs first.

   In accordance with our findings above relating to recovery through the TDSIC tracker of costs in excess of the amounts approved in Cause No. 44403 TDSIC 9, we approve $27,355,711 as the total cost of the eligible improvements incurred through April 30, 2019, upon which NIPSCO is authorized to earn a return.

   In TDSIC-1, the Commission ordered NIPSCO to use a full WACC, including zero-cost capital, to calculate pretax return and provided that the WACC should be updated in each semi-annual TDSIC filing to reflect an updated capital structure and cost of debt. The calculation of NIPSCO’s updated total WACC is shown on Attachment 2, Schedule 1 of Petitioner’s Exhibit 1, Attachment 1-A. Mr. Racher explained that the annual revenue requirement for the return on investment is calculated by multiplying the April 30, 2019 net book value of all TDSIC projects by the debt and equity components of NIPSCO’s WACC. The product of this calculation is then multiplied by 7/12 in order to calculate a 7-month revenue requirement for this filing. This amount is then multiplied by 20% to calculate the deferred amount. The 80% portion is then adjusted for taxes. The return on investment amount is then shown on Attachment 1, Schedule 5 of Petitioner’s Exhibit 1, Attachment 1-A to be recovered for bills rendered for the months of November 2019 through May 2020.

   Based on the evidence of record, we find the appropriate total 7-month revenue requirement associated with the eligible improvements as of April 30, 2019, to be $1,051,599 and
the 80% recoverable 7-month revenue requirement of $841,280 to have been calculated in compliance with the TDSIC tracker methodology approved in the TDSIC-1 Order, and the revenue requirement is approved.

b. **Depreciation, O&M, and Property Tax Expenses.** In this proceeding, NIPSCO requests approval of a total depreciation, O&M, and property expense through April 30, 2019 of $2,947,088 (Attachment 1, Schedule 4, Page 4, Column E, Line 11 of Petitioner’s Exhibit 1, Attachment 1-A). The 80% recoverable depreciation, O&M, and property tax expense associated with eligible TDSIC projects is $2,357,671 (Id. at Line 13). The 20% portion of the depreciation, O&M, and property tax expense associated with eligible TDSIC projects is $589,417 (Id. at Line 12).

Mr. Racher sponsored Attachment 1, Schedule 4 of Petitioner’s Exhibit 1, Attachment 1-A, which shows the depreciation expense, O&M, and property taxes for the period July 2018 through April 2019, which was reduced by 20% to calculate the 80% revenue requirement and then adjusted for taxes. The 80% revenue requirement amount is then included on Schedule 5 to determine the proposed revenue requirement to be recovered for bills rendered during the months of November 2019 through May 2020.

Based on the evidence of record, we find that NIPSCO’s total depreciation, O&M, and property tax expense associated with eligible TDSIC projects through April 30, 2019, is $2,947,088; the 80% recoverable depreciation, O&M, and property tax expense associated with eligible TDSIC projects is $2,357,671; and the 20% portion of the depreciation, O&M, and property tax expense associated with eligible TDSIC projects is $589,417. These amounts have been calculated in compliance with the TDSIC tracker methodology approved in the TDSIC-1 Order and are approved.

c. **Margin Credit for Rural Extensions.** In the TDSIC-1 Order, the Commission approved NIPSCO’s proposal to include in its 7-Year Gas Plan all rural gas extensions, both those that qualify using the 20-year margin test under Ind. Code § 8-1-39-11 and those that may qualify under NIPSCO’s existing line extension policy. The Commission also approved NIPSCO’s proposal to provide a credit to the TDSIC tracker for 80% of actual margins received from all new customers added under the rural extensions policy. TDSIC-1 Order at 19, 25-26. In this proceeding, Mr. Racher testified these amounts are calculated on Attachment 2, Schedule 5 of Petitioner’s Exhibit 1, Attachment 1-A and are calculated by obtaining the related customer usage values and billing rate information to compute the total margin billed for the period of July 2018 through April 2019.

Based on the evidence of record, we conclude that the rural extensions margin credit calculated on Attachment 2, Schedule 5 of Petitioner’s Exhibit 1, Attachment 1-A is computed in accordance with the TDSIC-1 Order, and it is approved.

4. **Calculation of TDSIC Factors.** Mr. Racher sponsored Petitioner’s Attachment 1, Schedule 8 of Petitioner’s Exhibit 1, Attachment 1-A, which shows the calculation of the TDSIC factors by rate code based on the previously calculated revenue requirement adjusted for prior period variances. He testified the factors are calculated by dividing the total revenue requirement by the estimated therm sales to compute a billing factor for bills rendered for the
months of November 2019 through May 2020. Mr. Racher sponsored Attachment 3 (Appendix F - Transmission, Distribution and Storage System Improvement Charge) of Petitioner’s Exhibit 1, Attachment 1-A showing the TDSIC factors proposed to be applicable for bills rendered during the months of November 2019 through May 2020, or until replaced by different factors that are approved in a subsequent proceeding.

Based on the evidence, we approve the proposed TDSIC factor calculation methodology set forth in Attachment 1, Schedule 8 of Petitioner’s Exhibit 1, Attachment 1-A to be applicable to bills rendered during the months of November 2019 through May 2020 or until replaced by new factors.

5. **Billing Period.** In this proceeding, NIPSCO requests approval of TDSIC factors to be applicable to bills rendered during the billing months of November 2019 through May 2020, or until changed through a future filing, to effectuate the timely recovery of 80% of TDSIC costs incurred in connection with NIPSCO’s eligible improvements. Mr. Racher testified the TDSIC factors include TDSIC costs incurred through April 30, 2019.

C. **Deferred TDSIC Costs.** In the TDSIC-1 Order, we authorized NIPSCO to defer 20% of the TDSIC costs incurred in connection with the approved eligible improvements and recover those deferred costs in its next general rate case. TDSIC-1 Order at 30. NIPSCO is authorized to record ongoing carrying charges based on the current overall WACC on all deferred TDSIC costs until such costs are recovered in NIPSCO’s base rates as a result of its next general rate case. *Id.* We also authorized NIPSCO to defer all approved TDSIC costs, including depreciation, pretax returns, AFUDC, post-in-service carrying costs, O&M, and property taxes on an interim basis until such costs are recognized for ratemaking purposes through Petitioner’s proposed TDSIC mechanism or otherwise included for recovery in NIPSCO’s base rates in its next general rate case. *Id.*

In this proceeding, Mr. Racher sponsored Attachment 1, Schedule 10 of Petitioner’s Exhibit 1, Attachment 1-A, which serves as a record of the deferred TDSIC costs as well as the ongoing carrying charges on all deferred costs, excluding tax gross up. He testified NIPSCO has deferred as a regulatory asset 20% of all TDSIC costs as a result of the deferral of 20% of all TDSIC costs for recovery in its base rates consistent with Ind. Code § 8-1-39-9(c).

In the TDSIC-1 Order, we also ordered that with respect to the 112th Street Project, NIPSCO may recover a return on its investment and the related depreciation expense, property taxes, and carrying charges associated with NIPSCO’s best estimate in Cause No. 44403 and NIPSCO may defer for recovery in its next base rate case the difference between the amount authorized in Cause No. 44403 and the actual cost of the project. On September 19, 2018, the Commission issued an Order in Cause No. 44988 changing Petitioner’s basic rates and charges. Mr. Racher testified the 112th Street Project is now included in rate base and will no longer be included in NIPSCO’s future TDSIC tracker filings. Consistent with the TDSIC-1 Order, NIPSCO deferred for recovery in its base rates the depreciation expense and property taxes related to the difference between the amount approved in Cause No. 44403 and the actual amount of the project. Mr. Racher sponsored Attachment 1, Schedule 11 of Petitioner’s Exhibit 1, Attachment 1-A, which shows the total depreciation and property taxes NIPSCO deferred relating to this difference as of September 30, 2018.
Based on the record evidence and in accordance with our TDSIC-1 Order, we find that the total costs to be deferred and recovered in NIPSCO’s base rates in its next general rate case are $1,660,138 (Attachment 1, Schedule 10 of Petitioner’s Exhibit 1, Attachment 1-A) and the depreciation and property tax expenses associated with the 112th Street Project to be deferred are $946,162 (Attachment 1, Schedule 11 of Petitioner’s Exhibit 1, Attachment 1-A).

D. **Average Aggregate Increase in Total Retail Revenues.** Ind. Code § 8-1-39-14(a) states as follows:

The commission may not approve a TDSIC that would result in an average aggregate increase in a public utility’s total retail revenues of more than two percent (2%) in a twelve (12) month period. For purposes of this subsection, a public utility’s total retail revenues do not include TDSIC revenues associated with a targeted economic development project.

Mr. Racher sponsored Attachment 1, Schedule 9 of Petitioner’s Exhibit 1, Attachment 1-A, which shows there is no amount in excess of 2% of retail revenues for the past 12 months. Mr. Racher testified that NIPSCO has calculated the 2% cap by comparing the increase in TDSIC revenues in a given year with the total retail revenues for the past 12 months. The retail revenues used in this calculation represent the revenues related to the 12 months ending March 31, 2019.

Based on the record evidence, we find that NIPSCO’s proposed TDSIC factors will not result in an average aggregate increase in NIPSCO’s total retail revenues of more than 2% in a 12-month period.

6. **Records Project.** In our Order in Cause No. 44403 TDSIC 7 (at 27), we found that, NIPSCO shall also include an update on the results of the time study referenced in NIPSCO’s Docket Entry response and by Mr. Mooney at the hearing and a projection of the date for completion of the work remaining within the scope of the Records Project.

Mr. Bull testified that NIPSCO has successfully completed 23 out of 28 deliverables for the project, resulting in approximately 54,310 linens mined and 292,755 features added for placement into NIPSCO’s GIS.

7. **Confidential Information.** NIPSCO filed a motion for protective order on June 25, 2019, which was supported by affidavit showing documents to be submitted to the Commission were trade secret information as defined by Ind. Code § 24-2-3-2 and within the scope of Ind. Code § 5-14-3-4(a)(4). The Presiding Officers issued a Docket Entry on July 15, 2019, granting the motion on a preliminary basis, after which such information was submitted under seal. We find all such information is confidential pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**
1. NIPSCO’s Plan Update-10 is approved.

2. NIPSCO is authorized to defer, as a regulatory asset, and recover 80% of the approved capital expenditures and TDSIC costs incurred in connection with its eligible improvements approved in its rates and charges for gas service in accordance with NIPSCO’s TDSIC beginning with the month of November, 2019.

3. NIPSCO is authorized to adjust its authorized net operating income to reflect any approved earnings associated with the TDSIC for purposes of Ind. Code § 8-1-2-42(g)(3)(c) pursuant to Ind. Code § 8-1-39-13(b).

4. NIPSCO is authorized to defer, as a regulatory asset, 20% of the TDSIC costs incurred in connection with its eligible improvements and recover those deferred costs in its next general rate case.

5. NIPSCO is authorized to record ongoing carrying charges based on the current overall WACC on all deferred capital expenditures and TDSIC costs until such costs are recovered in NIPSCO’s base rates as a result of its next general rate case.

6. The TDSIC factors set forth in Attachment 1, Schedule 8 of Petitioner’s Exhibit 1, Attachment 1-A are approved to be effective for bills rendered by NIPSCO for the months of November 2019 through May 2020 or until replaced by different factors approved in a subsequent filing.

7. Prior to implementing the authorized and approved TDSIC factors, NIPSCO shall file the applicable rate schedules under this Cause for approval by the Commission’s Energy Division.

8. The information filed by Petitioner in this Cause pursuant to its motion for a protective order is deemed confidential pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

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

HUSTON, FREEMAN, KREVDA, OBER AND ZIEGNER CONCUR:

APPROVED: OCT 16 2019

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

Vangie Becerra, acting for Mary Becerra
Mary M. Becerra, Secretary of the Commission