IURC Issues Order in NIPSCO Electric Rate Case

Indianapolis – The Indiana Utility Regulatory Commission (Commission) issued an order today in Northern Indiana Public Service Company, LLC’s (NIPSCO) rate case, Cause No. 45159, lowering the utility’s request for a revenue increase per a settlement agreement, and approving a separate settlement agreement regarding NIPSCO’s industrial customer class.

The Commission approved the first settlement agreement with one modification. The parties to the settlement agreement agreed that the utility’s return on equity (ROE) should be 9.90%. However, the Commission modified the settlement agreement by decreasing NIPSCO’s ROE to 9.75%, resulting in the revenue requirement decreasing approximately $3.9 million.

The decrease will apply to all customer classes experiencing a rate increase, including residential and commercial customers, lowering the bill impact from the settlement presented to the Commission.

This settlement agreement also included a revenue increase of $46.6 million, down from the utility's original increase request of $111.4 million. The resulting approved revenue increase for NIPSCO, including the Commission's modification, totals approximately $42.7 million. Additionally, the residential fixed customer charge decreased to $13.50, lower than NIPSCO’s current fixed customer charge of $14 and lower than the utility’s requested increase to $17.

The reason the Commission decreased NIPSCO’s ROE involves the Commission’s approval of the second settlement agreement, the Rate 831 Settlement Agreement, between the utility and its large industrial customers. NIPSCO industrial customers comprise less than 1% of the utility’s customers but account for more than 56% of its energy sales, and NIPSCO’s five largest customers reflect 40% of their load. This large concentration of load in a few specific customers presents a unique business risk for NIPSCO and its customers.

The Rate 831 Settlement Agreement addresses this risk by securing a commitment to a set amount of firm load from NIPSCO’s largest industrial customers, providing certainty to NIPSCO and its non-industrial customers regarding future system capacity needs. The Commission explains that approval of the Rate 831 Settlement Agreement and the new industrial service construct reduces NIPSCO’s risk profile. Therefore, the Commission found that a decrease in NIPSCO’s ROE is warranted.
The electric industry is in the midst of a transformation, and the Commission found it is crucial that NIPSCO be in a position to flexibly align with this transformation.

In its Order, the Commission states, "It is not in the public interest to ignore the challenges of NIPSCO’s traditional rate structure in the face of demonstrated and probable industrial load loss, and we are not inclined to adopt a purely reactive approach."

Finally, the Order states, "We find that approval of the Rate 831 Settlement would demonstrably improve NIPSCO’s ability to forecast the load it is required to serve and would thereby enhance its accuracy in procuring the appropriate amount of replacement capacity for its aging generation resources. Likewise, approval of the Rate 831 Settlement will also enable NIPSCO to make better resource decisions while maintaining system reliability and resiliency."

To review the Commission’s Order in Cause Number 45159, as well as all related documents in this case, please visit the Online Services Portal here and search by the Cause Number.

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The Indiana Utility Regulatory Commission (Commission) is a fact-finding body that hears evidence in cases filed before it and makes decisions based on the evidence presented in those cases. An advocate of neither the public nor the utilities, the Commission is required by state statute to make decisions that balance the interests of all parties to ensure the utilities provide safe and reliable service at just and reasonable rates. The Commission also serves as a resource to the legislature, executive branch, state agencies, and the public by providing information regarding Indiana’s utilities and the regulatory process. In addition, Commission members and staff are actively involved with regional, national, and federal organizations regarding utilities issues affecting Indiana. For more information, please visit www.in.gov/iurc.