ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR APPROVAL OF ITS PROPOSED 2022-2023 ENERGY EFFICIENCY PLAN FOR GAS SERVICE AND ASSOCIATED RATEMAKING AND ACCOUNTING TREATMENT, INCLUDING TIMELY RECOVERY THROUGH NIPSCO'S GDSM MECHANISM OF ASSOCIATED COSTS (INCLUDING PROGRAM OPERATING COSTS AND LOST REVENUES), AND FOR AUTHORITY TO DEFER PROGRAM COSTS.	)	**CAUSE NO. 45455** **APPROVED: JUL 14 2021**

ORDER OF THE COMMISSION

Presiding Officers:
David L. Ober, Commissioner
Carol Sparks Drake, Senior Administrative Law Judge

On November 18, 2020, Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner") filed a verified petition in the above-captioned Cause with the Indiana Utility Regulatory Commission ("Commission"). In its petition, NIPSCO requests approval of Petitioner's proposed gas energy efficiency ("EE") programs for the period January 1, 2022, through December 31, 2023 (the "2022-2023 EE Plan" or "Plan"), including NIPSCO's proposed EE goals; the programs NIPSCO proposes to achieve these goals; the program budgets and costs; the evaluation, measurement, and verification ("EM&V") procedures for the programs; and associated ratemaking treatment for the Plan. NIPSCO also prefiled its case-in-chief on November 18, 2020. This included the testimony and exhibits of the following witnesses:

- Alison M. Becker, Manager of Regulatory Policy at NIPSCO
- Robert C. Sears, Director of Regulatory Policy at NIPSCO
- Richard A. Morgan, President of Morgan Marketing Partners, LLC.

On November 20, 2020, Citizens Action Coalition of Indiana, Inc. ("CAC") petitioned to intervene in this Cause, and CAC's petition was granted on December 1, 2020.

Notices of Intent Not to File Testimony were filed by the Indiana Office of Utility Consumer Counselor ("OUCC") on April 14, 2021, and by CAC on April 19, 2021. On April 16, 2021, NIPSCO filed revisions to Mr. Sears' direct testimony and supplemented Ms. Becker's testimony. NIPSCO filed a notice on May 19, 2021, confirming no rebuttal testimony was being filed.

On June 11, 2021, a docket entry was issued requesting that NIPSCO confirm its position upon the acceptability of certain dates for demand side management ("DSM") plan compliance filings as compared to the timeline Petitioner proposed. On June 15, 2021, NIPSCO filed responses to these docket entry questions.

The Commission set this matter for an evidentiary hearing to be held at 1:30 p.m. on June 17, 2021, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On June 9, 2021, a docket entry was issued advising that due to the COVID-19 public health emergency and with the parties' agreement, the hearing would be conducted via WebEx videoconference and providing participation information. NIPSCO, the OUCC, and CAC appeared, by counsel, at the hearing and participated via WebEx video, and NIPSCO's testimony and exhibits were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission 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. NIPSCO is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-4, 8-1-2-12, and 8-1-2-42, the Commission has jurisdiction over NIPSCO's EE programs and associated accounting and ratemaking treatment; therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. **<u>NIPSCO's Characteristics</u>.** NIPSCO is a limited liability company organized under Indiana law with its principal office at 801 East 86th Avenue in Merrillville, Indiana. NIPSCO renders electric and gas public utility service in Indiana and owns, operates, manages, and controls, among other things, plant and equipment for the generation, transmission, distribution, and furnishing of such service to the public.

3. **<u>Background and Relief Requested</u>.** The Commission previously approved NIPSCO's gas EE programs, associated accounting treatment, and cost recovery through an EE Rider (now Rider 172 and Appendix C), its EM&V plans, and the NIPSCO Oversight Board ("OSB") in Cause Nos. 43051 (May 9, 2007), 43894 (November 4, 2010), 44001 (December 28, 2011), 44501 (October 29, 2014), 44637 (December 30, 2015), and 45012 (November 21, 2018) (the "45012 Order"). NIPSCO's current gas EE programs approved in the 45012 Order will expire on December 31, 2021.

In this Cause, NIPSCO requests the Commission take the following actions:

> 1. Approve the proposed 2022-2023 EE Plan for the period of January 1, 2022, through December 31, 2023, including NIPSCO's proposed EE goals, the programs proposed to achieve these goals, program budgets and costs, and the EM&V procedures, and approve associated ratemaking and accounting treatment for the Plan, including timely recovery of program costs through a periodic rate adjustment mechanism (Rider 172), allocation and recovery of certain lost revenues on a timely basis through Rider 172, and authority to defer and recover over- and under-recoveries of projected costs associated with the Plan;
>
> 2. Authorize NIPSCO to implement the Plan as of January 1. 2022;
>
> 3. Authorize NIPSCO to continue utilizing its OSB to assist in administering the Plan, including granting the OSB certain program and budget flexibility; and

4. Approve NIPSCO's proposal to file annual EM&V results no later than July 15 of each year and to file quarterly scorecards with the Commission.

4. <u>NIPSCO's Proposed 2022-2023 EE Plan and Supporting Evidence</u>. No party opposed approving NIPSCO's 2022-2023 EE Plan for gas service, along with associated accounting and ratemaking treatment. NIPSCO's petition and case-in-chief testimony address the EE programs, savings goals, program budgets, budget flexibility, EM&V, the OSB, program cost recovery, recovery of lost revenues, and allocation of program costs, including administration and EM&V. Petitioner also addressed related marketing costs, lost revenues, accounting authorizations, the GDSM Mechanism, and reporting requirements, along with other aspects of NIPSCO's proposal.

A. <u>Programs and Program Budgets</u>. In its petition and case-in-chief, NIPSCO requests authorization to implement the following gas EE programs in conjunction with its electric EE programs during the 2022-2023 Plan period:

RESIDENTIAL PROGRAMS

- <u>Home Rebates Program</u>. The Home Rebates Program is designed to provide incentives to residential customers to replace inefficient heating, ventilation, and air conditioning ("HVAC") equipment and other home products with energy-efficient alternatives. These measures are paid per-unit installed, reimbursing customers for a portion of the cost. The gas EE program promotes high efficiency gas boilers, furnaces, and smart Wi-Fi thermostats. The program is intended to help remove financial barriers associated with the initial cost of energy-efficient alternatives.

- <u>Home Energy Analysis Program</u>. The Home Energy Analysis Program is designed to help eligible customers improve the efficiency and comfort of their homes, as well as deliver an immediate reduction in gas (therm) consumption and promote additional efficiency work. This program provides homeowners with the direct installation of low-cost, energy-efficient measures followed by delivery of a comprehensive home assessment report. This program is unique in that it provides a whole home assessment leading to achievable therm savings opportunities.

- <u>School Education Program</u>. The School Education Program is designed to produce cost-effective gas savings by influencing fifth grade students and their families to focus on efficiently using gas. It provides classroom instruction, posters, and activities aligned with national and state learning standards and energy education kits filled with energy-saving products and advice. Students participate in an energy education presentation at school, learning about basic energy concepts through class lessons and activities. Students also receive an energy education kit of quality, high-efficiency products and are instructed to install the energy-efficient products at home with their families as well as complete a worksheet. The experience at home completes the learning cycle started at school.

- Multifamily Direct Install Program. The Multifamily Direct Install Program is designed to provide a one-stop shop to multifamily building owners, managers, and tenants of multifamily units containing three or more residences receiving service from NIPSCO. With flexible and affordable options, the program generates immediate energy savings and improvements in two distinct program phases. Phase I is a walkthrough assessment of each property that is conducted to determine eligibility for direct installation services provided by the Multifamily Direct Install Program, along with complementary incentive offers available through other NIPSCO programs. Property managers are presented with an energy improvement plan that prioritizes recommendations along with a proposal to provide the direct installation services outlined in Phase II. Phase II is an in-unit direct installation of energy-efficient devices at no-cost or low-cost to the tenant or landlord, such as low-flow showerheads, faucet aerators, pipe wrap, and programmable thermostats. Educational materials about home operation, maintenance, and behavior that may reduce energy consumption are provided to tenants in each living unit. A qualified subcontractor will be utilized for implementation of this program.

- Home Energy Report Program. The Home Energy Report Program is designed to encourage energy savings through behavioral modification. The program provides customers with home energy reports that contain personalized information about their energy use and ongoing recommendations to make their homes more efficient. Customers are randomly chosen to participate in this program and may opt-out if they do not wish to participate. The reports engage customers and drive them to take action to bring their energy usage in line with similar homes, and customers are encouraged to participate in other complimentary residential programs. The program empowers customers to understand their energy usage better and uses competition through neighbor comparisons to influence customers' actions.

- Residential New Construction Program. The Residential New Construction Program is designed to increase home builders' awareness and understanding of the benefits of energy-efficient building practices, with a focus on capturing EE opportunities during the design and construction of single-family homes. This program produces long-term, cost-effective savings because of the training builders receive to achieve the various Home Energy Rating System tiers, along with strategies for incorporating the Silver, Gold, and Platinum designations into their marketing efforts to attract home buyers.

- HomeLife EE Calculator Program. The HomeLife EE Calculator Program is designed to offer NIPSCO's residential customers an online do-it-yourself audit and an energy savings kit for carrying out this audit, at no cost to the customer. The audit tool: (1) identifies low-cost/no-cost measures a NIPSCO residential customer can implement to manage gas consumption; (2) allows eligible customers to request a free home energy kit; (3) educates customers about the variety of programs available through the residential EE portfolio; and (4) assists customers in finding qualified and experienced contractors through a network of trade allies.

- Income Qualified Weatherization ("IQW") Program. The IQW Program is designed to provide EE services to qualifying low-income households. For a household to be eligible to participate in the IQW Program, the customer must be a NIPSCO residential customer with active service that receives Low-Income Home Energy Assistance, Temporary Assistance for Needy Families, Supplemental Security Income, or Supplemental Security Disability Income and not have received weatherization services during the 10 years before the application date. Qualifying participants receive the direct installation of no-cost EE measures and a comprehensive home assessment identifying areas where additional energy savings can be achieved to make their home more comfortable and reduce energy costs.

- Residential Online Marketplace Program. The Residential Online Marketplace Program provides an online store for NIPSCO gas customers to purchase and install EE measures with an instant incentive applied at the time of purchase. This online marketplace ensures only NIPSCO customers are eligible to purchase, and limits are set on the quantities purchased to ensure timely installation.

COMMERCIAL AND INDUSTRIAL ("C&I") PROGRAMS

- Prescriptive Program. The Prescriptive Program is designed to provide incentives for a set list of energy-efficient measures. The incentives are paid based on per unit installed, reimbursing the customer for a portion of the cost. The Prescriptive Program offers incentives to NIPSCO's C&I customers that are making gas EE improvements in existing buildings.

- Custom Program. The Custom Program is available to qualifying C&I customers for installing new energy-saving equipment. Custom Program incentives are designed for more complicated projects, retro-commissioning ("RCx") projects, or those that incorporate alternative technologies. Project pre-approval is required for all Custom Program incentives to ensure only cost-effective projects are approved. Qualifying measures must have a Total Resource Cost test score greater than 1.0, have a simple payback greater than 12 months (less than 12 months for RCx measures), and not be included as an EE measure in the Prescriptive Program. RCx projects examine energy consuming systems for cost-effective savings opportunities. The RCx process identifies operational inefficiencies that can be removed or reduced to yield energy savings.

- C&I New Construction Program. The C&I New Construction Program is designed to encourage construction of energy-efficient C&I facilities within

NIPSCO's service territory. This program offers financial incentives to encourage building owners, designers, and architects to exceed standard building practices and achieve efficiency above and beyond the 2010 Indiana Energy Conservation Code. The goal of the New Construction Program is to produce newly constructed and expanded buildings that are efficient from the start. New construction projects that may be eligible for incentives under the New Construction Program may include any of the following: (1) new building projects where no structure or site footprint presently exists; (2) additions to or expansion of an existing building or site footprint; and (3) a total rehabilitation for a change of purpose requiring replacement of all mechanical systems and equipment.

- Small Business Direct Install ("SBDI") Program. The SBDI Program is designed to facilitate participation in NIPSCO's business EE program for small businesses that do not possess the in-house expertise or capital budget to develop and implement an EE plan. The SBDI Program offers a variety of ways for small businesses to improve the efficiency of their existing facilities. Measures are paid out on a per unit basis, much the same as the Prescriptive Program but with slightly higher incentive rates, to encourage energy-efficient investment from smaller commercial customers. Incentive payments to the approved trade allies will occur following measure implementation and submission of all required paperwork. If additional incentives are available through other programs, customers are directed to the appropriate application.

- C&I Online Marketplace Program. The C&I Online Marketplace Program provides an online store for NIPSCO gas customers to purchase and install EE measures with instant incentive applied at the time of purchase. The online marketplace ensures only NIPSCO customers are eligible to purchase, and limits are set on the quantities purchased to ensure timely installation.

- Smart Energy Engagement Program. The Smart Energy Engagement Program provides NIPSCO C&I customers with a tailored self-service platform when they opt to participate in this program. The Smart Energy Engagement platform provides customers with the knowledge and insights to make meaningful energy-efficient choices in their facilities. Through personalized EE suggestions, the program provides uplift to other C&I programs while providing behavioral savings based upon the changes made at the facility outside of other C&I programs.

Mr. Sears testified NIPSCO is committed to the EE programs detailed above and has worked with its OSB to obtain feedback on these. He stated NIPSCO will continue to work with its OSB to review the EE program offerings so that each program delivers the greatest value to NIPSCO's customers. Mr. Sears advised there are currently no other programs NIPSCO plans to include in its 2022-2023 EE Plan; however, NIPSCO is open to considering other programs.

NIPSCO requests authorization to implement the EE programs per the following program budgets, subject to certain budget flexibility as discussed below:

	Residential	C&I	Total
Vendor Implementation Cost	$ 9,640,200	$ 3,890,481	$ 13,530,681
NIPSCO Admin	$ 482,011	$ 194,525	$ 676,536
NIPSCO Marketing	$ 241,006	$ 97,263	$ 338,269
EM&V	$ 482,011	$ 194,525	$ 676,536
Total Program Budget	**$ 10,845,228**	**$ 4,376,794**	**$ 15,222,022**
Lost Revenues	$ 1,195,863	$ 382,997	$ 1,578,860
Total Program Costs	**$ 12,041,091**	**$ 4,759,791**	**$ 16,800,882**

NIPSCO contends the proposed gas EE programs Petitioner identified and the associated savings goals are reasonable and cost-effective. Ms. Becker testified the 2022-2023 Plan allows NIPSCO to offer its customers robust portfolios of EE opportunities while mitigating the rate impact to customers. She stated the Plan is reasonable and provides programs for all customer segments. Per Ms. Becker, the programs included in NIPSCO's 2022-2023 EE Plan are cost effective using standard industry tests. Ms. Becker testified that at the end of the two-year Plan, the estimated monthly bill impact for an average residential customer using 69 therms per month is $0.66, representing an increase of $0.07 compared to what a customer will pay using the factor approved in Cause No. 44001 GDSM 14 for January through December 2021. She noted these amounts include no prior period variances, revenue reconciliation amount, or carryover benefit or costs to the customer prior to December 31, 2021. Ms. Becker testified the estimated monthly bill impact also does not take into consideration the amounts customers see as a reduction for their own efficiencies and benefits due to decreased demand on NIPSCO's system.

Ms. Becker and Mr. Morgan described the inputs to and the cost-effectiveness analyses of the EE programs. Ms. Becker provided the utility input information in Petitioner's Exhibit 1, Attachment 1-B, while Mr. Morgan testified that as required by the Commission, the cost effectiveness tests he performed considered the Utility Cost Test ("UCT"), the Total Resource Cost ("TRC") test, the Ratepayer Impact Measure ("RIM") test, and the Participant test. He described each of these tests and the overall approach and process used to perform the analysis. Mr. Morgan testified the program goals for the residential and C&I portfolios, as well as the individual programs included in the residential and C&I portfolios, pass the UCT and TRC test. Mr. Morgan stated that based on the cost-benefit analysis results, the past success of NIPSCO's programs, and his understanding and observations of other successful utility programs, he believes NIPSCO's proposed 2022-2023 EE Plan is cost effective and achievable.

B. <u>Savings Goals</u>. NIPSCO's case-in-chief reflects the savings goals targeted for achievement by the EE programs are as follows:

Projected Energy Savings (Therms)			
Residential Programs	2022	2023	2022-2023
Home Rebates	1,258,946	1,258,946	2,517,892
Home Energy Analysis	59,888	59,888	119,776
School Education	222,340	222,340	444,680
Multifamily Direct Install	108,823	108,823	217,646
Home Energy Report	1,119,213	1,134,873	2,254,086
Residential New Construction	194,495	194,495	388,990
Home Life EE Calculator	19,173	19,173	38,346
Income Qualified Weatherization	300,070	300,070	600,140
Residential Online Marketplace	38,799	38,799	77,598
Residential Portfolio	3,321,747	3,337,407	6,659,154
C&I Programs	2022	2023	2022-2023
Prescriptive	319,416	324,420	643,836
Custom	620,723	600,875	1,221,598
C&I New Construction	246,410	251,232	497,642
SBDI	242,552	248,151	490,703
C&I Online Marketplace	90,773	92,629	183,402
Smart Energy Engagement	21,032	50,588	71,620
C&I Portfolio	1,540,906	1,567,895	3,108,801
Total Plan	**4,862,653**	**4,905,302**	**9,767,955**

Ms. Becker testified in support of these savings goals, advising that they were determined, after discussion with the OSB, based on the amount TRC Companies, Inc., the vendor selected to administer the 2022-2023 EE programs, indicated could be achieved from January 1, 2022, through December 31, 2023. In addition, she stated NIPSCO, with the assistance of Morgan Marketing Partners, performed its own analysis, and that analysis indicates the EE goals are achievable in a cost-effective manner.

C. <u>Budget Flexibility</u>. In his revised direct testimony, Mr. Sears proposes the OSB's authority and flexibility be revised such that the OSB may increase any individual program funding by up to 20% of the total program budget, instead of 10%, even if this exceeds the overall 2022-2023 EE Plan budget the Commission approved. Ms. Becker provided supplemental testimony regarding the requested flexibility to increase individual program funding by up to 20% and NIPSCO's request that this increase be allowed to exceed the overall approved Plan budget. Mr. Sears also testified in support of allowing NIPSCO to roll over unspent budget amounts from one program year to the next within the 2022-2023 EE Plan period, with a corresponding increase to the savings goal. In addition, to the extent NIPSCO has unspent budget amounts available at the conclusion of the 2021 program year, Mr. Sears supported NIPSCO being authorized to utilize these unspent budget amounts in the 2022 program year to pay program expenses related to the 2021 program year. Mr. Sears testified the savings goal for the 2022 program year will be increased by the same amount. He affirmed that NIPSCO will continue to work with the OSB and its vendors to use the flex funding to increase savings as available and appropriate.

Ms. Becker testified the revised 20% total program budget flexibility is an increase from the 10% Petitioner originally requested and is being proposed due to a settlement reached upon NIPSCO's pending electric DSM Plan in Cause No. 45456. Per Ms. Becker, that settlement, among other things, increases the flex funding provision from 10% to 20%. Ms. Becker testified the increased flex funding will position the OSB to respond to changing market conditions and pursue more cost-effective savings in 2022-2023. She stated it is important NIPSCO's gas and electric DSM plans have the same flexibility to increase administrative and delivery efficiencies due to NIPSCO's combined gas and electric service territories and use of the same implementation and EM&V vendors. Ms. Becker stated NIPSCO's OSB was unanimous in agreeing upon this revision.

D. <u>EM&V</u>. NIPSCO requests that independent EM&V procedures be implemented. Mr. Sears provided a detailed description of NIPSCO's proposed EM&V process. Ms. Becker testified the proposed EM&V procedures are the same procedures NIPSCO currently utilizes and the Commission approved in the 45012 Order. She stated NIPSCO uses the statewide EM&V framework as the basis for its evaluation activities, working with its OSB to complete a request for proposal for its EM&V vendor, with the OSB making the selection. Ms. Becker testified a statement of work detailing the vendor's specific activities is developed in consultation with the OSB, and the OSB participates in ongoing meetings with the vendor as the evaluation is completed, with the EM&V results presented to and reviewed by the OSB. Ms. Becker further testified that once the final EM&V report is received, NIPSCO reviews the report recommendations with the program implementer and provides an update to the OSB on each recommendation. She stated NIPSCO is proposing to continue using ILLUME Advising, LLC as its EM&V vendor for the 2022-2023 EE Plan.

E. <u>OSB</u>. Ms. Becker testified the current OSB structure and process has been beneficial to NIPSCO and its stakeholders; therefore, NIPSCO proposes to maintain, without change, its OSB as approved in the 45012 Order. She stated the OSB, as proposed, will continue to have authority and flexibility to shift costs within a program budget, shift funds among programs consistent with the budget flexibility described above, and design and implement new programs.

F. <u>Program Cost Recovery</u>. Ms. Becker testified the ratemaking and accounting treatment NIPSCO seeks approval of includes authorization to recover its EE program operating costs, including EM&V, administrative, and marketing costs, on a timely basis through NIPSCO's existing GDSM Mechanism.

G. <u>Recovery of Lost Revenues</u>. NIPSCO requests authorization to recover and defer lost revenues associated with its 2022-2023 EE Plan through NIPSCO's GDSM Mechanism until such amounts are recovered through NIPSCO's rates.

In her direct testimony, Ms. Becker defined lost revenues as the difference between the revenues lost and the variable operating and maintenance costs NIPSCO saved because of implementing EE programs – in other words, the lost component of fixed costs resulting from implementing the programs included in the 2022-2023 EE Plan. She stated that consistent with the 45012 Order, the only lost revenues to be recovered are lost revenues that result from the 2022-2023 EE Plan and accrue during that Plan. Ms. Becker stated recovery of lost revenues supports appropriate utility-customer alignment in terms of encouraging EE programs, keeps the utility whole from a fixed cost recovery perspective, and avoids imposing a penalty on the utility in exchange for pursuing energy policy goals. Ms. Becker testified that implementing EE programs causes the utility's recovery of its fixed costs to decline through reduced sales, so approval of lost revenue recovery makes the utility whole. Per Ms. Becker, without lost revenue recovery, a utility implementing EE programs for the benefit of its customers will be penalized through reduced recovery of its fixed costs.

In support of NIPSCO's request for continued recovery of lost revenues, Ms. Becker testified NIPSCO has implemented its EE programs and base rates and charges approved in Cause No. 44988 (the "44988 Order") that went into effect prior to January 1, 2019.[1] In other situations, such as NIPSCO's electric program, where lost revenues are allowed, the calculation of lost revenues must account for: (1) the impact of free-riders and (2) the change in the number of EE program participants between base rate changes and the revised estimate of a program specific load impact that results from the utility's EM&V activities. She explained that with the 44988 Order and the methodology NIPSCO proposes to maintain in this Cause, NIPSCO is prepared to continue to meet these requirements.

Mr. Sears described NIPSCO's forecasted lost revenues and how NIPSCO forecasted lost revenues associated with the implementation of the 2022-2023 EE Plan. He testified that consistent with the 45012 Order, the only lost revenues to be recovered are those resulting from the 2022-2023 EE Plan that accrue during the Plan. Neither lost revenues resulting from measures installed under previous plans nor lost revenues resulting from measures installed under the 2022-2023 EE Plan but accruing after the end of the Plan period are to be recovered. Additionally, the reconciliation of lost revenues will take place once per year, with the variance spread over the succeeding 12-months.

H. <u>Allocation of Program Costs and Lost Revenues</u>. Consistent with NIPSCO's petition and case-in-chief testimony, NIPSCO seeks to allocate its 2022-2023 EE Plan program operating costs and lost revenues as follows:

> 1. Program operating costs, including EM&V, administrative, and marketing costs, will be allocated to either residential or non-transport only C&I customers; the costs will then be divided by the number of customers, on a forecasted and reconciled basis.
>
> 2. In allocating lost revenues, the projected period's cumulative net therm savings will be allocated to the individual rate classes eligible to participate in the program. The allocation will be based on the number of customers for those rate classes. For programs that are applicable only to a specific rate class, 100% of the savings will be assigned to that class. For programs that are applicable to more than one rate class, the percentage of therms allocated to each rate class will be based on the number of customers for those rate classes as a proportion of the total number of customers for the customer class.

[1] Ms. Becker indicated the rates approved in the 44988 Order reflect a 2018 test year and are reasonably reflective of current operating conditions. It is upon those rates that the lost revenues are based.

Mr. Sears supported these proposed allocations. He noted this is NIPSCO's current allocation methodology as approved in the 45012 Order.

I. Accounting Authorizations. NIPSCO requests authority to defer and subsequently recover the over- and under-recoveries of projected EE program operating costs and lost revenues through the GDSM Mechanism, pending reconciliation in subsequent periods, and to be authorized to defer any program operating costs incurred in implementing the 2022-2023 EE Plan prior to the date of the Commission's final Order in this Cause. Ms. Becker supported these requests for accounting authorizations.

J. Reporting Requirements. NIPSCO proposes its compliance reports be filed with the Commission when indicated below:

1. Quarterly scorecards for its 2022-2023 EE Plan within 60 days of the end of each relevant period, with the fourth quarter scorecard to include information for the full year; and

2. Annual EM&V results no later than July 15 each year.

In responding to the questions set forth in the docket entry issued on June 11, 2021, NIPSCO agreed to the following report filings with the Commission:

1. Quarterly scorecards for its 2022-2023 EE Plan within 30 days of the end of each quarter and the scorecard with EM&V results filed no later than June 30;

2. Annual EM&V results no later than July 1 each year;

3. Compliance filings to be filed as stand-alone documents under the associated plan filing; and

4. Annual tracker filings will be filed no later than July 15.

In its docket entry responses, NIPSCO indicated that if the Commission determines the scorecard with final EM&V results is to be filed each year by June 30, this filing will likely not reflect the actual costs of EM&V for a given year because of how the vendor invoices for these costs. NIPSCO stated it generally asks for the results to be presented to NIPSCO and its OSB in July and August, with the final invoice issued after that presentation. Given this presentation timeline, NIPSCO projects the scorecard will have a minor disconnection between the actual costs and what is reported that will be minimized after the first year.

Additionally, with regard to EM&V annual filings, NIPSCO stated it intends to provide comments to the Commission as part of the Commission's ongoing Improving Procedural Efficiencies ("IPE") process. NIPSCO asked to be allowed to maintain an EM&V timeline consistent with its past practice until the Commission concludes the IPE process. While reserving its right to provide a full response in its IPE comments, NIPSCO addressed why, from its perspective, filing the annual EM&V by April 30 is problematic.

5. **Commission Discussion and Findings.**

A. NIPSCO's 2022-2023 EE Plan. NIPSCO requests approval of the proposed 2022-2023 EE Plan for a two-year term from January 1, 2022, through December 31, 2023. The 2022-2023 EE Plan for gas service includes continuing NIPSCO's existing gas EE programs and the proposed program budgets for 2022-2023 and associated savings goals for the 2022-2023 EE Plan. NIPSCO's proposal provides for the OSB to exercise certain program and budget flexibility. The evidence demonstrates the proposed EE programs are projected to be reasonably achievable and cost effective based on industry standard cost-benefit analyses and projects the rate impact of the Plan is reasonable. For this case, NIPSCO estimated the UCT scores at 2.07 for total residential programs and 3.03 for total C&I programs. In other words, for every $1 spent on residential programs, ratepayers receive $2.07 in benefits, and for every $1 spent on C&I programs, ratepayers receive $3.03 in benefits. We find this supports the public interest benefit of the Plan, although the amount of ratepayer benefit for every $1 spent on residential and C&I programs has decreased as compared to the EE plan approved in the 45012 Order.

No party objected to the proposed EE programs, budgets, program and budget flexibility, or savings goals. Based on the evidence presented, we find NIPSCO's proposed 2022-2023 EE Plan – including the programs, the program budgets, the program and budget flexibility, and the savings goals – is cost effective and reasonable, except the evidence is insufficient to approve NIPSCO's revised request to authorize Petitioner's OSB to increase program funding up to 20% even if this exceeds the approved overall Plan budget. During the pendency of the Cause, NIPSCO increased its requested flexibility midstream from 10% to 20%, but Petitioner did not provide substantive support for this change, support its reasonableness or propriety, or present evidence demonstrating why the OSB should be authorized to increase funding beyond the approved budget. Accordingly, the Commission approves NIPSCO's proposed 2022-2023 EE Plan except we only authorize the OSB to increase program funding by up to 10% so long as the overall approved Plan budget is not exceeded continuing the OSB flexibility approved in the 45012 Order.

B. Recovery of Program Costs and Lost Revenues. NIPSCO projects a budget of $10,845,228 for the residential programs included in its 2022-2023 EE Plan, inclusive of program operating costs and EM&V, administrative, and marketing costs. NIPSCO also projects a budget of $4,376,794 for its C&I programs included in the Plan, inclusive of program operating costs and EM&V, administrative, and marketing costs. NIPSCO further estimates the lost revenue recovery provisions will result in lost revenue recovery of $1,578,860 during the Plan period. No party objected to NIPSCO's timely recovery of program costs and lost revenues or to the allocation of such costs via NIPSCO's GDSM Mechanism.

Ind. Code § 8-1-2-42(a) authorizes the Commission to allow recovery of costs and revenues outside of a base rate case. The Commission has previously employed Section 42(a) for purposes of authorizing recovery of electric DSM program costs and lost revenues. *See*, *e.g.*, *In re PSI Energy, Inc.*, Cause No. 38986 (IURC October 16, 1991) (Commission authorized PSI to defer and subsequently recover lost revenues pursuant to settlement agreement); *In re SIGECO*, Cause No. 39201 (IURC October 23, 1991) (Commission authorized SIGECO to recover lost revenues via a tracking mechanism pursuant to a settlement agreement); *In re Indianapolis Power & Light Co.*, Cause No. 39672 (IURC September 8, 1993) (Commission authorized IPL to defer lost revenues for subsequent recovery pursuant to settlement agreement). Notably, this use of Section

42(a) for the recovery of DSM program costs and lost revenues predates the more explicit EE recovery authorizations for electric utility DSM activities now found in Ind. Code ch. 8-1-8.5. After reviewing the evidence and applicable law, the Commission finds the proposed recovery of the 2022-2023 EE Plan costs via NIPSCO's GDSM Mechanism, including recovery of program costs and lost revenues, is reasonable; therefore, NIPSCO is authorized to recover the costs associated with its gas 2022-2023 EE Plan, including recovery of program costs (including EM&V, administrative, and marketing costs) and lost revenues.

C. OSB. NIPSCO requests approval to continue to utilize its existing OSB to assist in administration of the 2022-2023 EE Plan. The Commission has previously approved OSBs overseeing and monitoring EE programs for both gas and electric utilities. *See, e.g., Indianapolis Power & Light Co.*, Cause No. 44945 (IURC February 7, 2018); *Southern Indiana Gas and Elec. Co.,* Cause No. 44927 (IURC December 28, 2017); *Indiana Michigan Power Co.,* Cause No. 44841 (IURC September 20, 2017). The OSB provides oversight and an opportunity for stakeholders to have input in program delivery and EM&V. No objection was voiced in this proceeding to NIPSCO's approved OSB administering the 2022-2023 EE Plan. Likewise, the proposed parameters for budget and program flexibility within that administration were supported in NIPSCO's case-in-chief and supplemental testimony, except to the extent the Commission has found otherwise above in Finding No. 5.A. Based upon the evidence, we approve NIPSCO's proposal to continue its currently approved OSB and its proposed parameters for flexible program and budget administration; provided, such flexibility shall not include the ability to increase any individual program funding by more than 10% of the total program budget or exceeding the overall 2022-2023 Plan approved budget.

D. EM&V. NIPSCO requests approval to continue the same EM&V process for its 2022-2023 EE Plan as the Commission authorized in the 45012 Order. We find the evidence demonstrates the proposed EM&V procedures are reasonable and call for process and impact evaluations pursuant to industry standards by an independent EM&V vendor selected by the OSB; consequently, the Commission finds NIPSCO's proposal to continue to utilize its current EM&V procedures is reasonable, and we approve the same.

E. Reporting Requirements. NIPSCO proposes its annual EM&V results be filed each year no later than July 15. In addition, NIPSCO agreed to file quarterly gas EE scorecards within 30 days of the end of each quarter and the scorecard with EM&V results no later than July 1. In its docket entry responses, NIPSCO recognized the ongoing IPE process and that one of the issues under consideration in that process is establishing a consistent filing timeline for EM&V reports by all investor-owned utilities. NIPSCO asked to be allowed to maintain an EM&V timeline consistent with its past practice of filing no later than July 1 until the Commission concludes the IPE process.

The Commission finds the continued reporting requirements provide transparency and updates to the public and the Commission regarding savings achieved and spending. We further find that NIPSCO did not provide persuasive evidence demonstrating the propriety of any changes, at this time, in the reporting requirements and associated timelines approved in Cause No. 45012; therefore, NIPSCO shall continue to file its annual EM&V results no later than July 1 of each year and shall file quarterly gas EE scorecards within 30 days of the end of each quarter, with the scorecard with EM&V results to be filed no later than July 1; provided, however, that if new utility reporting timelines are approved in connection with the Commission's IPE process, NIPSCO shall thereafter adhere to such EM&V and other reporting timelines. In addition, all required reports shall be filed as stand-alone documents under Cause No. 45455. We also note that while NIPSCO's docket entry responses raised the prospect of being unable to provide the actual EM&V costs for a given year by June 30 because NIPSCO generally asks for these results to be presented in July and August, that NIPSCO should revise when the results are presented if needed to include the actual EM&V costs for a given year in the scorecard with the final EM&V results.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. NIPSCO's gas 2022-2023 EE Plan to become effective January 1, 2022, (including proposed programs, program budgets, program and budget flexibility, savings goals, program cost recovery, and recovery of lost revenues) is approved except the OSB shall only have authority to increase individual program funding by up to 10% of the total program budget so long as the overall Plan budget is not exceeded consistent with Finding No. 5.A. above.

2. NIPSCO may recover the program costs associated with its gas 2022-2023 EE Plan, including program implementation costs, administrative costs, marketing costs, and EM&V costs, through its GDSM Mechanism.

3. NIPSCO may recover lost revenues incurred during and resulting from the 2022-2023 EE Plan through the GDSM Mechanism.

4. NIPSCO may defer and subsequently recover the over- and under-recoveries of projected EE program operating costs and lost revenues through the GDSM Mechanism pending reconciliation in subsequent periods and may also defer program operating costs incurred in implementing the 2022-2023 EE Plan prior to the date of this Order.

5. NIPSCO may utilize its existing OSB to administer the 2022-2023 EE Plan.

6. NIPSCO may continue the approved EM&V process for its 2022-2023 EE Plan.

7. NIPSCO shall comply with the reporting requirements in Finding No. 5.E. above.

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

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

APPROVED: JUL 14 2021

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: 2021.07.14 10:45:17
-04'00'

Dana Kosco
Secretary of the Commission