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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY FOR APPROVAL OF A)
GAS COST ADJUSTMENT TO BE)
APPLICABLE IN THE MONTHS OF)
DECEMBER 2011 AND JANUARY AND)
FEBRUARY 2012, PURSUANT TO IND. CODE §)
8-1-2-42(g) AND FOR APPROVAL OF THE USE)
OF REMAINING TENNESSEE GAS PIPELINE)
REFUND DOLLARS FOR LOW INCOME)
SUPPORT AND COMMUNITY AND)
ECONOMIC DEVELOPMENT.)

CAUSE NO. 43629 GCA 20

APPROVED:

NOV 30 2011

ORDER OF THE COMMISSION

Presiding Officers:

Kari A.E. Bennett, Commissioner

Angela Rapp Weber, Administrative Law Judge

On September 23, 2011, Northern Indiana Public Service Company (“Petitioner” or “NIPSCO”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Petition for approval of a Gas Cost Adjustment (“GCA”) to be applicable during the billing cycles of December 2011 and January and February 2012 in accordance with Indiana Code § 8-1-2-42. Petitioner also requested approval of the use of remaining Tennessee Gas Pipeline Refund Dollars for Low Income Support and Community and Economic Development. On September 26, 2011, Petitioner filed the direct testimony and exhibits of Michael J. Martin, Director Regulatory & Governmental Policy and Cynthia C. Jackson, Manager of Demand Side Management and Energy Efficiency. On October 21, 2011, Petitioner filed the direct testimony and supporting exhibits of Katherine A. Cherven, Manager of Compliance, Rates Department; Ronald G. Plantz, Controller; and Roger A Huhn, Manager, Strategic Initiatives in Energy Supply and Trading.

On October 28, 2011, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its case-in-chief consisting of the testimony and exhibits of Pamela Sue Sargent Hasse, CPA, Partner at London Witte Group LLC; the testimony of Jerome D. Mierzwa, a Principal and Vice President of Exeter Associates, Inc.; and the testimony of Leja D. Courter, Director of the OUCC’s Natural Gas Division. On November 4, 2011, Petitioner filed the supplemental direct testimony of Roger A. Huhn. On November 9, 2011, the OUCC filed supplemental testimony of Jerome D. Mierzwa.

Pursuant to notice duly published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on November 10, 2011 at 9:00 a.m. local time in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were

present and participated. The testimony and exhibits of Petitioner and OUCC were admitted into the record. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented herein, the Commission now finds:

1. Statutory Notice and Commission Jurisdiction. Due legal and timely notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner operates a public gas utility and as such, is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended. The provisions of said Act authorize the Commission to act in this proceeding. Therefore, this Commission has jurisdiction over the parties and the subject matter herein.

2. Petitioner's Characteristics. Petitioner is a corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 801 East 86th Avenue, Merrillville, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in Adams, Allen, Benton, Carroll, Cass, Clinton, DeKalb, Elkhart, Fulton, Howard, Huntington, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Miami, Newton, Noble, Porter, Pulaski, St. Joseph, Starke, Steuben, Tippecanoe, Tipton, Wabash, Warren, Wells, White, and Whitley counties in Indiana. It owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. Petitioner's Tennessee Refund Proposal. In this proceeding, NIPSCO requested authority to use \$2,093,784 from a refund from Tennessee Gas Pipeline (the "Tennessee Refund") to fund (a) the anticipated shortfall in federal Low Income Home Energy Assistance Program ("LIHEAP") dollars, and (b) community revitalization and economic development measures through the expansion of NIPSCO's weatherization program for qualifying senior citizens and the funding of an economic development fund to encourage development and expansion of capital and job intensive projects in NIPSCO's gas service territory ("Tennessee Refund").

In a Docket Entry dated October 18, 2011, the Presiding Officers informed the parties that Petitioner's proposal concerning LIHEAP dollars would be addressed in Cause No. 44094. Therefore, the Commission will not address Petitioner's LIHEAP proposal in this Cause.

4. Tennessee Refund.

A. Petitioner's Evidence. NIPSCO witness Mr. Martin testified that on November 4, 2009, the Federal Energy Regulatory Commission ("FERC") approved an uncontested settlement between Tennessee Gas Pipeline Company ("Tennessee") and its customers/shippers. He explained that as noted in FERC's November 2009 letter of approval, Tennessee over-recovered its recoverable cost/revenue account mechanism by \$156.6 million, and NIPSCO was allocated a total refund amount of \$4,657,384 based on its pro rata share of billings for the refund period. He explained this refund amount includes an overpayment of approximately \$2.6 million, with the remainder being accrued interest on the overpayment. Mr. Martin testified that of NIPSCO's \$4,657,384 total refund entitlement, \$2,563,610 has been or is in the process of being refunded to NIPSCO's customers through the GCA mechanism. The remainder of the refund, \$2,093,784, is comprised of an amount of \$523,446 credited by

Tennessee on NIPSCO's current invoice and scheduled to be included in GCA20, and an additional \$1,570,338 yet to be credited by Tennessee and scheduled for inclusion in GCA21, GCA22, and GCA23.

Mr. Martin testified NIPSCO is proposing that a portion of the remaining \$2,093,784 of the Tennessee Refund be used in combination with undistributed 2010 Winter Warmth Program dollars to fund the anticipated shortfall of federal LIHEAP dollars for qualifying low income customers in NIPSCO's service territory (which is to be considered by the Commission in Cause No. 44094). NIPSCO proposed that \$300,000 of the remaining Tennessee Refund be earmarked for weatherization and used for eligible senior citizens. Further, \$500,000 of the remaining Tennessee Refund would be combined with an additional \$500,000 to be contributed by NIPSCO to establish a fund for encouraging economic development projects in NIPSCO's gas service territory.

He testified economic conditions in NIPSCO's service territory are still recovering, as they are in most of the country, from the impact of a prolonged recession. Mr. Martin stated that as a result, many of NIPSCO's manufacturing customers continue to operate at reduced levels. Mr. Martin stated the lingering economic conditions have made it difficult for existing industrial and commercial customers to expand or make necessary enhancements to their operations, and decisions faced by potential new customers looking to move into NIPSCO's service territory with desperately needed new jobs are even more daunting.

Mr. Martin testified the pipeline refunds are typically treated as a credit to gas costs and reflected on Schedule 12A. NIPSCO is requesting to deviate from the typical manner in which pipeline refunds are returned to its customers for two reasons. First, using the remaining Tennessee Refund for weatherization targeted toward eligible senior citizens and to establish a fund for encouraging economic development projects serves a larger public benefit. Second, the Tennessee Refund relates to overcharged billings that date back to 1995, so there is little commonality with customers on NIPSCO's system today.

Mr. Martin explained that refunding the \$2,093,784 of the remaining Tennessee Refund through the GCA reduces residential and non-residential customer commodity rates by \$0.00256 /therm when calculated on an annual basis. When applying the reduction to an average residential customer's 863 therm annual usage, the overall bill reduction is \$2.21. In contrast, if the \$2,093,784 is leveraged to augment current economic development efforts, and provide additional weatherization measures and low-income assistance, the benefit to NIPSCO's service territory is magnified. Mr. Martin stated those NIPSCO customers struggling most in the current economic downturn will receive little benefit from a nominal reduction in gas costs, while many will be directly benefitted by augmenting weatherization measures and potential jobs. Mr. Martin added NIPSCO's current Low Income Weatherization program makes use of local contractors to perform the work, so the additional funding will also provide an economic boost in addition to the contribution made to energy efficiency.

Mr. Martin said it is difficult to project how many seniors will be served under the weatherization component because the amount of remaining funds is not known at the present time. Further, the cost can vary widely from customer to customer depending on the conditions encountered. He stated as a general rule, the cost of the Low Income Weatherization programs on a per-customer basis is comparatively high because it frequently entails the installation of

space and water heating appliances, insulation of attics and ductwork, and performance of other air sealing repairs.

With respect to the economic development proposal, he testified the fund would be administered jointly by NIPSCO and the Indiana Economic Development Corporation (“IEDC”). Grants ranging from \$10,000 to \$100,000 would be awarded on a quarterly basis in instances where applicants can demonstrate job creation, capital investment, and the ability to match the grant to ensure that the projects are viable, beneficial, and achieve a financial multiplier effect. He stated the combination of the initial matching by NIPSCO and the requirement of dollar for dollar matching will have the effect of quadrupling the impact of the \$500,000 in refund dollars to \$2,000,000 of economic benefit.

Mr. Martin said that while the precise administrative details are a work in progress, NIPSCO envisions eligibility criteria similar to that for the IEDC’s Industrial Development Grant Fund. Mr. Martin testified NIPSCO would like to see this program administered on a very aggressive timetable, with a plan to distribute the fund in target increments of \$250,000 per quarter until the fund is fully liquidated, beginning with the first quarter following Commission approval of the economic development proposal. He stated that while these grants will not in and of themselves provide a major source of funding for most capital intensive projects, they will serve to provide an additional incentive for potential employers to locate their facilities in Indiana and in the NIPSCO service territory.

B. OUCC’s Evidence. Leja D. Courter testified on behalf of the OUCC. Mr. Courter testified the principal and the interest of the Tennessee Refund belong to NIPSCO’s ratepayers, regardless of the amount of the refund. Pipeline refunds have been returned to ratepayers in accordance with the Commission’s August 3, 1983 Order in the Generic GCA proceeding, Cause No. 37091, for approximately thirty years. Mr. Courter stated he is not aware of any legal basis that would allow the Commission to approve NIPSCO’s proposal. Although requested through discovery, NIPSCO did not cite any statutory or case law in support of its proposal.

With respect to intergenerational implications, Mr. Courter said he does not doubt there are many natural gas ratepayers on NIPSCO’s system today who were not NIPSCO customers in 1995. Likewise, he testified there are likely many customers from 1995 who are no longer NIPSCO customers. While it would be convenient if all the same ratepayers from 1995 were still NIPSCO customers, it is not the case. Nevertheless, Mr. Courter stated this does not change the fact the Tennessee Refund belongs to NIPSCO’s ratepayers.

Mr. Courter testified the OUCC is not opposed to economic development and weatherization programs. In addition, well-managed economic development and weatherization programs can provide benefits to Indiana consumers. Mr. Courter said he does not believe it is appropriate to finance these programs with pipeline refunds that belong to utility ratepayers. He recommended the Commission reject NIPSCO’s proposal and allow the Tennessee Refund to be returned to NIPSCO’s ratepayers through the GCA process.

C. Commission Discussion and Findings. The issue before the Commission is whether we should authorize the use of a portion of Tennessee Refund dollars for weatherization and economic development programs as proposed by NIPSCO. The Tennessee Refund is being returned pursuant to a FERC approved settlement. The OUCC correctly notes

that pursuant to Indiana Code § 8-1-2-42(g) and the August 3, 1983 Order in Cause No. 37091, pipeline refunds are to be included in the calculation of GCA factors pursuant.

The Commission finds that based on the evidence presented, NIPSCO's request to use the Tennessee Refund for economic development and weatherization purposes is denied. NIPSCO states its ratepayers will benefit more if the Tennessee Refund were to be used for weatherization and economic development purposes than if it were returned to ratepayers. NIPSCO's evidence essentially constitutes assertions regarding the economic development and weatherization benefits. Mr. Martin acknowledges that NIPSCO has not finalized the administrative details regarding the economic development proposal. Furthermore, NIPSCO presented no concrete evidence indicating a link between a general economic development grant program to the accrual of benefits to its natural gas ratepayers. Likewise, the weatherization program lacks necessary information the Commission expects regarding such proposals in demand side management ("DSM") proceedings, such as the selection process for recipients, the types of weatherization measures that will be considered for installation, and any analysis regarding cost effectiveness.

The Commission is not convinced, based on the evidence of record, that NIPSCO's proposal is a more appropriate use of ratepayer money. The Commission does not refute the general value of economic development and weatherization programs, which, if designed and implemented properly, can provide great benefits to communities and ratepayers. The Commission simply finds NIPSCO has not presented sufficient evidence in this Cause to demonstrate that we should allow it to use ratepayer dollars for these programs as described by NIPSCO in this Cause. Moreover, the Commission's denial of NIPSCO's weatherization proposal in this Cause does not bar weatherization programs, generally. Cause No. 44001, which is currently pending before the Commission, concerns NIPSCO's natural gas DSM proposals and includes a weatherization component.

Based on the foregoing, NIPSCO shall refund to ratepayers in this GCA the amount of \$523,446 currently invoiced by Tennessee.

5. Gas Cost Adjustment.

A. Source of Natural Gas. Indiana Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide gas to its retail customers at the lowest gas cost reasonably possible.

Mr. Roger Huhn testified Petitioner manages a balanced and diversified gas supply portfolio comprised of a variety of commodity, transportation, and storage resources. The commodity portfolio is balanced with a combination of fixed-price (physical and financial) and market-based purchases. The commodity portfolio diversification is achieved by acquiring gas from a number of suppliers through a competitive bidding process and the utilization of a variety of pricing structures sourced from multiple locations. These gas supplies are delivered to Petitioner through multiple long-term firm transportation arrangements with several different interstate gas pipelines, providing access to multiple supply basins. Mr. Huhn testified Petitioner also has several long-term firm contractual storage services, as well as on-system storage capability to meet its gas customers' requirements. The storage portfolio is further diversified through a variety of storage service types in multiple locations in the market area, as well as in producing regions.

Mr. Huhn further testified that during the three-month recovery period beginning December 1, 2011, Petitioner will purchase supply under firm arrangements on both a term- and spot-market basis. To achieve diversity of supply, he stated Petitioner has contracted with several pipelines permitting access to multiple supply basins. Petitioner has long-term firm transportation contracts with Natural Gas Pipeline Company of America (“Natural”), Panhandle Eastern Pipe Line Company (“Panhandle”), Trunkline Gas Company (“Trunkline”), ANR Pipeline Company (“ANR”), Vector Pipeline, Crossroads Pipeline, and Northern Border Pipeline. The long-term, firm, long-haul transportation contracts with Natural, Panhandle, Trunkline, Crossroads, and ANR have an aggregate Maximum Daily Quantity during the peak season of 471,000 Dth per day. With regard to storage, Mr. Huhn testified that firm storage service contracts with Natural, Panhandle, ANR, Moss Bluff Hub Partners, L.P., Kinder Morgan Texas Pipeline, L.P., Washington 10 Storage Corporation, and Egan Hub Partners, L.P. provide an annual storage capability of 29,430,000 Dth, with maximum daily withdrawal capability of 579,000 Dth to meet winter peaks.

The Commission has indicated that Indiana’s gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that works to mitigate gas price volatility and considers market conditions and the price of natural gas on a current and forward-looking basis. Based on the evidence offered, we find Petitioner demonstrated that it has and continues to follow a policy of securing natural gas supply at the lowest gas cost reasonably possible in order to meet anticipated customer requirements. Thus, the Commission finds the requirement of this statutory provision has been fulfilled.

B. Purchased Gas Cost Rates. Indiana Code § 8-1-2-42(g)(3)(B) requires that Petitioner’s pipeline suppliers have requested or filed pursuant to the jurisdiction and procedures of a duly constituted regulatory agency the costs proposed to be included in the GCA factors. The evidence of record indicates gas costs in this Petition include transportation rates that have been filed by Petitioner’s pipeline suppliers in accordance with FERC procedures. The Commission reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the costs to be reasonable. Accordingly, the Commission finds that the requirement of this statutory provision has been fulfilled.

C. Return Earned. Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment that results in the Petitioner earning a return in excess of the return authorized by the last Commission proceeding in which Petitioner’s basic rates and charges were approved. The most recent proceeding in which Petitioner’s basic rates and charges were approved is Cause No. 43894. The Commission’s November 4, 2010 Order in that Cause authorized Petitioner to earn a net operating income of \$39,841,895. In the Commission’s Order dated May 31, 2011 in Consolidated Cause Nos. 43941, 43942, and 43943 (“Merger Order”), the Commission authorized an incremental annual net operating income of \$4,602,072. This incremental net operating income is to be added to the authorized net operating income approved for NIPSCO of \$39,841,895 in Cause No. 43894 for purpose of the earnings test calculation beginning with the first consolidated GCA filed on behalf of the consolidated NIPSCO.

The net operating income calculated in this Cause is calculated in accordance with the provisions of the Merger Order. The evidence of record indicates that for the twelve months ending September 30, 2011, Petitioner’s actual net operating income was \$51,335,618. Mr. Plantz testified that while the earnings for the twelve month period ending September 30, 2011

exceeds the annual return authorized by the Commission in the Merger Order by \$6,891,652, the amount of that over-earning is more than offset by Petitioner's bank of under-earnings established in the Merger Order. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning in excess of that authorized in its last rate case.

Because Petitioner has earned a return in excess of the amount authorized, Indiana Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded through the variance in this Cause. A refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Indiana Code § 8-1-2-42.3(a), is greater than zero. Based upon the evidence of record, the Commission finds the sum of the differentials during the relevant period is less than zero, and therefore, it is not appropriate to require a refund of any of the amount over earned in this Cause.

D. Estimation of Purchased Gas Costs. Indiana Code § 8-1-2-42(g)(3)(D) requires that Petitioner's estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, a comparison of prior estimates with the eventual actual costs. The evidence presented indicates that Petitioner's estimating techniques during the reconciliation period of June through August 2011 ("Reconciliation Period") yielded an under-estimated weighted average error of 17.20%. Ms. Cherven explained the large weighted-average error is because actual sales in June and August were lower than estimated. Further, demand costs were higher than estimated because usage is lower in the summer months and demand costs are annualized. Based upon Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas cost is reasonable.

E. Reconciliation. Indiana Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding indicates the commodity and bad debt variance for the Reconciliation Period is an under-collection of \$2,050,532 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period commodity and bad debt variance to be included in this GCA as an increase in the estimated net cost of gas is \$1,050,910. The commodity and bad debt variance from prior recovery periods applicable to the current recovery period is an under-collection of \$11,308,019. Combining this amount with the Reconciliation Period commodity and bad debt variance results in a total under-collection of \$12,358,929 to be included in this GCA as an increase in the estimated net cost of gas.

The evidence presented in this current proceeding indicates the demand variance for the Reconciliation Period is an under-collection of \$9,062,037 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period demand variance to be included in this GCA as an increase in the estimated net cost of gas is \$4,617,960. The demand variance from prior recovery periods applicable to the current recovery period is an over-collection of \$1,581,382. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of \$3,036,578 to be included in this GCA as an increase in the estimated net cost of gas.

Petitioner received a total of \$1,595,063 in refunds during the Reconciliation Period. This amount includes \$523,446 of the Tennessee Refund. As discussed in Paragraph 4C, the Tennessee Refund should be returned, based on estimated sales percentages, in this GCA. The amount of the Reconciliation Period pipeline refund to be returned in this GCA is \$267,687.

The \$1,595,063 in total refunds also includes a storage service credit of \$1,071,617 to be returned to GCA customers in the months of December 2011 and January and February 2012 in accordance with the Order in Cause No. 38952 approved September 5, 1990. Petitioner has \$629,878 in refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has \$1,969,182 in refunds to be applied in this GCA as a decrease in the net cost of gas.

Based upon the evidence presented, the Commission finds Petitioner’s proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period and the gas costs recovered during that same period.

F. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered during the application periods of December 2011 and January and February 2012 are \$52,884,046, \$59,672,751 and \$48,706,928, respectively. Adjusting this total for the commodity and demand variance and refund amounts yields gas costs to be recovered through the GCA of \$174,690,050. After dividing that amount by estimated sales, adding the demand costs, and adjusting for Bad Debt expense as provided at Cause No. 43894 and Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are:

<u>Estimated GCA per Therm</u>			
<u>Rate Class</u>	<u>December 2011</u>	<u>January 2012</u>	<u>February 2012</u>
Residential	\$0.5413	\$0.5264	\$0.5333
General Service	\$0.5898	\$0.5650	\$0.5699

G. Effects on Residential Customers. The December 2011 GCA factor of \$5.413/Dth represents an increase of \$0.545/Dth from the current October 2011 GCA factor of \$4.868/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 1:

<u>Table 1</u>				
Proposed GCA Factor for December 2011				
vs.				
Currently Approved GCA Factor for October 2011				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$44.08	\$41.37	\$2.71	6.55%
10	\$77.16	\$71.71	\$5.45	7.60%
15	\$110.24	\$102.08	\$8.16	7.99%
20	\$143.32	\$132.42	\$10.90	8.23%
25	\$176.40	\$162.79	\$13.61	8.36%

The January 2012 GCA factor of \$5.264/Dth represents an increase of \$0.396/Dth from the current October 2011 GCA factor of \$4.868/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 2:

Table 2				
Proposed GCA Factor for January 2012				
vs.				
Currently Approved GCA Factor for October 2011				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$43.34	\$41.37	\$1.97	4.76%
10	\$75.67	\$71.71	\$3.96	5.52%
15	\$108.01	\$102.08	\$5.93	5.81%
20	\$140.34	\$132.42	\$7.92	5.98%
25	\$172.68	\$162.79	\$9.89	6.08%

The February 2012 GCA factor of \$5.333/Dth represents an increase of \$0.465/Dth from the current October 2011 GCA factor of \$4.868/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 3:

Table 3				
Proposed GCA Factor for February 2012				
vs.				
Currently Approved GCA Factor for October 2011				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$43.68	\$41.37	\$2.31	5.58%
10	\$76.36	\$71.71	\$4.65	6.48%
15	\$109.04	\$102.08	\$6.96	6.82%
20	\$141.72	\$132.42	\$9.30	7.02%
25	\$174.40	\$162.79	\$11.61	7.13%

The December 2011 GCA factor of \$5.413/Dth represents a decrease of \$0.522/Dth from the GCA factor billed one year ago of \$5.935/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 4:

Table 4				
Proposed GCA Factor for December 2011				
vs.				
GCA Factor Prior Year for December 2010				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$44.08	\$46.70	(\$2.62)	(5.61)%
10	\$77.16	\$82.37	(\$5.21)	(6.33)%
15	\$110.24	\$118.07	(\$7.83)	(6.63)%
20	\$143.32	\$153.75	(\$10.43)	(6.78)%
25	\$176.40	\$189.44	(\$13.04)	(6.88)%

The January 2012 GCA factor of \$5.264/Dth represents a decrease of \$0.528/Dth from the GCA factor billed one year ago of \$5.792/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 5:

Table 5				
Proposed GCA Factor for January 2012				
vs.				
GCA Factor Prior Year for January 2011				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$43.34	\$45.98	(\$2.64)	(5.74)%
10	\$75.67	\$80.94	(\$5.27)	(6.51)%
15	\$108.01	\$115.92	(\$7.91)	(6.82)%
20	\$140.34	\$150.89	(\$10.55)	(6.99)%
25	\$172.68	\$185.86	(\$13.18)	(7.09)%

The February 2012 GCA factor of \$5.333/Dth represents a decrease of \$0.756/Dth from the GCA factor billed one year ago of \$6.089/Dth. The effects of this change for various consumption levels of residential customer bills are shown in Table 6:

Table 6				
Proposed GCA Factor for February 2012				
vs.				
GCA Factor Prior Year for February 2011				
Monthly Consumption Mcf or Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$43.68	\$47.46	(\$3.78)	(7.96)%
10	\$76.36	\$83.91	(\$7.55)	(9.00)%
15	\$109.04	\$120.37	(\$11.33)	(9.41)%
20	\$141.72	\$156.83	(\$15.11)	(9.63)%
25	\$174.40	\$193.29	(\$18.89)	(9.77)%

H. Interim Rates. The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized that the approved rates herein should be interim rates subject to refund pending reconciliation in the event an excess return is earned.

I. Monthly Flex Mechanism. Petitioner utilizes a flex mechanism each month to adjust the GCA for the subsequent month. The flex applies only to estimated pricing of estimated market purchases (the initial market price) in the GCA. The flex will be filed no less than three (3) days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex are to be priced at NYMEX prices on a day no more than six business days prior to the beginning of said calendar month. Changes in the market price included in the flex will be limited to a maximum adjustment (up or down) of \$1.00 from the initial market price.

The Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

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

1. Petitioner's request concerning the Tennessee Refund is denied in accordance with Paragraph 4C.

2. The Petition of Northern Indiana Public Service Company for the gas cost adjustment for natural gas service, as set forth in Paragraph 5F, is hereby approved, subject to refund in accordance with Paragraph 5H.

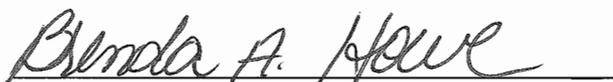
3. Petitioner shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustments approved herein, or any future flex factor, separate amendments to its rate schedule with reasonable reference thereon reflecting that such charges are applicable to the rate schedules reflected on these amendments.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: NOV 30 2011

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



Brenda A. Howe
Secretary to the Commission