ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF REGIONAL TRANSMISSION ORGANIZATION ADJUSTMENT FACTORS TO BE APPLICABLE DURING THE BILLING CYCLES OF MAY 2016 THROUGH OCTOBER 2016 PURSUANT TO CAUSE NOS. 43526 AND 43969.	)	CAUSE NO. 44156 RTO 9 APPROVED: APR 20 2016

ORDER OF THE COMMISSION

Presiding Officers:
Carol A. Stephan, Commission Chair
Aaron A. Schmoll, Senior Administrative Law Judge

On January 28, 2016, Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") filed its Petition for Commission approval of regional transmission organization adjustment ("RTO Adjustment") factors to be applicable during the billing cycles of May 2016 through October 2016. Petitioner also prefiled its case-in-chief on January 28, 2016, which consisted of the testimony and exhibits of Jennifer L. Shikany, Director of Regulatory Accounting for NIPSCO, and Andrew S. Campbell, Manager of Planning and Regulatory Support for NIPSCO.[1] NIPSCO Industrial Group filed its Petition to Intervene on February 9, 2016, which was 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 in this Cause 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, and is subject to the jurisdiction of the Commission as provided in 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

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[1] NIPSCO filed Revised Schedule 6 on January 29, 2016.

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, plant 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 RTO 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 found that NIPSCO's Midcontinent Independent System Operator, Inc. ("MISO") non-fuel costs and revenues and off system sales sharing should be included in one mechanism designated as the RTO Adjustment. The 43969 Order approved NIPSCO's Rider 671 – Adjustment of Charges for Regional Transmission Organization and NIPSCO's Appendix C – RTO Adjustment Factor. The 43969 Order specified that the RTO Adjustment will be a semi-annual mechanism coordinated with the fuel adjustment clause ("FAC") audit process.

The 43969 Order specified that the RTO Adjustment will recover MISO non-fuel costs and revenues that exceed \$5.3 million annually, or \$2.65 million semi-annually (the amount of MISO non-fuel credits and charges included in base rates) and 50% of any off system sales margins that exceed \$7.6 million annually (the amount of off system sales margins included in base rates). The 43969 Order also specified that the amortization expenses included in the base rates approved in the 43969 Order would include deferred MISO costs, amortized and recovered over a period of four years, which were estimated through June 30, 2011.

4. **Commission Discussion and Findings.**

A. Billing Period. NIPSCO's proposed RTO Adjustment factors will apply to bills rendered by NIPSCO during the billing cycles of May 2016 through October 2016. The proposed RTO Adjustment factors are calculated based on estimated costs, sharing of actual annual off system sales margins, energy and demand allocators, and forecasted usage for the period of May 2016 through October 2016. The proposed RTO Adjustment factors include reconciliations for the period July through December 2015.

B. Total Recoverable Costs. Petitioner's total costs to be recovered during the billing cycles of May 2016 through October 2016 are \$9,005,137, of which \$10,826,920 constitutes estimated MISO non-fuel costs and revenues, \$0 constitutes the shared portion of off system sales margin, and (\$1,821,783) constitutes the reconciliation of prior periods.

Based on our discussion of the record evidence set forth below, we find that these costs should be included for recovery through the RTO Adjustment factors presented in Attachment A, Schedule 1, Column (r) for bills rendered during the billing cycles of May 2016 through October 2016. Based on the factor for Rate Code 611, the bill for a typical residential customer using 1,000 kWh per month will increase by $0.06 from the current approved factor.

C. MISO Non-Fuel Charges and Credits. Ms. Shikany testified that NIPSCO is allowed to recover MISO non-fuel costs and revenues that exceed $5,326,931 annually or $2,663,466 semi-annually (the amount of MISO non-fuel credits and charges included in base rates) through the semi-annual RTO Adjustment mechanism. Mr. Campbell identified the MISO non-fuel charges and credits included for recovery through the RTO Adjustment mechanism and the basis upon which they are allocated to customers (i.e., demand or energy). Mr. Campbell testified that he is not aware of any new non-fuel MISO charges or credits that have been included in either the forecast or reconciliation period for this filing. Mr. Campbell described a material modification to non-fuel MISO charges or credits that have been included in either the forecast or reconciliation period for this filing. He stated that MISO and Southwest Power Pool (SPP) through a FERC proceeding (ER14-1174) concluded a settlement that results in MISO compensating SPP and other Joint Parties for transmission flows across North-South (i.e., "MISO – North" and "MISO – South" regions). He explained the financial impact results in a one-time payment from MISO to SPP of $16 million that will occur during January, 2016 representing the time period of January, 2014 through January, 2016, which replaces invoices previously sent by SPP to MISO. Mr. Campbell stated the NIPSCO portion amounts to $446,607 which will be part of NIPSCO's RTO-10 filing that will occur later this summer. In addition, monthly payments of $1.333 million will be made from MISO to SPP starting in February, 2016. He stated NIPSCO has included approximately $38,000 for its share of the monthly charge reflected in the forecast period of May, 2016 through October, 2016 in the Real Time Miscellaneous Charge Type in this filing.

OUCC Witness Ms. Gruca testified that in response to the OUCC's data request, NIPSCO indicated that its share of the monthly payment was calculated by using an estimated Load Ratio Share of 2.845% for each $1.333 million monthly payment from MISO during the forecast period. Ms. Gruca testified that NIPSCO further indicated that it anticipates that as long as MISO continues to use the SPP transmission system to transfer energy then these monthly charges to MISO market participants should be ongoing.

Finally, Mr. Campbell testified that the projected non-fuel MISO charges and credits are just and reasonable. Ms. Shikany testified that the total amount of RTO demand allocated MISO non-fuel costs and credits included in this proceeding is a charge of $9,859,170 and the amount of RTO energy allocated MISO non-fuel costs and credits included in this proceeding is a charge of $967,750.

D. Off-System Sales Margins ("OSS margins"). Ms. Shikany testified that NIPSCO is required to share 50% of any OSS margins in excess of the OSS margins included in base rates on an annual basis. The Stipulation and Settlement Agreement approved in the 43969 Order ("the 2011 SA") provided that the OSS margins included in base rates is $7,600,638. Mr. Campbell testified that off-system sales occur when NIPSCO's real-time generation resources exceed the real-time native load obligation. He stated that fuel costs associated with making an off-system sale are passed back to NIPSCO's FAC customers in the form of a fuel credit. Ms. Shikany testified the amount of annual OSS margins to be shared with customers in this proceeding is $0.

E. Variance from Prior Periods and Variance from Base Rates. Ms. Shikany testified that in this proceeding NIPSCO is seeking to recover a reconciliation of actual MISO non-fuel costs, net of revenues for the period July through December 2015. Ms. Shikany testified that the amount of prior period variance included in this proceeding is an over-collection in the amount of $1,821,783. Based on the record evidence, we find that Petitioner properly included a variance from prior periods of ($1,821,783) for recovery through the RTO Adjustment factors during the billing cycles of May 2016 through October 2016.

F. Allocation of Costs. Ms. Shikany testified that the 43969 Order specified that the demand allocators for the RTO Adjustment were shown in Joint Exhibit E to the 2011 SA and represented the Production Rate Base allocated by the rate classes 12 Coincident Peaks ("CP"). She stated that in this proceeding NIPSCO has 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.

Ms. Shikany testified that in its RTO 1 filing, NIPSCO used test year sales for the 12 months ending June 30, 2010, from Cause No. 43969, adjusted for system losses to calculate the RTO energy allocators. She stated that in this proceeding NIPSCO has adjusted its energy 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 customers' test year sales for the 12 months ending June 30, 2010 from Cause No. 43969, adjusted for system losses. Mr. Campbell testified that MISO charges and credits are allocated to customers (i.e., demand or energy) in the same manner that they are allocated by MISO to NIPSCO and other market participants.

Based on the record evidence, we find that Petitioner uses the appropriate demand and energy allocators for the RTO Adjustment factors applicable during the billing cycles of May 2016 through October 2016.

G. Multi-Value Projects (Schedule 26-A) Revenues. In the Phase II Order dated August 22, 2012 in RTO-1, the Commission authorized NIPSCO to retain 100% of the MISO Schedule 26-A revenues associated with NIPSCO's construction of MVP projects. Therefore, Schedule 26-A revenues are not reflected in NIPSCO's RTO Adjustment Factors. However, NIPSCO agreed to provide its current Attachment O, GG, and MM and identify the current forecasted amount of Schedule 26-A revenues in its RTO Adjustment filings. Ms. Shikany testified that based on NIPSCO's current forward looking formula rate structure which uses NIPSCO forecast information and is trued up in a future period using FERC Form 1, NIPSCO projects Schedule 26-A revenues of $19,397,066 for the period from May 2016 through October 2016.

H. OUCC Audit Report. Ms. Gruca testified (1) nothing came to her attention that would indicate that the RTO projections used by NIPSCO were unreasonable, (2) NIPSCO's calculation of the RTO variance is supported by evidence, and (3) as agreed in RTO-1, NIPSCO provided its Attachments GG, MM, and O and identified its current forecasted amount of Schedule 26-A revenues.

Ms. Gruca testified that NIPSCO complied with the Commission's RTO-8 Order by providing more transparency in its direct testimony by itemizing charges and/or credits included for recovery under the line item "Other Miscellaneous Transmission Schedules/Amounts," or other similar line item. She testified that NIPSCO Witness Mr. Campbell indicated the credit reflected in this filing under "Other Miscellaneous Transmission Schedules/Amounts" represents a distribution from MISO for unreserved transmission revenues. She testified that NIPSCO provided further explanation of unreserved transmission revenues in its response to the OUCC's data request.

The OUCC recommended the Commission approve NIPSCO's proposed recovery of Total RTO Charges/(Credits) and RTO Adjustment Factors for the period of May 2016 through October 2016, which includes estimated RTO demand and energy allocated MISO charges and the variance for the reconciliation period.

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

1. Petitioner's requested RTO Adjustment factors to be applicable to bills rendered during the billing cycles of May 2016 through October 2016, as set forth in Pet. Ex. 1 , are approved.

2. Petitioner shall file with the Energy Division of the Commission, prior to placing in effect the RTO 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

Mary M. Becerra
Secretary of the Commission