Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

ORIGINAL

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 PETITIONERS NEXT GENERAL RATE CASE; AND (3) APPROVAL OF PETITIONER'S UPDATED 2020-2025 TDSIC PLAN, INCLUDING ACTUAL AND PROPOSED ESTIMATED CAPITAL EXPENDITURES AND TDSIC COSTS THAT EXCEED THE APPROVED AMOUNTS IN CAUSE NO. 45330-TDSIC-3, ALL PURSUANT TO IND. CODE § 8-1-39-9.

CAUSE NO. 45330 TDSIC 4

APPROVED: JUN 15 2022

ORDER OF THE COMMISSION

Presiding Officers:
Sarah E. Freeman, Commissioner
Brad J. Pope, Administrative Law Judge

On March 1, 2022, Northern Indiana Public Service Company LLC ("Petitioner" or "NIPSCO") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of a new Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") pursuant to Ind. Code § 8-1-39-9. In support of its Petition, NIPSCO filed the direct testimony and attachments of Alison M. Becker, Manager of Regulatory Policy for NIPSCO, Elizabeth A. Dousias, Manager of Regulatory for NiSource Corporate Services Company, and Ryan T. Carr, Manager of Gas TDSIC Engineering and Construction Program for NIPSCO.[1]

On April 25, 2022, the NIPSCO Industrial Group ("Industrial Group") filed its Petition to Intervene, which the Presiding Officers granted by docket entry dated May 5, 2022.[2]

[1] On April 11, 2022, NIPSCO filed revisions to its direct testimony and attachments to remove the utility receipts tax from the TDSIC 4 revenue requirement calculations.
[2] The members of the Industrial Group for purposes of this proceeding are: Cleveland-Cliffs Steel; Linde, Inc.; NLMK; United States Steel Corporation; and USG Corporation.

On April 29, 2022, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and attachments of Mark H. Grosskopf, Senior Utility Analyst in the OUCC's Natural Gas Division, and Brien R. Krieger, Utility Analyst in the OUCC's Natural Gas Division.

On May 5, 2022, NIPSCO filed its Notice of Intent Not to File Rebuttal.

The Commission held an Evidentiary Hearing in this Cause on May 19, 2022, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO, the Industrial Group, and the OUCC appeared and participated in the hearing at which the testimony and exhibits of NIPSCO and the OUCC were admitted into the record without objection.

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

1. <u>Notice and Jurisdiction</u>. 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. <u>Petitioner's Characteristics</u>. NIPSCO 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. NIPSCO is engaged in rendering electric and gas public utility service in the state of Indiana and owns, operates, manages, and controls, among other things, plant and equipment in Indiana used for the generation, transmission, distribution, and furnishing of such service to the public. NIPSCO provides gas utility service to approximately 850,000 residential, commercial, and industrial gas customers in northern Indiana.

3. <u>Background and Relief Requested</u>. On July 22, 2020, the Commission issued an Order in Cause No. 45330 ("45330 Order") approving NIPSCO's six-year TDSIC Plan ("Plan") for eligible transmission, distribution, and storage system improvements pursuant to Ind. Code §§ 8-1-39-10 and 11. Subsequent to the 45330 Order, the Commission issued Orders in semi-annual TDSIC filings by Petitioner that have approved updates to the Plan and associated ratemaking treatment.

In this TDSIC tracker filing, NIPSCO requests that the Commission: (1) approve an adjustment to its gas rates to go into effect on July 1, 2022 for the recovery of TDSIC capital expenditures and TDSIC costs incurred through December 31, 2021; (2) authorize NIPSCO to defer, as a regulatory asset, 20% of total capital expenditures and TDSIC costs 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 base rates; (3) approve NIPSCO's updated Plan ("Plan Update-4"), including actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts previously approved; and (4) approve deferral and recovery of 80% of eligible and approved capital expenditures and TDSIC costs in connection with the updated Plan through the TDSIC and deferral of 20% of eligible and approved capital expenditures and TDSIC costs in connection with the updated Plan, for recovery in its base rates.

4. <u>Evidence Presented</u>.

A. <u>NIPSCO's Case-In-Chief</u>.

i. <u>Alison M. Becker</u>. Ms. Becker testified that NIPSCO is requesting approval of Plan Update-4, including the actual capital expenditures incurred through December 31, 2021, as well as updated cost estimates for the projects designated in Plan Update-4, including actual and proposed estimated capital expenditures and TDSIC costs that exceed the amounts approved in the TDSIC 3 Order.

Ms. Becker testified all TDSIC projects included for recovery in this filing were or will be undertaken for the purpose of safety, reliability, system modernization, or economic development. She also noted that 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 that NIPSCO is requesting approval of all of the projects designated in Plan Update-4 that are included for recovery in the proposed TDSIC 4 factors.

Ms. Becker stated that 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 intends to comply with the requirement in Ind. Code § 8-1-39-9(e).

Ms. Becker explained that to date NIPSCO has not undertaken any Targeted Economic Development Projects that are eligible for recovery through the 2020-2025 TDSIC Plan. However, NIPSCO continues to work with interested parties on potential projects. She further testified that in the 45330 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 on January 26, 2022. During that meeting, NIPSCO identified known changes to projects approved in Plan Update-3. She testified that NIPSCO is not aware of any unresolved issues.

ii. <u>Elizabeth A. Dousias</u>. Regarding NIPSCO's proposed ratemaking treatment, Ms. Dousias testified the total cost of the eligible improvements upon which NIPSCO requests authority to earn a return is $270,652,694. This amount includes AFUDC, other indirect costs, and is net of accumulated depreciation, incurred through December 31, 2021. She explained that NIPSCO is proposing to bill this tracker over the 14-month billing period of July 2022 through August 2023 because it expects to receive a final Order in its gas base rate case currently pending in Cause No. 45621 in July 2022. She noted that once a final Order is received in Cause No. 45621, the TDSIC Statute prohibits the filing of a petition seeking recovery of TDSIC costs (a TDSIC tracker) for a period of nine months from the date of the final Order and requires a 120-day procedural schedule for TDSIC trackers. Therefore, NIPSCO will not be able to implement new factors for approximately one year from the date the final Order is received in Cause No. 45621.

Ms. Dousias 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"). She 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. She stated that NIPSCO groups these indirect capital costs into three categories: (1) overheads; (2) stores, freight, and handling; and (3) AFUDC.

Ms. Dousias 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. She 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 ("PISCC") 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.

Ms. Dousias testified that 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.

Ms. Dousias explained the calculation of NIPSCO's "return on" portion of the revenue requirement for costs of the eligible improvements incurred through December 31, 2021. She stated the annual revenue requirement for the return on investment is calculated by multiplying the December 31, 2021 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 14/12 to calculate a 14-month revenue requirement for this filing. This amount is then reduced to 80% and multiplied by the revenue conversion factor to determine the total return-related revenue requirement to be recovered for bills rendered during the months of July 2022 through August 2023, not to exceed an average aggregate increase in NIPSCO's total retail revenues of more than 2% in a 12-month period.

Ms. Dousias provided the computation of the revenue conversion factor used to compute NIPSCO's pre-tax revenue requirement. She 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.

Ms. Dousias provided information regarding projected depreciation expense and property taxes for the period July 2022 through August 2023, and the prior period variance for the projected period. The expenses and taxes were reduced to 80% to determine the revenue requirement to be recovered for bills rendered during the months of July 2022 through August 2023, not to exceed the 2% excess revenue test.

Ms. Dousias testified the 45330 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. She 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 through December 2021.

Ms. Dousias explained that the revenue requirement calculated in Cause No. 45330 TDSIC 2 is being reconciled against the actual revenues received from the customers during July through December 2021, which resulted in an under-recovery of $311,211. She stated that NIPSCO proposes to reconcile the revenue requirement for TDSIC 4 in a future filing utilizing the revenue from TDSIC 4 (July 2022 through August 2023).

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

Ms. Dousias testified there is no amount in excess of 2% of retail revenues for the past 12 months. She 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 December 31, 2021.

Ms. Dousias 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 July 2022 through August 2023, or until replaced by different factors that are approved in a subsequent proceeding. She also sponsored an attachment identifying the projected effect of NIPSCO's Plan Update-3 and Plan Update-4 on retail rates and charges and the total estimated revenue requirement for each rate class from 2020 to 2025. She stated the estimated average monthly bill impact for a typical residential customer using 69 therms per month is a charge of $1.50, which is an increase of $0.91 from the factor currently in effect.

Finally, Ms. Dousias noted that in the 45330 Order, the Commission authorized NIPSCO to defer 20% of the TDSIC costs incurred in connection with 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 base rate case.

iii. Ryan T. Carr. Mr. Carr sponsored NIPSCO's currently approved 2020-2025 TDSIC Plan (Plan Update-3) and Plan Update-4. He also sponsored various attachments showing the capital expenditures as of December 31, 2019, relating to designated eligible improvements included in TDSIC Plan 1,[3] and the actual capital expenditures incurred through December 31, 2021, relating to the designated eligible improvements included in the 2020-2025 TDSIC Plan.

Mr. Carr testified that (1) the total gross direct capital expenditures associated with NIPSCO's designated eligible improvements as of December 31, 2019 relating to TDSIC Plan 1 are $58,000,900 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Lines

[3] NIPSCO's TDSIC Plan 1 was approved in the Commission's April 30, 2014 Order in Cause No. 44403.

1-3, Column B)]; the total indirect capital expenditures are $6,996,350 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Line 4, Column B)]; and the total AFUDC for capital expenditures is $1,044,894 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Line 5, Column B)]; and (2) the total gross direct capital expenditures associated with NIPSCO's designated eligible improvements as of December 31, 2021 relating to the 2020-2025 TDSIC Plan are $182,084,853 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Lines 1-3, Column E)]; the total indirect capital expenditures are $22,509,210 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Line 4, Column E)]; and the total AFUDC for capital expenditures is $3,363,404 [Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 1 (Page 4, Line 5, Column E)].

Mr. Carr 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-4 and related schedules.

Mr. Carr noted that in the 45330 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 provided an 80% credit to the TDSIC tracker for actual margins received from all new customers added under the rural extensions projects. He stated the forecast in the 2020-2025 TDSIC Plan are the costs associated with designing and installing gas main and service projects to reach rural areas. He testified in TDSIC 2, NIPSCO updated the average service installation cost based on experience in 2020, which affected all remaining years of the Plan and noted that this will continue to be updated annually and that the costs could increase based on NIPSCO's ongoing experience. He explained how NIPSCO administers the rural gas extension process. 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-4 are projected to pass the 20-year test identified in Ind. Code § 8-1-39-11.

In accordance with the TDSIC 2 Order, Mr. Carr sponsored an annual summary of Project ID RE1 as of June 30, 2021 (Petitioner's Exhibit No. 3-C, Confidential Attachment 3-C) showing: (1) the estimated and actual customers connected annually; and (2) a margin test for actual customers connected with Rural Extensions. Petitioner's Exhibit No. 3-C, Confidential Attachment 3-C reflects the data after close-out of 2020. The TDSIC 2 Order directed that the data be updated annually after close-out. Petitioner's Exhibit No. 3-C, Confidential Attachment 3-C will next be updated in TDSIC 5 after close-out of 2021.

Mr. Carr testified Plan Update-4 reflects actual costs through December 31, 2021. He stated that for projects scheduled for completion in 2022, the estimated costs are based on final or near final engineering and updated unit costs, or current bids. For projects scheduled for completion after 2022, estimates are based on unit costs, or costs based on actual experience.

Mr. Carr showed the total projected capital spending, including indirect capital costs and AFUDC, for Plan Update-4 compared to the approved 2020-2025 TDSIC Plan (Plan Update-3), as follows:

	2020	2021	2022	2023	2024	2025	Plan Total
Plan Update-3	**$78,325,368**	**$129,357,689**	**$146,286,784**	**$196,435,834**	**$181,149,761**	**$175,557,761**	**$907,113,197**
Plan Update-4	**$78,325,368**	**$129,632,098**	**$157,700,720**	**$186,923,982**	**$180,621,137**	**$175,557,761**	**$908,761,066**
Variance	**$0**	**$247,409**	**$11,413,936**	**$(9,511,852)**	**$(528,624)**	**$0**	**$1,647,869**

Mr. Carr testified the estimated indirect percentage of 13.5% for plan years 2022 through 2025 remains unchanged and that each future year will be updated to reflect actual indirect capital costs when a given calendar year is closed out.

Mr. Carr testified the estimated AFUDC percentage of 3.5% for plan years 2022 through 2025 remains unchanged and that each future year will be updated to reflect actual indirect capital costs when a given calendar year is closed out.

Plan Update-4 reflects an overall increase in direct costs in 2021 of $247,409. Mr. Carr described the project costs moved into 2021 and explained four projects (Project ID IM41, SD15, DSD13, and RE1) showing a cost increase greater than $100,000 or 20% (whichever is greater).

Plan Update-4 reflects an overall increase in direct costs in 2022 of $11,413,936. Mr. Carr explained the project costs moved into 2022 and explained three projects (Project ID IM24, IM41, and DSD13) showing a cost increase greater than $100,000 or 20% (whichever is greater).

Plan Update-4 reflects an overall decrease in direct costs in 2023 of $9,511,852. Mr. Carr explained the project costs moved into 2023 and explained there were no projects showing a cost increase greater than $100,000 or 20% (whichever is greater).

Plan Update-4 reflects an overall decrease in direct costs in 2024 of $528,624. Mr. Carr explained there were no project costs moved into 2024 and there were no projects showing a cost increase greater than $100,000 or 20% (whichever is greater).

Plan Update-4 reflects no change in direct costs in 2025. Mr. Carr explained there were no project costs moved into 2025 and there were no projects showing a cost increase greater than $100,000 or 20% (whichever is greater).

Mr. Carr testified Plan Update-4 provides information to support NIPSCO's best estimate of the cost of investments included in the Plan, including a risk model, project change requests supporting any project variance that is in excess of $30,000 or 15%, whichever is greater, or any variance that exceeds $100,000 for any project whether or not it meets the 15% threshold, project estimates, a summary of unit cost estimates, and rural extensions estimates. He stated NIPSCO's best estimate of the costs rests on a sound factual and analytical foundation and is reasonable.

Mr. Carr testified the eligible improvements included in Plan Update-4 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. Carr 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. He testified the eligible improvements included in Plan Update-4 are essential in protecting the integrity, safety, and reliable operation of the system and enhance the ability of NIPSCO customers to take advantage of the rapid development of alternative natural gas supply and delivery options and also position NIPSCO's system to remain reliable and flexible in the event of significant changes to the economic and operational climate for natural gas. Additionally, he stated that the extension of gas service to rural areas will allow some residents in NIPSCO's service territory to access natural gas services for the first time.

Mr. Carr testified that the estimated costs of the eligible improvements included in the Plan Update-4 are justified by incremental benefits attributable to the Plan. He stated that Plan Update-4 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 by the inability to maintain gas system pressure during peak load events.

Mr. Carr testified that Plan Update-4 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, and the extension of gas facilities into rural areas. He stated the rural extensions projects included in Plan Update-4 will continue to increase the number of rural customers served over the life of the Plan. Mr. Carr concluded that Plan Update-4 cost effectively addresses safety, reliability, system modernization, and the extension of gas service into rural areas, and provides incremental benefits to NIPSCO's customers. He testified NIPSCO has prioritized and optimized the incremental benefits of Plan Update-4 and shown a sound basis for the proposed projects and associated costs, which is consistent with the standard the Commission has previously applied to the evaluation of incremental benefits under the TDSIC Statute. He testified Plan Update-4 is proposed to reduce risk of asset failure and maintain service reliability and, in doing so, Plan Update-4 provides incremental benefits compared to how the future would otherwise unfold.

B. OUCC's Case-in-Chief.

i. Mark H. Grosskopf. Mr. Grosskopf recommended approval of rate factor calculations as shown in Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 8. He testified that 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 verified customer counts and total therms billed with summary documentation, reviewed work order documentation to verify completed capital projects, and inquired into the calculation and procedures for indirect costs and AFUDC. 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 stated he verified NIPSCO's removal of the utility receipts tax was accurate and complete.

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 revenue requirement allocations on Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 7.

Mr. Grosskopf testified NIPSCO's 2% cap test reflected in Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 9 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 December 31, 2021.

Mr. Grosskopf testified Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 8 presents the calculation and allocation of the TDSIC rate adjustment factors. He stated he reviewed the calculations and flow of inputs from other schedules and Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 8 accurately calculates the TDSIC rate factors.

Mr. Grosskopf testified Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 6 shows the reconciliation of the revenue requirement approved in Cause No. 45330 TDSIC 2 with actual revenue collected during the billing period of July through December 2021. He stated the result is an under-recovery in the amount of $311,211, which will be added to the revenue requirement to be collected from customers through the TDSIC rate calculation in this Cause.

Mr. Grosskopf testified Revised Attachment 3 of Petitioner's Exhibit 1, Attachment 1-A includes NIPSCO's proposed TDSIC Rate Schedules on Appendix F, reflecting the TDSIC calculations presented by Attachment 1 of Petitioner's Exhibit 1, Attachment 1-A.

Mr. Grosskopf testified Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 10 reflects the cumulative total deferred revenue requirements, broken out by return on capital, return of expense, and carrying charges. He stated prior to the Cause No. 44403 TDSIC 10 filing, much of the deferred revenue requirements from past TDSIC filings 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 Nos. 44403 TDSIC 9, TDSIC 10, and TDSIC 11 are added to the Cause Nos. 45330 TDSIC 1 through TDSIC 3 deferred revenue requirement to be deferred for recovery in NIPSCO's next rate case. Mr. Grosskopf traced all data input in Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Schedule 10 to the source schedules in the current and previous filings, and compliance filings in Cause No. 44988, and verified the calculations.

Mr. Grosskopf agreed with the rural extension margin credit calculated on Petitioner's Exhibit 1, Attachment 1-A, Attachment 1, Revised Schedule 5. 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.

ii. Brien R. Krieger. Mr. Krieger discussed his analysis, conclusions, and recommendation regarding 2020-2025 project cost recovery in NIPSCO's Plan Update-4. He described his review of all projects and specifically analyzed four approved projects that experienced increased actual costs greater than the approved estimate by more than 20% or $100,000 (the "OUCC threshold") as well as three new 2022 project estimates that exceeded the OUCC threshold. Mr. Krieger concluded Petitioner satisfied Ind. Code § 8-1-39-9(g) for justifying the increased costs of all approved projects. Mr. Krieger recommended the Commission approve NIPSCO's Plan Update-4.

5. <u>Commission Discussion and Findings</u>.

A. <u>Compliance with Ind. Code § 8-1-39-9</u>.

i. <u>Ind. Code § 8-1-39-9(a)</u>. In this proceeding, NIPSCO seeks approval of TDSIC factors that will allow for the periodic adjustment of NIPSCO's basic rates and charges to provide for timely recovery of 80% of the approved capital expenditures and TDSIC costs. The evidence of record demonstrates that NIPSCO's Petition: (1) uses the customer class revenue allocation factors based on firm load approved in NIPSCO's most recent retail base rate case order; (2) included its Commission-approved TDSIC Plan; and (3) included the projected effects of the TDSIC factors on retail rates and charges. Based on the evidence of record, we find that NIPSCO has complied with the requirements of Ind. Code § 8-1-39-9(a).

ii. <u>Ind. Code § 8-1-39-9(b)</u>. Ind. Code § 8-1-39-9(b) provides that a public utility shall update its TDSIC plan at least annually and may include a request for approval of transmission, distribution, and storage system improvements not described in its TDSIC Plan most recently approved by the Commission under Section 10 of the TDSIC Statute. NIPSCO's TDSIC Plan was approved on July 22, 2020, in the 45330 Order. The 45330 Order approved NIPSCO's proposal to update its TDSIC Plan semi-annually. Mr. Carr sponsored NIPSCO's updated Plan (Plan Update-4). Based on the evidence of record, we find that NIPSCO has complied with the requirements of Ind. Code § 8-1-39-9(b).

iii. <u>Ind. Code § 8-1-39-9(c)</u>. NIPSCO proposes to defer, as a regulatory asset, 20% of eligible and approved capital expenditures and TDSIC costs and to record ongoing carrying charges based on the current overall WACC on all deferred TDSIC costs until such costs are included for recovery in NIPSCO's next general rate case. The evidence of record demonstrates that NIPSCO has reflected the revenue requirement components on an after-tax basis in the TDSIC revenue requirement, as shown in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Schedule 10. Based on the evidence of record, we find that NIPSCO has complied with the requirements of Ind. Code § 8-1-39-9(c).

iv. <u>Ind. Code § 8-1-39-9(d)</u>. NIPSCO filed its Petition in this Cause on March 1, 2022. The Commission's Final Order in NIPSCO's most recent rate case (Cause No. 44988) was issued September 19, 2018. The Commission finds that the Petition in this Cause was filed more than nine months after our most recent order changing NIPSCO's basic rates and charges and thus complies with Ind. Code § 8-1-39-9(d).

v. <u>Ind. Code § 8-1-39-9(e)</u>. Ms. Becker testified that NIPSCO intends to petition the Commission for review and approval of its basic rates and charges prior to the expiration of its approved six-year TDSIC plan. Therefore, the Commission finds that NIPSCO is in compliance with Ind. Code § 8-1-39-9(e).

vi. Ind. Code § 8-1-39-9(f). Ind. Code § 8-1-39-9(f) provides that a public utility may file a petition under this section not more than one time every six months. Ms. Becker testified the last time NIPSCO filed a TDSIC adjustment filing for timely recovery of its TDSIC costs was August 24, 2021. Therefore, the Commission finds NIPSCO is in compliance with Ind. Code § 8-1-39-9(f).

vii. Ind. Code § 8-1-39-9(g). Mr. Carr provided the total actual capital expenditures and TDSIC costs that exceed the approved capital expenditures and TDSIC costs associated with NIPSCO's TDSIC Plan as of the December 31, 2021 cutoff date for this filing and described the projects. Ms. Dousias provided the in-service costs for the TDSIC projects placed into service by December 31, 2021, as well as the construction work-in-progress costs for the TDSIC projects not placed into service by December 31, 2021. 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. Carr testified Plan Update-4 reflects actual costs through December 31, 2021. For projects scheduled for completion in 2022, the estimated costs are based on final or near-final engineering and updated unit costs, or current bids. For projects scheduled for completion after 2022, estimates are based on unit costs, or NIPSCO has attempted to reflect its actual experience to date in its updated project cost estimates wherever feasible.

Mr. Carr testified Plan Update-4 reflects: (1) an overall increase in direct costs in 2021 and described the project costs moved into 2021 and explained four projects shows a cost increase greater than $100,000 or 20% (whichever is greater); (2) an overall decrease in direct costs in 2022 and described the project costs moved into 2022 and explained three projects that show a cost increase greater than $100,000 or 20% (whichever is greater); (3) an overall decrease in direct costs in 2023 and described there were no project costs moved into 2023 and no projects that show a cost increase greater than $100,000 or 20% (whichever is greater); (4) an overall decrease in direct costs in 2024 and described there were no project costs moved into 2024 and no projects that show a cost increase greater than $100,000 or 20% (whichever is greater); and (5) no change in direct costs in 2025 and explained there were no project costs moved into 2025 and there were no projects showing a cost increase greater than $100,000 or 20% (whichever is greater).

Mr. Carr testified Plan Update-4 provides information to support NIPSCO's best estimate of the cost of investments included in the Plan, including a risk model, project change requests supporting any project variance that is in excess of $30,000 or 15%, whichever is greater, or any variance that exceeds $100,000 for any project whether or not it meets the 15% threshold, project estimates, a summary of unit cost estimates, and rural extensions estimates. He stated NIPSCO's best estimate of the costs rests on a sound factual and analytical foundation and is reasonable.

No party objected to any of the cost estimates, and the OUCC recommended the Commission approve NIPSCO's Plan Update-4.

Accordingly, we find that NIPSCO has provided a sufficient level of detail in support of its Plan Update-4, including justification for the cost variances associated with approved 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-4.

2. Public Convenience and Necessity. Mr. Carr testified that consistent with NIPSCO's approved Plan, the eligible improvements included in Plan Update-4 will serve the public convenience and necessity. He explained that Plan Update-4 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. He testified that 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. He testified the eligible improvements included in Plan Update-4 are essential in protecting the integrity, safety, and reliable operation of the system and enhance the ability of NIPSCO customers to take advantage of the rapid development of alternative natural gas supply and delivery options and also positions NIPSCO's system to remain reliable and flexible in the event of significant changes to the economic and operational climate for natural gas. Additionally, he stated that the extension of gas service to rural areas will allow some residents in NIPSCO's service territory to access natural gas services for the first time. No evidence was presented in this Cause to contest the continued public convenience and necessity associated with the designated 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-4 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. Carr testified that consistent with the approved Plan, Plan Update-4 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. Plan Update-4 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, and the extension of gas facilities into rural areas.

Mr. Carr stated the rural extensions projects included in Plan Update-4 will continue to increase the number of rural customers served over the life of the Plan. He concluded that Plan Update-4 cost effectively addresses safety, reliability, system modernization, and the extension of gas service into rural areas, and provides incremental benefits to NIPSCO's customers. He testified NIPSCO has prioritized and optimized the incremental benefits of Plan Update-4 and shown a sound basis for the proposed projects and associated costs, which is consistent with the standard the Commission has previously applied to the evaluation of incremental benefits under the TDSIC Statute. He testified Plan Update-4 is proposed to reduce risk of asset failure and maintain service reliability and, in doing so, Plan Update-4 provides incremental benefits compared to how the future would otherwise unfold.

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-4 as approved are justified by the incremental benefits attributable to the Plan.

4. Conclusion. Mr. Carr identified and specifically justified the projects that have a cost greater than the approved cost. Mr. Carr testified the updated Plan provides information to support NIPSCO's best estimate of the cost of investments included in the Plan and testified NIPSCO's best estimate of the costs rests on a sound factual and analytical foundation and is reasonable, and none of the other parties challenged these cost variances or new projects.

Plan Update-4 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-4. NIPSCO's Plan Update-4 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-4.

Thus, under Ind. Code § 8-1-39-9(g), we find that the cost variances on the identified projects are supported by substantial evidence and have been specifically justified. We specifically approve these cost variances and new projects and authorize the recovery of these costs in customer rates.

B. Ind. Code § 8-1-39-11(c). NIPSCO has requested Commission approval to, on a nondiscriminatory basis, extend service in rural areas without a deposit or other adequate assurance of performance from the customer, to the extent that the extension of service results in a positive contribution to the utility's overall cost of service over a 20-year period.

Mr. Carr noted that in the 45330 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 stated the forecast in the 2020-2025 TDSIC Plan are the costs associated with designing and installing gas main and service projects to reach rural areas and explained how NIPSCO administers the rural gas extension process. 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-4 are projected to pass the 20-year test identified in Ind. Code § 8-1-39-11. This request is consistent with the applicable statute and is approved. Mr. Carr provided a clarified RE1 annual summary (Petitioner's Exhibit No. 3-C, Confidential Attachment 3-C) indicating separately the estimated customers and actual customers connected for the year including the margin test for actual customers connected for the rural extensions project, to be updated once a given calendar year is closed out.

C. **Ind. Code § 8-1-39-13(b).** NIPSCO has requested Commission approval to adjust its authorized return for purposes of Ind. Code § 8-1-2-42(g)(3) to reflect the incremental earnings that will result from the TDSIC filing. This request is consistent with the applicable statute and is approved.

D. **Ind. Code § 8-1-39-14.** Ms. Dousias addressed the calculation of the aggregate increase in NIPSCO's total retail revenues as a result of this TDSIC tracker filing and demonstrated that the proposed increase is less than the 2% statutory TDSIC limit set forth in Ind. Code § 8-1-39-14. As shown on Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 2, Schedule 6 (Page 2), the TDSIC 4 filing results in an average aggregate increase of 1.22% in total retail revenues. Thus, we find that NIPSCO's proposed TDSIC 4 factors will not result in an average aggregate increase in total retail revenues of more than 2% in a 12-month period and therefore complies with Ind. Code § 8-1-39-14.

E. **TDSIC 4 Factors.** For the reasons explained above, NIPSCO's proposed TDSIC 4 factors and associated revisions to its tariff, as set forth below and in Petitioner's Exhibit No. 1, Attachment 1-A, Attachment 1, Revised Schedule 8, are approved. An average residential customer using 69 therms per month will experience an increase of $0.91 on their monthly bill.

TDSIC 4 Rider Factors	
Rate Schedule	**TDSIC per Therm per Month**
Rate 111 (with associated Rate 151, Rider 180, and Rider 181)	$0.021770
Rate 115 (with associated Rate 151, Rider 180, and Rider 181)	$0.022400
Rate 121 (with associated Rate 151, Rider 180, and Rider 181)	$0.015061
Rate 125 (with associated Rate 151, Rider 180, and Rider 181)	$0.010057
Rate 128	$0.000415
Rate 138	$0.002603

6. **Confidentiality.** On March 1, 2022, NIPSCO filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information, which was supported by the affidavit of Ryan T. Carr. The Motion and affidavit purported to show that documents to be submitted to the Commission were trade secret information within the scope of Ind. Code §§ 5-14-3-4(a)(4) and (9) and Ind. Code § 24-2-3-2. On March 16, 2022, the Presiding Officers issued a Docket Entry, finding such information to be preliminarily confidential, after which such information was submitted under seal on May 5, 2022. We find all such information is confidential pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2, 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-4 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 July 2022.

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 Paragraph 5(E) are approved to be effective for bills rendered by NIPSCO for the months of July 2022 through August 2023 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 Protective Order is deemed confidential pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2, 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: JUN 15 2022

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

Dana Kosco Digitally signed by Dana Kosco
Date: 2022.06.15 10:39:08
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Dana Kosco
Secretary of the Commission