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State utility consumer advocate completes analysis of NIPSCO gas infrastructure plan

The Indiana Office of Utility Consumer Counselor (OUCC) has completed a comprehensive review of Northern Indiana Public Service Company's (NIPSCO's) proposed seven-year natural gas infrastructure replacement plan. While the plan requests approval for \$713 million in capital improvements, the pending case does not include specific requests for rate recovery; those requests will come in future proceedings.

The OUCC's recommendations are included in testimony recently filed with the Indiana Utility Regulatory Commission (IURC). Over the last three months, the OUCC has invested more than 1,000 staff hours on this case. OUCC attorneys issued 195 data request questions to NIPSCO to gather information necessary to the agency's review, but not included in the utility's testimony and exhibits.

In its testimony, the OUCC recommends approval of NIPSCO's plan on certain conditions, acknowledging that specific projects and elements may change over the seven-year period. OUCC witnesses agree that the plan's projects – including replacement of transmission mains dating to the 1940s and 1950s, improvements to distribution infrastructure, and proposed expansions into rural areas that do not currently have natural gas service – appear to be in compliance with requirements in state law and will enhance the system's safety and reliability over the long term.

After much analysis and after reviewing additional information NIPSCO provided in discovery, the OUCC believes the utility's proposed cost estimates are reasonable at this time. However, the agency is recommending that the IURC require NIPSCO to file work order level details for each project a year before construction starts. The OUCC also recommends that NIPSCO be required to file annual progress reports including specific cost estimates for each project along with detailed explanations for any proposed revisions to the plan, along with a detailed accounting of revenue derived from rural extensions as part of each request for rate recovery.

NIPSCO's request is pending under a new Indiana law (Senate Enrolled Act 560) approved in 2013.

- The law allows an investor-owned electric or natural gas utility to seek IURC approval of a seven-year infrastructure improvement plan.
- If the plan is approved, the utility may then adjust rates every 6 months, subject to IURC and OUCC review, to recover project costs as they are incurred.
- The rate adjustments – under a new Transmission, Distribution, and Storage System Improvement Charge (TDSIC) mechanism – may not exceed two percent of the utility's total retail revenues each year.
- Twenty percent of the costs must be deferred until the utility's next base rate case, which must be filed before the end of the seven-year period.

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NIPSCO's testimony and exhibits in IURC Cause No. 44403 state that:

- Proposed projects in the "Natural Gas Infrastructure Modernization Plan" would be built from 2014 through 2020.
- Projects throughout NIPSCO's natural gas service territory would include replacement of aging infrastructure, new transmission mains, the installation of automated valves, and expansion into rural areas that currently do not have natural gas service.
- NIPSCO plans to file its first TDSIC natural gas rate increase request in September 2014.
- If the 7-year plan is approved by the IURC, NIPSCO's first natural gas TDSIC rate increase of approximately 1.0 percent would take effect in 2015. The annual rate increase amounts from 2016 through 2020 would vary annually, ranging from 1.5 percent to 1.9 percent each year. The average annual percentage increase over the seven-year term is 1.4 percent.
- Under the law's timing requirements, the IURC must issue a final order on the 7-year plan no later than May 1, 2014.

An IURC technical evidentiary hearing in this case is scheduled to start February 17, 2014 at the PNC Center (101 W. Washington St.) in Indianapolis. While evidentiary hearings are open to the public, participation is typically limited to attorney and Commission questioning of expert witnesses who have filed technical testimony on behalf of the case's formal parties. The IURC is required to issue its order by May 1, 2014.

The proposal in this case would not affect NIPSCO's electric utility's system, service or rates. NIPSCO is seeking approval of a seven-year electric infrastructure replacement plan and establishment of the methodology for calculating future electric rate increases in IURC Cause Nos. 44370 and 44371. All hearings and filings in the electric cases are complete.

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(IURC Cause No. 44403)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC's mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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