

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY LLC FOR)
APPROVAL OF ENVIRONMENTAL COST) CAUSE NO. 46033 ECT 1
TRACKER ADJUSTMENT FACTORS TO BE)
APPLICABLE DURING THE BILLING) APPROVED: JUL 10 2024
CYCLES OF AUGUST THROUGH)
DECEMBER 2024 PURSUANT TO IND. CODE)
§ 8-1-2-42.)

ORDER OF THE COMMISSION

Presiding Officers:
Wesley R. Bennett, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On March 22, 2024, Northern Indiana Public Service Company LLC (“NIPSCO” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of Environmental Cost Tracker Adjustment (“ECT Adjustment”) factors. Also on March 22, 2024, Petitioner prefiled its case-in-chief, which consisted of the testimony and attachments of Kelleen M. Krupa, Lead Regulatory Analyst of NiSource Corporate Services Company. NIPSCO filed revisions to its case-in-chief and the Verified Petition on April 5, 2024, and additional corrections to its case-in-chief on May 14, 2024.

On June 3, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Kaleb G. Lantrip, Senior Utility Analyst in the Electric Division.

The Commission held an evidentiary hearing in this Cause at 1:30 p.m. on June 19, 2024, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC, by counsel, participated in the evidentiary hearing. At the hearing, the prefiled testimony and exhibits of NIPSCO and the OUCC were admitted without objection. The Presiding Officers also admitted, after review and without objection, NIPSCO’s rebuttal testimony of Ms. Krupa, which had not been prefiled with the Commission but was served on the OUCC.

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

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1. Pursuant to Ind. Code § 8-1-2-42, the Commission has jurisdiction over Petitioner’s 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’s principal office is located at 801 East 86th Avenue, Merrillville, Indiana. Petitioner is engaged in rendering electric public utility service in Indiana and owns, operates, manages, and controls, among other things, plants and equipment within Indiana used for the production, transmission, delivery, and furnishing of such service to the public.

3. Background and Requested Relief. The Commission’s August 2, 2023 Order in Cause No. 45772 (“45772 Order”) approved, among other things, NIPSCO’s Rider 594 – Adjustment of Charges for Environmental Cost Tracker and Appendix K – Environmental Cost Tracker Adjustment (“ECT Rider”), to track costs associated with NOx emissions allowances and variable chemical costs and allocate such costs among rate classes based on energy. The recovery of the ECT Adjustment will be based on energy for each rate class except Rate 526, which will be recovered through billed demand in accordance with the 45772 Order.¹ In accordance with the 45772 Order, Step 1 rates became effective August 4, 2023.

In this proceeding, Petitioner requests Commission approval of ECT Adjustment factors to be applicable and made effective for bills rendered by NIPSCO during the billing cycles of August through December 2024, or until replaced by different factors approved in a subsequent filing.

4. Summary of the Evidence. NIPSCO’s witness Krupa testified that the ECT Adjustment factors proposed in this proceeding are for the billing cycles of August through December 2024, and include actual environmental costs for the period August 4, 2023 through December 31, 2023. She testified NIPSCO’s chemical costs are \$7,169,241 and NOx emissions allowances are a credit of \$177,500, for net environmental costs included in this proceeding of a charge of \$6,991,741. She explained that NIPSCO’s first reconciliation of the revenue requirement will occur in NIPSCO’s ECT 3 filing, which will reconcile the revenue requirement in this ECT for the billing period August through December 2024.

Ms. Krupa stated the costs are allocated to each rate class using the energy allocators approved in the 45772 Order. She explained that, in this filing, NIPSCO is proposing to adjust its allocation percentages to reflect the significant migration of customers amongst the various rates for each semi-annual ECT Adjustment filing to prevent any unintended consequences of the migration of customers between rates and to properly allocate their share of the revenue requirement. She noted that there were no customer migrations or other adjustments to be included in this filing.

OUC witness Lantrip recommended approval of NIPSCO’s proposed ECT Adjustment factor, but denial of NIPSCO’s request to adjust its energy allocation percentages approved in the 45772 Order within its ECT Rider. Mr. Lantrip contended it is inappropriate for NIPSCO to update its energy allocation factors outside the context of a rate case. He stated the Commission did not rule on this matter in the establishment of the ECT Rider in Cause No. 45772, and barring any proof of extenuating or extraordinary circumstances, it would be premature to grant such authority. Mr. Lantrip also stated that his recommendation is reinforced by NIPSCO’s statement that it does not currently propose an allocation adjustment in this filing.

¹ The ECT Rider is described in the 45772 Order at 17-18 and Attachment A at 16-17.

In rebuttal, Ms. Krupa testified that when NIPSCO sought approval of the ECT Rider in Cause No. 45772, NIPSCO did not propose to adjust its energy allocation percentages in its semi-annual ECT Adjustment filings. Instead, NIPSCO is requesting approval in this filing to adjust, as needed in future semi-annual ECT Adjustment filings, its energy allocation percentage to reflect the significant migration of customers amongst the various rates. She stated that the Commission has authorized NIPSCO to make this same adjustment in many of its other gas and electric trackers.

Ms. Krupa explained that customer migrations are outside of NIPSCO's control, and adjusting allocation factors is necessary to prevent any unintended consequences of the migration of customers to different rate classes and to properly allocate the revenue requirement of each rate class. She stated that if such an adjustment is made, NIPSCO will identify the modifications in prefiled testimony and provide supporting testimony for the modification. Ms. Krupa provided an example demonstrating how a significant customer migration would create a material mismatch in how the ECT is allocated as compared to how it is actually recovered.

5. Commission Discussion and Findings. Based on the evidence presented, the Commission finds that NIPSCO's ECT Adjustment factors were calculated consistent with the requirements of the 45772 Order and approves Petitioner's proposed ECT Adjustment factors for the period of August through December 2024.

Ms. Krupa sponsored NIPSCO's ECT Rider showing modifications that were approved in the 45772 Order but inadvertently omitted in NIPSCO's Compliance Filing – Step 1 Rates. Ms. Krupa also sponsored Attachment 1-A, Attachment A, Schedule 1 of Petitioner's Exhibit 1 reflecting the ECT Adjustment factors to be effective for bills rendered during the billing cycles of August through December 2024. The OUCB recommended approval of NIPSCO's proposed ECT Adjustment factors.

Ms. Krupa testified the proposed factor will add \$1.02 to a 668 kWh residential bill, which will be \$1.02 more than the effect of the current factor. The proposed factor will add \$1.52 to a 1,000 kWh residential bill, which will be \$1.52 more than the effect of the current factor.

Regarding NIPSCO's request to adjust its energy allocation percentages in future semi-annual ECT Adjustment filings when needed to reflect a significant migration of customers amongst various rates, we note this issue was not specifically addressed by the parties to the settlement agreement approved in the 45772 Order. We agree with the OUCB that such a determination is premature since there have been no customer migrations and NIPSCO did not propose an allocation adjustment in this filing. While NIPSCO indicated that any future adjustments would be supported by prefiled testimony, NIPSCO's request in this case for blanket pre-approval essentially seeks to alter the burden of proof for any future customer migrations. We find that a determination as to whether an adjustment to the energy allocation percentages should be made for a particular migration of customers is best determined when we are presented with specific facts concerning the occurrence of actual customer migrations. Therefore, NIPSCO's request for blanket pre-approval of such adjustments is denied.

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

1. Petitioner's requested ECT Adjustment factors to be applicable to bills rendered during the billing cycles of August through December 2024 are approved.

2. Petitioner's request for blanket pre-approval to adjust its allocation percentages to reflect significant migrations of customers amongst the various rates in each semi-annual ECT Adjustment filing is denied.

3. Prior to implementing the rates approved in this Order, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: JUL 10 2024

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

Dana Kosco
Secretary of the Commission