ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF GDSM FACTORS FOR GAS SERVICE RENDERED DURING THE MONTHS OF JANUARY THROUGH JUNE 2016 AND CONTINUED ACCOUNTING AUTHORITY IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 44501.	**CAUSE NO. 44001 GDSM 8** **APPROVED:** DEC 16 2015

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On September 28, 2015, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") filed its semi-annual request for Indiana Utility Regulatory Commission ("Commission") approval of Gas Demand Side Management Factors ("GDSM Factors") for gas service to be effective for the months of January through June 2016. NIPSCO also requested continued authority to defer the over- and under-recoveries of projected program costs ("Program Costs") incurred implementing the DSM programs prior to the time the Commission issues an order authorizing Petitioner to recognize these costs through the ratemaking process. On September 28, 2015, Petitioner prefiled its case-in-chief, including direct testimony and exhibits supporting the proposed GDSM Factors and the underlying costs for which Petitioner requests cost recovery. On November 4, 2015, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits of Heather R. Poole.

On December 3, 2015, the Commission conducted a hearing at 9:45 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the prefiled evidence of NIPSCO and the OUCC was admitted into the record without objection. No members of the general public appeared or participated at the hearing.

Based upon the applicable law and evidence presented, the Commission finds as follows:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearing was given and published by the Commission as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes in Petitioner's schedules of rates and charges. Therefore, the Commission has jurisdiction over the Petitioner and the subject matter of this proceeding in the manner and to the extent provided by the laws of the State of Indiana.

2. **Petitioner's Characteristics.** Petitioner is a public utility organized and existing under the laws of the State of Indiana and has its principal office at 801 East 86th Avenue,

Merrillville, Indiana. Petitioner renders natural gas and electric public utility service in the State of Indiana and owns, operates, manages, and controls, among other things, plant and equipment within the State used for the distribution and furnishing of natural gas utility service to the public.

3. Background. On May 9, 2007, the Commission issued an Order in Cause No. 43051 approving NIPSCO's proposed gas energy efficiency programs (the "43051 Programs") and their associated budgets, authority to recover associated start-up, implementation, and administrative costs along with costs associated with the evaluation, measurement, and verification of those programs through an Energy Efficiency Rider (now Rider 472 and Appendix C) (with estimated and actual costs reconciled on an annual basis), and the NIPSCO Oversight Board ("OSB"). The 43051 Programs continued through May 9, 2011.

On November 4, 2010, the Commission issued an Order in Cause No. 43894 approving NIPSCO's proposed extension of the 43051 Programs through November 9, 2012.

On December 28, 2011, the Commission issued an Order in Cause No. 44001 approving NIPSCO's proposed gas energy efficiency programs (the "44001 Programs"), budgets for its 44001 Programs, authority to recover costs through Rider 472 – Energy Efficiency Rider and Appendix C – Gas Efficiency Factor (with estimated and actual costs reconciled on a semi-annual basis), and authority to defer certain of such amounts for future recovery. The Commission also authorized the continuation of the NIPSCO OSB. The 44001 Programs expired on December 31, 2014.

On October 29, 2014, the Commission issued its Order in Cause No. 44501 ("44501 Order"), which approved NIPSCO's gas DSM programs for the period January 1, 2015, through December 31, 2015, authority to recover costs through its Rider 472 – GDSM Rider and Appendix C – GDSM Factors in accordance with Ind. Code § 8-1-2-42(a),[1] and authority to defer certain of such amounts for future recovery. The Commission also authorized the continuation of the NIPSCO OSB.

On June 11, 2015, NIPSCO filed Cause No. 44637, requesting approval of gas energy efficiency programs and authority to recover associated start-up, implementation, and administrative costs, along with costs associated with the evaluation, measurement, and verification of those programs for the period January 1, 2016, through December 31, 2018, (the "2016-2018 Gas EE Program") under Rider 472 – Gas Demand Side Management ("GDSM") Rider (the "GDSM Mechanism") and for authority to defer Program Costs for future recovery. Since this tracker filing requests approval of GDSM Factors for gas service for the months of January through June 2016, NIPSCO based its estimated costs on approval of its pending request in Cause No. 44637.

4. Implementation of DSM Programs. NIPSCO Witness Victoria A. Vrab, Director of Demand Side Management Programs, sponsored Petitioner's Exhibit No. 2, which

[1] The Commission also approved NIPSCO's proposal to change the name of Appendix C – Gas Efficiency Factor to Appendix C – GDSM Factors.

included NIPSCO's scorecard for the program period January through June 2015 as of June 30, 2015, which was filed August 31, 2015, in Cause No. 44501 and described the 2015 performance as follows:

> Residential Home Energy Assessemnt & Weatherization ("HEAW") Program – As of June 30, 2015, this program achieved 25% of its savings goal. NIPSCO forecasted this program to achieve 75% of its savings goal by year end. NIPSCO continues to work with CLEAResult and its OSB on program design and to encourage customer participation in specific areas of the service territory.
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> Residential Income-Qualified Weatherization Program – As of June 30, 2015, this program achieved 28% of its savings goal. NIPSCO forecasted this program to achieve 90% of its savings goal by year end. In July 2015, the OSB elected to introduce programmable thermostats to the program to assist with achievement of the goal.
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> Residential Energy Efficiency Rebate Program – As of June 30, 2015, this program achieved 55% of its goal. NIPSCO forecasted this program to achieve 100% of its savings goal by year end.
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> School Education Program – As of June 30, 2015, this program achieved 101% of its savings goal.
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> Residential New Construction Program – As of June 30, 2015, this program achieved 34% of its savings goal. NIPSCO forecasted this program to achieve 90% of its savings goal by year end. In response to feedback from the OSB, NIPSCO lifted the per-builder cap on the program, which has increased participation.
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> Residential Home Energy Conservation Program – As of June 30, 2015, this program achieved 68% of its savings goal. NIPSCO forecasted this program to achieve 100% of its savings goal by year end.
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> Commercial and Industrial ("C&I") Prescriptive Program – As of June 30, 2015, this program achieved 1% of its savings goal. NIPSCO forecasted this program to achieve 75% of its savings goal by year end. With the transition to a new vendor in 2015, applications for this program were not finalized until March 2015, which meant the program was not available for the first quarter of the year. NIPSCO continues to work with Franklin Energy and its OSB to facilitate goal attainment by year end and is already working with Lockheed Martin to prevent such a delay in program offerings in 2016.
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> C&I Custom Incentive Program –As of June 30, 2015, this program achieved 0% of its savings goal. Based on ongoing evaluation of the progress of projects in the pipeline, NIPSCO forecasted this program to achieve 100% of its savings goal by year end.
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> C&I Small Business Direct Install Program – As of June 30, 2015, this program

achieved 8% of its savings goal. Because of an increase in interest in the program by trade allies, NIPSCO forecasted this program to achieve 100% of its savings goal.

5. **Recovery and Reconciliation of Program Costs and Revenues.** In the 44501 Order, the Commission approved NIPSCO's request to recover costs through the GDSM Mechanism. NIPSCO makes semi-annual filings for factors to be effective January through June and July through December of each year. These filings reflect estimated costs and revenue collections obtained through the GDSM Factors, and recovery occurs over a six-month period to coincide with the estimation period. Reconciliation of actual expenditures is made in a subsequent semi-annual filing. This filing reconciles projected costs and revenues with actual costs and revenues for the period January through June 2015 and includes projected costs for the period January through June 2016.

Ms. Vrab sponsored a breakdown of projected and reconciled costs for the recovery period. Ms. Vrab also sponsored the attachment showing the work product that feeds into the breakdown.

Ms. Vrab testified that given the experience NIPSCO has gained with its program offerings and forecasting program performance and associated costs over the past two years as well as the addition of new vendors for 2016-2018, NIPSCO utilized the actual budget and savings from the 2015 programs (less any programs that were discontinued for 2016) for its projection of costs. She stated that for C&I programs, the duration of the projects can last numerous months, which leads to more savings being achieved in the latter half of the year.

Ms. Vrab testified the projected costs for the period January through June 2015 were $4,410,013, and the actual costs incurred were $3,141,177, resulting in an over-recovery of $1,268,836. She stated that the majority of that over-recovery is associated with the Residential HEAW Program and the Residential Income-Qualified Weatherization Program.

Ms. Vrab testified adding the projected costs for the period January through June 2016 of $1,501,773 to previous period reconciliation over-recovery of $1,268,836 for the period January through June 2015 results in total Program Costs of $232,937 to be collected in this filing.

In explaining the change in annual program cost projection, NIPSCO Witness Thomas S. Sibo, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department for NIPSCO, stated that for most of the C&I programs, there is a ramp-up period in the beginning of the year, which results in a projection of lower costs in the first half of the year, with the difference made up in the second half. Not taking this into account could result in large variances due to the lag in savings achievement for some programs. He testified that based on 2015 performance in the C&I programs, NIPSCO projects 10 percent of the costs will occur from January through June 2016. For the residential programs, NIPSCO projects 50 percent of the costs will occur from January through June 2016.

Mr. Sibo testified regarding NIPSCO's request for continued authority to defer as a regulatory asset or regulatory liability the over- and under-recoveries of projected Program Costs incurred implementing the programs prior to the time the Commission issues an order authorizing Petitioner to recognize these costs through the ratemaking process. He stated that NIPSCO will defer these costs on the balance sheet as a regulatory asset in Account 182.3 – Regulatory Asset or a regulatory liability in Account 254 – Other Regulatory Liabilities depending on the net balance of program costs.

6. **Resulting GDSM Factors.** Mr. Sibo explained the calculation of NIPSCO's proposed GDSM Factors. He testified the calculations of the proposed GDSM Factors were prepared in conformity with the 44501 Order. He sponsored exhibits showing (1) the calculation of proposed GDSM Factors, (2) the number of customers and the cost allocators for each rate class, and (3) the calculation of the estimated average monthly bill impact. Mr. Sibo explained that the GDSM Factors are calculated by allocating the projected Program Costs by program to the individual rate classes based on the number of customers in each eligible class. He explained that once NIPSCO allocates the Program Costs to the individual rate classes and it has performed a reconciliation of revenue collection, NIPSCO then calculates the GDSM Factors by dividing the cost per rate class by the respective forecasted usage. He stated that NIPSCO then adjusts the resulting GDSM Factors to reflect the Utility Receipts Tax on Retail Sales.

Mr. Sibo sponsored Petitioner's Exhibit No. 1, which included an updated tariff page, Appendix C – GDSM Factors reflecting the proposed GDSM Factors for recovery in the period January through June 2016, as follows:

Residential Service: Rate 411
(with associated Rate 451, Rider 480 and Rider 481)

A charge of $0.000067 per therm per month

Multiple Family Housing Service: Rate 415
(with associated Rate 451, Rider 480 and Rider 481)

A charge of $0.001502 per therm per month

General Service: Rates 421 and 425
(with associated Rate 451, Rider 480 and Rider 481)

A credit of $0.002294 per therm per month

Mr. Sibo testified the estimated average monthly bill impact for a typical residential customer using 72 therms per month is a charge of $0.0048, which represents a decrease of $1.55 from the current charge.

Ms. Poole, Senior Utility Analyst for the OUCC, testified that based on her review of NIPSCO's testimony, exhibits, work papers, and supporting documentation, NIPSCO's proposed GDSM Factors were calculated correctly and recommended the factors be approved.

7. **Commission Findings.** The GDSM Factors presented for approval include projected costs for the period January through June 2016 associated with NIPSCO's approved programs. The evidence presented in this Cause as discussed above supports approval of Petitioner's proposed GDSM Factors as reasonable. Accordingly, we approve the requested

GDSM Factors. The resulting GDSM Factors will become effective for gas service rendered during the month of January 2016 and shall remain in effect through June 2016 or until replaced by different adjustment factors approved in a subsequent filing.

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

1. NIPSCO's request for approval of GDSM Factors, as set forth in Paragraph No. 6 above, is hereby approved.

2. NIPSCO is granted continued authority to defer as a regulatory asset or regulatory liability the over- and under-recoveries of projected Program Costs incurred implementing the programs prior to the time the Commission issues an order authorizing Petitioner to recognize these costs through the ratemaking process.

3. NIPSCO shall file with the Commission, under this Cause, a separate amendment to its rate schedules with a reasonable reference to reflect that such charge is applicable to all of its filed rate schedules, as shown in Paragraph No. 6, prior to placing in effect the approved GDSM Factors.

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

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: DEC 16 2015

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

Shala M. Coe

Shala M. Coe, Acting
Secretary to the Commission