

**ORIGINAL**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA )  
 PUBLIC SERVICE COMPANY FOR APPROVAL OF )  
 DEMAND SIDE MANAGEMENT ADJUSTMENT ) CAUSE NO. 43618 DSM 9 S1  
 FACTORS FOR ELECTRIC SERVICE FOR THE )  
 BILLING CYCLES FOR THE MONTHS OF )  
 JANUARY THROUGH JUNE 2016 IN ) APPROVED: APR 06 2016  
 ACCORDANCE WITH THE ORDER OF THE )  
 COMMISSION IN CAUSE NO. 44496. )

ORDER OF THE COMMISSION

**Presiding Officers:**  
**James F. Huston, Commissioner**  
**Loraine L. Seyfried, Chief Administrative Law Judge**

On September 28, 2015, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its semi-annual request for Commission approval of Demand Side Management Adjustment (“DSMA”) factors for electric service to be applicable for bills rendered during the billing cycles of January through June 2016 in Cause No. 43618 DSM 9. The Commission issued its Order on December 16, 2015 (“DSM-9 Order”), approving DSMA factors that removed all demand side management (“DSM”) program costs relating to NIPSCO’s proposed Energy Efficiency Program (“EE Program”), which was pending in Cause No. 44634. The DSM-9 Order also required NIPSCO to file revised schedules along with any additional supporting evidence in a subdocket, recalculating the factors to include any 2016 approved DSM program costs upon issuance of a final Order in Cause No. 44634.

On December 30, 2015, the Commission issued its final Order in Cause No. 44634 (“44634 Order”) approving NIPSCO’s EE Program through 2018 or until NIPSCO submits and receives approval of a plan under Ind. Code § 8-1-8.5-10, whichever occurs earlier. In addition, the Commission approved NIPSCO’s request for authority to recover program costs and lost revenues through NIPSCO’s DSMA mechanism. The Commission denied NIPSCO’s request for performance incentives and limited the collection of lost revenues to four years or the life of the measure, whichever is less, or the conclusion of NIPSCO’s next base rate case, whichever occurs earlier.

On February 22, 2016, NIPSCO filed its case-in-chief to support its revised schedules (“Phase 2 Schedules”) and explain the changes made to implement the 44634 Order. Citizens Action Coalition of Indiana, Inc. filed its petition to intervene on February 22, 2016, which was granted on March 9, 2016. The OUCC filed its case-in-chief on February 29, 2016.

An evidentiary hearing was held on March 23, 2016, at 9:30 a.m. in Room 224 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 and all

parties waived cross-examination of witnesses. No members of the general public appeared or participated at the hearing.

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

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published as required by law. NIPSCO is a public utility as that term is defined in Ind. Code § 8-1-2-1. The Commission's May 25, 2011 Order in Cause No. 43618 and the 44634 Order authorized NIPSCO to seek recovery of costs associated with its DSM programs through a semi-annual adjustment mechanism. 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 Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is a public utility organized and existing under the laws of the State of Indiana and having its principal office at 801 East 86th Avenue, Merrillville, Indiana. Petitioner renders 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 generation, transmission, distribution and furnishing of electric public utility service to the public within its assigned service territories.

3. **NIPSCO's Evidence.** Thomas S. Sibó, Manager, Regulatory Support and Analysis in the Rates and Regulatory Finance Department, sponsored the Phase 2 Schedules, which includes Attachment 1-A, which shows NIPSCO's calculation of the proposed DSMA Factors; Attachment 1-B, which shows the number of customers in each Rate Schedule (or rate class) and the cost allocators; Attachment 1-C, which is a clean and redline version of Appendix G – Demand Side Management Adjustment Factor reflecting the proposed DSMA factors; and Attachment 1-D, which shows the calculation of the estimated average monthly bill impact.

Mr. Sibó testified the DSMA factors approved in the DSM-9 Order included a reconciliation of 2014 lost revenues and 2015 program costs as well as projected lost revenues for the period January 2016 through June 2016 for measures installed through December 2015. Mr. Sibó testified that NIPSCO's revised DSMA factors include projected 2016 program costs and projected 2016 lost revenues for measures projected to be installed during the first half of 2016. He stated the revised DSMA factors include the costs approved by the Commission in the DSM-9 Order as well as the costs approved by the Commission in the 44634 Order.

Mr. Sibó explained NIPSCO's treatment of lost revenues in the Phase 2 Schedules. He stated that for measures installed on or before December 31, 2015, NIPSCO assumed the collection of lost revenues would continue to occur for the life of the measure as originally approved in Cause No. 44154 and reapproved in Cause No. 44496. He stated that for measures installed beginning January 1, 2016, NIPSCO will limit lost revenue recovery to: (1) four years or the life of the measure, whichever is less, or (2) until rates are implemented pursuant to a final order in NIPSCO's next base rate case, whichever occurs earlier. Mr. Sibó testified the parties have different interpretations regarding the Commission's direction in the 44634 Order related to this issue and have agreed to address those differences in NIPSCO's next tracker proceeding (i.e., Cause No. 43618 DSM 10).

Mr. Sibó explained how NIPSCO's rate case pending in Cause No. 44688 impacts NIPSCO's collection of lost revenues. He testified that in the 44634 Order, the Commission agreed with NIPSCO's proposal to update the margin calculation and to reset to zero the cumulative measure savings as of the close of the test year (i.e., March 31, 2015). In addition, NIPSCO adjusted usage upward for all energy efficiency measures installed between January 2015 and March 2015 to comply with the intent of the Order in Cause No. 44154. 44634 Order at 39-40. Mr. Sibó testified that once a final order is received in Cause No. 44688, NIPSCO will, through a compliance filing, remove lost revenues associated with all energy efficiency measures installed prior to December 31, 2014.

Mr. Sibó described the costs included in the Phase 2 Schedules. He stated that NIPSCO revised the schedules to include any costs relating to associated start-up, implementation, and administrative costs along with costs associated with the evaluation, measurement and verification of the DSM programs and lost revenues as approved in the 44634 Order. Mr. Sibó stated the overall effect of these changes on the proposed DSMA factors is shown on Schedule 7. Columns (c), (j), and (n) now show there are allocations relating to projected program costs for January through June 2016, projected lost margins relating to energy savings for measures installed January through June 2016, and projected lost margins relating to demand savings for measures installed January through June 2016, which are included in the Total Allocation of DSM Costs shown in Column (p). This results in the overall revenue requirement changing from \$8,487,113 to \$12,761,434.

Mr. Sibó testified that the estimated average monthly bill impact for a typical residential customer using 688 kWh per month is \$2.65, which is a \$0.44 decrease when compared to the factor approved in Cause No. 43618 DSM 8 and a \$1.45 increase when compared to the currently billed factor. He also stated that the estimated average monthly bill impact for a typical residential customer using 1,000 kWh per month is \$3.85, which is a \$0.64 decrease when compared to the factor approved in Cause No. 43618 DSM 8 and a \$2.11 increase when compared to the currently billed factor.

Mr. Sibó testified Petitioner proposes the DSMA factors requested in this proceeding to become effective with the first billing cycle for the month immediately following approval through June 2016, or until replaced by different DSMA factors that are approved in a subsequent filing. He stated that NIPSCO has assumed a three-month collection period (April through June 2016) for three months of the semi-annual revenue requirement and will reconcile revenues and expenses in Cause No. 43618 DSM 11, as is the normal practice.

**4. OUC's Evidence.** Crystal Thacker, Utility Analyst in the OUC's Electric Division, stated the revised schedules add forecasted program costs and lost revenues for the EE Plan that was approved by the 44634 Order. Ms. Thacker testified that the OUC does not agree with NIPSCO's proposed lost revenue recovery in this tracker; however, the OUC will not be addressing lost revenue issues in this case due to the short timeframe. Ms. Thacker testified the parties have agreed to address lost revenue-related issues in NIPSCO's next DSMA filing.

Ms. Thacker explained NIPSCO plans to make these factors effective with the first billing cycle for the month following Commission approval. Ms. Thacker agreed with Mr. Sibó that the bill impact for a residential customer using 1,000 kWh per month is \$3.85.

Ms. Thacker sponsored Attachment CLT-1 displaying the calculation of NIPSCO's proposed DSMA factors and confirming the accuracy of NIPSCO's calculation of its residential DSMA factor.

5. **Commission Discussion and Findings.** The evidence presented in this Cause as discussed above supports approval of Petitioner's proposed revised DSMA factors as reasonable. Accordingly, we approve the requested DSMA factors. The resulting DSMA factors will become effective with the first billing cycle for the month immediately following approval through June 2016, or until replaced by different DSMA factors that are approved in a subsequent filing.

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

1. NIPSCO's request for approval of its revised DSMA factors is approved.
2. NIPSCO is granted continued authority to defer as a regulatory asset or regulatory liability the over- and under-recoveries of projected DSM 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.
3. NIPSCO shall file with the Commission's Energy Division, prior to placing in effect the approved DSMA factors, a separate amendment to its rate schedules with a reasonable reference therein reflecting that such charge is applicable to all of its filed rate schedule, as shown in Attachment 1-C.
4. This Order shall be effective on and after the date of its approval.

**STEPHAN, MAYS-MEDLEY, HUSTON AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:**

APPROVED: APR 06 2016

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

  
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**Shala M. Coe**  
**Acting Secretary to the Commission**