

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR)
APPROVAL OF RESOURCE ADEQUACY) CAUSE NO. 44155 RA 9
ADJUSTMENT FACTORS TO BE)
APPLICABLE DURING THE BILLING)
CYCLES OF MAY 2016 THROUGH) APPROVED:
OCTOBER 2016 PURSUANT TO CAUSE) APR 20 2016
NOS. 43526 AND 43969.)

ORDER OF THE COMMISSION

Presiding Officers:

Carol A. Stephan, Commission Chair

Aaron A. Schmoll, Senior Administrative Law Judge

On January 27, 2016, Northern Indiana Public Service Company (“NIPSCO” or “Petitioner”) filed its Petition for Commission approval of resource adequacy adjustment (“RA Adjustment”) factors to be applicable during the billing cycles of May 2016 through October 2016. Petitioner also prefiled its case-in-chief on January 27, 2016, which consisted of the testimony and exhibits of Katherine A. Cherven, Manager of Compliance in the Rates and Regulatory Finance Department of NIPSCO and Andrew S. Campbell, Manager of Planning and Regulatory Support for NIPSCO. NIPSCO Industrial Group filed its Petition to Intervene on February 9, 2016, which was subsequently granted without objection. On March 14, 2016, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Stacie R. Gruca.

The Commission conducted a public hearing on April 6, 2016, at 10:30 a.m., in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing Petitioner, the OUCC, and NIPSCO Industrial Group appeared by counsel. Petitioner and OUCC offered their respective prefiled testimony and exhibits, which were admitted into evidence without objection. No other party or members of the general public appeared.

Based upon the applicable law and the evidence of record, the Commission now finds:

1. **Notice and Jurisdiction.** Proper notice of the hearing in this Cause was given as required by law. Petitioner is a public utility corporation incorporated under the laws of the State of Indiana, operating an electric utility in northern Indiana and is subject to the jurisdiction of the Commission as provided in the Public Service Commission Act, as amended, Ind. Code ch. 8-1-2. Pursuant to Ind. Code § 8-1-2-42, the Commission has jurisdiction over rates and charges for utility service, including tracking mechanisms. Thus, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner has its principal office at 801 East 86th Avenue, Merrillville, Indiana. Petitioner is engaged in rendering electric public utility service in

the State of Indiana and owns, operates, manages and controls, among other things, plants and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

3. Background and Requested Relief. In this proceeding, NIPSCO requested Commission approval of RA Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing cycles of May 2016 through October 2016 or until replaced by different factors approved in a subsequent filing pursuant to provisions of the Public Service Commission Act, as amended; the Commission’s August 25, 2010 Order in Cause No. 43526 (“43526 Order”); and the Commission’s December 21, 2011 Order in Cause No. 43969 (“43969 Order”).

The 43526 Order approved a purchase capacity cost recovery mechanism referred to as the Resource Adequacy or RA Adjustment. The 43969 Order approved the implementation of the RA Adjustment approved in Cause No. 43526 by approving NIPSCO’s Rider 674 – Adjustment of Charges for Resource Adequacy and NIPSCO’s Appendix F – Resource Adequacy Adjustment Factor. The 43969 Order specified that the RA Adjustment will be a semi-annual mechanism coordinated with the FAC audit process.

The 43969 Order specified that the RA Adjustment will allow for recovery of prudently incurred capacity costs and 75% of costs associated with any credits paid as a result of Rider 675 – Interruptible Industrial Service Rider. The 43969 Order also specified that due to the lag between payment and recovery of credits, the actual amount of credits paid will be deferred in a balance sheet account until they are recovered in the RA Adjustment, or in the case of the 25% portion, in the FAC. The 43969 Order set forth the allocators for the RA Adjustment (Joint Exhibit E to the Stipulation and Settlement Agreement approved in the 43969 Order (the “2011 SA”)) and specified that the allocators will be revised to reflect MWs of interruptible service taken by class. The demand allocators have now been modified to reflect the amount of interruptible load served under Rates 632 and 634 and the impact of customer migration to different rate classes subsequent to the 43969 Order.

The Commission’s July 13, 2011 Order in Cause No. 43922 and March 4, 2015 Order in Cause No. 44393 authorized NIPSCO to defer the costs of purchases of capacity under the feed-in tariff for future recovery through NIPSCO’s RA Adjustment or such successor mechanism approved by the Commission.

4. Commission’s Discussion and Findings.

A. Billing Period. Ms. Cherven testified that the RA Adjustment factors proposed in this proceeding are for the billing cycles of May 2016 through October 2016, and include actual costs for capacity purchases and 75% of the actual Rider 675 interruptible credits paid during the period July 1, 2015 through December 31, 2015. She testified that a reconciliation of prior RA costs to actual RA revenues from May 2015 through October 2015 is included in NIPSCO’s filing in this Cause.

B. Total Recoverable Costs. Petitioner’s total costs to be recovered during the billing cycles of May 2016 through October 2016 are \$14,327,743. Of that amount,

\$390,633 constitutes actual capacity purchases and capacity proceeds for the period July 2015 through December 2015, \$13,737,762 constitutes recovery of 75% of credits paid for interruptible load for the period July 2015 through December 2015, and \$199,348 constitutes the variance from the reconciliation of prior RA costs to actual RA revenues from May 2015 through October 2015.

Based on our discussion of the record evidence set forth below, we find that these costs should be included for recovery through the RA Adjustment factors presented in this Cause for bills rendered during the billing cycles of May 2016 through October 2016. Based on the factor for Rate Code 611, the typical residential customer using 1,000 kWh per month will decrease by \$0.15 from the current approved factor.

C. Purchased Capacity Costs and Capacity Proceeds. Petitioner included \$0.00 of purchased capacity costs and a credit of \$159,120 associated with the Midcontinent Independent System Operator, Inc. (“MISO”) capacity auction proceeds (excluding capacity payments made pursuant to Rate 665 and demand credits paid pursuant to Rider 675) for recovery through the RA Adjustment factors in this proceeding. Mr. Campbell testified that Petitioner made no capacity purchases to meet the MISO’s RA obligation during the period from July through December 2015. He also testified that for the 2015-2016 Planning Resource Auction (“PRA”), NIPSCO had Zonal Resource Credits in excess of its load obligation that were offered and subsequently cleared the Planning Resource Auction, the net proceeds of which are dispersed daily by MISO and will be credited to customers subject to the RA tracker as they are realized. NIPSCO realized net proceeds from the sale of excess capacity of \$159,120 for the months of July 2015 through December 2015 (as a result of the 2015-2016 PRA) in this filing.

Based on the record evidence, we find that Petitioner’s credit of \$159,120 for MISO capacity auction proceeds should be included in capacity purchases through the RA Adjustment for bills rendered during the billing cycles of May 2016 through October 2016.

D. Capacity Payments under Rate 665 – Renewable Feed-In Tariff. Petitioner included \$549,753 of capacity charges made pursuant to NIPSCO’s Rate 665 – Renewable Feed-In Tariff for recovery through the RA Adjustment factors in this proceeding.

Based on the record evidence, we find that Petitioner had capacity charges and credits in the amount of \$549,753 pursuant to NIPSCO’s Rate 665 – Renewable Feed-In Tariff and that these costs should be included for recovery through the RA Adjustment factors.

E. Interruptible Credits under Rider 675 – Interruptible Industrial Service. Mr. Campbell testified that Rider 675 – Interruptible Industrial Service was implemented pursuant to the 43969 Order. He testified that Rider 675 is available to customers taking service under Rates 632, 633, or 634 and provides four options of interruptible service. Rider 675 sets forth a demand credit that varies depending on which option the customer selects. Mr. Campbell stated the total capacity made available under Rider 675 is limited to 500 MWs and the total amount of demand credits available under Rider 675 is limited to \$38,000,000 per calendar year. Mr. Campbell testified that during the period from July through December 2015, zero MWs were subscribed to Option A, zero MWs were subscribed to Option B, 227.082 MWs were subscribed to Option C and 150 MWs were subscribed to Option D under Rider 675. He also testified that

during the period from July through December 2015, MISO did not call any curtailments and NIPSCO initiated interruptions on 12 separate days for a total of 60 hours under Option C and 56 hours under Option D.

Ms. Cherven testified that Petitioner incurred total costs associated with demand credits paid pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service in the amount of \$18,317,016 during the period from July through December 2015. She testified that Petitioner included 75% of the total costs, \$13,737,762, for recovery through the RA Adjustment factors in this proceeding.

Based on the record evidence, we find that Petitioner made interruptible demand credit payments in the amount of \$18,317,016 pursuant to NIPSCO's Rider 675 – Interruptible Industrial Service and that 75% of these costs, \$13,737,762, should be included for recovery through the RA Adjustment factors.

F. Variance from Prior Periods. Ms. Cherven testified that the total RA Adjustment variance included in this proceeding as a result of the reconciliation of prior RA costs to actual RA revenues from May 2015 through October 2015 is an under-collection in the amount of \$199,348.

Based on the record evidence, we find that Petitioner properly included a variance of \$199,348 for recovery through the RA Adjustment factors.

G. Allocation of Total Recoverable Costs. The 43969 Order specified that the demand allocators for the RA Adjustment factors would be those shown in Joint Exhibit E to the 2011 SA, representing the Production Rate Base allocated by the rate classes 12 Coincident Peaks (“CP”). Ms. Cherven testified the 2011 SA provides that NIPSCO will adjust those rate classes that include interruptible customers by the contracted level of those customers' interruptible demand. Ms. Cherven stated that NIPSCO has also adjusted its demand allocation percentages to reflect the significant migration of customers amongst Rates 621, 624, 625, 626 and 632. She stated the migration was based upon the 12 CP calculated in conjunction with the Commission's approved allocators in Joint Exhibit E to the 2011 SA.

Based on the record evidence, we find that Petitioner properly adjusted the 12 CP demands to account for interruptible demand subscribed under Rider 675 and customer migration as shown in Petitioner's Ex. 1.

H. OUCR Audit Report. Ms. Gruca testified the figures used in the RA tracker, for the period July 2015 through December 2015 were supported by invoices and workpapers provided by NIPSCO. Ms. Gruca explained the impact of the Planning Resource Auction in this proceeding. Ms. Gruca testified that nothing came to her attention that would indicate the proposed recovery of Petitioner's RA Adjustment Factors for actual costs/revenues incurred July 2015 through December 2015 was unreasonable. The OUCR recommends the Commission approve NIPSCO's proposed RA Adjustment factors included in this proceeding.

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

1. Petitioner's requested RA Adjustment factors to be applicable to bills rendered during the billing cycles of May 2016 through October 2016, as set forth in Petitioner's Exhibit No. 1, are approved.

2. Petitioner shall file with the Energy Division of the Commission, prior to placing in effect the RA Adjustment factors herein approved, an amendment to its rate schedule with reasonable reference therein reflecting that such charges are applicable to the rate schedules reflected on the amendment.

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

STEPHAN, HUSTON, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:

APPROVED:

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



Mary M. Becerra
Secretary of the Commission