OFFICIAL EXHIBITS

FILED
September 4, 2015
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF ELECTRIC ENERGY EFFICIENCY PROGRAMS TO BE EFFECTIVE FOR THE PERIOD JANUARY 1, 2016 THROUGH DECEMBER 31, 2018, FOR AUTHORITY TO RECOVER ASSOCIATED START-UP, IMPLEMENTATION AND ADMINISTRATIVE COSTS ALONG WITH COSTS ASSOCIATED WITH THE EVALUATION, MEASUREMENT AND VERIFICATION OF THOSE PROGRAMS ("PROGRAM COSTS"), LOST REVENUES AND PERFORMANCE INCENTIVES ("ENERGY EFFICIENCY PROGRAM COSTS") THROUGH ITS DEMAND SIDE MANAGEMENT ADJUSTMENT MECHANISM IN ACCORDANCE WITH IND. CODE § 8-1-2-42(a), 8-1-8.5-9 AND 8-1-8.5-10 AND PURSUANT TO 170 IAC 4-8-5, 170 IAC 4-8-6 AND 170 IAC 4-8-7 AND FOR AUTHORITY TO DEFER ENERGY EFFICIENCY PROGRAM COSTS.	**CAUSE NO. 44634**

IURC
PUBLIC'S
EXHIBIT NO. 1
10-20-15 AT
DATE REPORTER

OUCC PREFILED TESTIMONY

OF

EDWARD T. RUTTER - PUBLIC EXHIBIT #1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

September 4, 2015

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

Jeffrey M. Reed, Atty. No. 11651-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***Office of Utility Consumer Counselor Testimony Edward T. Rutter*** has been served upon the following counsel of record in the captioned proceeding by electronic service and/or by depositing a copy of same in the United States mail, first class postage prepaid, on September 4, 2015.

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TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER
CAUSE NO. 44634
NORTHERN INDIANA PUBLIC SERVICE COMPANY

I. INTRODUCTION

Q: Please state your name, employer, current position and business address.

A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Resource Planning and Communications Division. My business address is 115 West Washington St., Suite 1500 South Tower, Indianapolis, Indiana 46204. My educational background and professional experience is detailed in Appendix ETR-1 attached to this testimony.

Q: What did you do to prepare your direct testimony in this Cause?

A: I reviewed and analyzed the petition, pre-filed testimony, exhibits and workpapers and Northern Indiana Public Service Company's ("NIPSCO") responses to data requests. I attended meetings with NIPSCO employees and consultants to discuss the policies and procedures employed in developing the proposed recovery of lost margins[1] and incentives. I am also the OUCC's representative on the NIPSCO DSM Oversight Board ("OSB") and in that capacity, participated in regularly

[1] The Commission, utilities and other parties have historically used the terms "lost margins" and "lost revenues" synonymously. Compare NIPSCO's caption in this case ("lost revenues") with its caption in Cause No. 44154 ("lost margins"). See also Cause No. 43827 (9/22/10, I&M DSM; "lost revenues"), Cause No. 43938 (8/31/11, Vectren DSM; "lost margins"), Cause No. 43959 (7/13/11, I&M DSM; "lost revenues"), Cause No. 43912 (7/27/11 NIPSCO DSM; "lost margins"), Cause No. 43623, Phase II (2/10/10, IPL DSM; "lost revenues/margins"). For purposes of this testimony, the OUCC will use them interchangeably.

scheduled OSB meetings where the progress of existing Demand Side Management ("DSM") programs and the development of the proposed 2016 – 2018 DSM Plan were discussed, analyzed and debated.

Q: What is the purpose of your direct testimony?

A: I discuss OUCC's support of NIPSCO's proposed programs and budgets, exclusive of lost revenues and shareholder incentives. For every dollar spent on NIPSCO's Plan, only 37% is for actual program costs. The DSM energy savings, on average over the three years of the Plan, will cost $0.37 per kWh saved. I will demonstrate that of the $0.37, program cost recovery represents only $0.14, meaning NIPSCO is asking for $0.23 profit for each kWh saved by DSM. I will explain why NIPSCO's proposed lost margins and shareholder incentives render the 2016-2018 plan unreasonable pursuant to Senate Enrolled Act 412 ("SEA 412") and should be denied. I will also discuss the cost/benefit results based on the process provided in SEA 412 and how that calculation compares to the standard cost/benefit tests historically employed in Indiana.

II. PROGRAMS

Q. How long have you been the OUCC representative on the NIPSCO OSB?

A. I have been the OUCC representative since March 2013.

Q. As a member of the NIPSCO OSB, have you participated in the discussion, development and analysis of the programs NIPSCO proposes in the 2016 – 2018 DSM plan?

A. Yes. NIPSCO worked closely with the OSB in developing programs that were generally consistent with the design and implementation of the programs adopted for 2015. Applied Energy Group ("AEG") developed a forecast of achievable savings ("NIPSCO DSM Potential Study") to assist in the development of the 2014 Integrated Resource Plan ("IRP"). This DSM Potential Study was also utilized by NIPSCO in developing the DSM Plan.

Q. Do you have any concerns relative to the programs?

A. Yes. The Income Qualified Appliance Replacement Program provides income-qualified single family homeowners an energy efficient refrigerator as a replacement for their less efficient refrigerator. The OUCC recommends that a stringent control policy and a robust Evaluation, Measurement and Verification ("EM&V") plan be put in place to ensure the appliances are placed, and remain, in the appropriate low income households. A more robust EM&V plan should include site visits where appliances were replaced as opposed to telephone surveys. The implementation of a robust EM&V plan relative to the proposed program may result in NIPSCO incurring greater costs than currently estimated.

Q. Are NIPSCO's proposed program budgets reasonable?

A. The direct project implementation budget is based on cost estimates from the residential and C&I program implementers and is reasonable, other than the potential need for greater EM&V for the Income Qualified Appliance Replacement Program. The administrative and EM&V budgets are also reasonable. They are reflective of historical costs and both average 5% of the proposed vendor program budgets. As I discuss later, NIPSCO's proposed lost margins and shareholder incentives recovery included in the DSM Plan budget are not reasonable.

Q. Does the OUCC recommend approval of NIPSCO's proposed programs?

A. The totality of NIPSCO's proposed DSM Plan is unreasonable and should be rejected because of the proposed lost margins / shareholder incentive recovery and the Plan's failure to comply with SEA 412. However, looking only at the program structures and costs other than lost margins and shareholder incentives, the programs are both cost beneficial and reasonable.[2] NIPSCO's programs are based on programs that have demonstrated success either in NIPSCO's territory and / or other service territories across the country. The NIPSCO OSB has demonstrated the ability to work collaboratively to maximize the benefits from the previous and existing programs, and is confident that relationship will continue.

III. LOST MARGINS AND THE DSM "DISINCENTIVE"

Q. Has the Commission previously explained the intended purpose of lost margin recovery?

A. Yes. In NIPSCO's first DSM case authorizing lost margins, Cause No. 44154 (8/12/12), the Commission's Order at page 9 states:

> As we previously noted, recovery of lost margins is intended as a tool to remove the disincentive utilities would otherwise face as a result of promoting DSM in its service territory.[3]

[2] Cost effective programs score greater than 1.0 in any given cost/benefit test. All of NIPSCO's Residential & C&I programs pass both the TRC (Residential = 1.97; C&I = 4.16) and UCT (Residential = 2.35; C&I = 7.07) tests. A more detailed explanation of cost benefit tests follows in the next section.

[3] Citing *Southern Ind. Gas & Elec. Co.* Cause No. 43938 at 40-41 (IURC Aug. 31, 2011).

As discussed in detail below, NIPSCO's case-in-chief in this Cause demonstrates that promoting DSM within its service territory does not expose NIPSCO to any disincentive that requires removal, but rather provides an economic incentive that far exceeds what the Company would earn by selecting a supply-side option.

Q. How is NIPSCO using UCT/PACT?

A. NIPSCO used the Utility Cost Test / Program Administrator Cost Test ("UCT/PACT") cost benefit test to demonstrate that its DSM Plan was cost-effective and reasonable. NIPSCO also chose to justify its proposed recovery of performance incentives using the net present value ("NPV") of the program benefits determined by the UCT/PACT.

Q. How is the OUCC using UCT/PACT?

A. The OUCC examined lost margins with this test to determine if a DSM disincentive would exist as a result of adopting the proposed DSM Plan. Sometimes referred to as the revenue requirements test,[4] the UCT/PACT is a cost benefit test that looks to determine if customer utility bills will increase over time. The UCT/PACT examines the ratio of the DSM programs' net benefits to the program costs incurred by the utility. The costs include all expenditures by the utility to design, plan, administer, deliver and monitor the DSM programs. The benefits include all the avoided utility energy costs, avoided utility capacity costs, and avoided transmission and distribution costs. The UCT/PACT only includes

[4] "Energy Efficiency Cost-Effectiveness Screening" Synapse Energy Economics, Inc. November 2012, page 16, footnote 14.

the utility's costs and not the costs incurred by the customer. Neither lost margins nor shareholder incentives are included in this test.

Determining whether or not a disincentive exists can be viewed as a function of NIPSCO's estimated cost-benefit results positively or negatively impacting the net operating income or return authorized under NIPSCO's last base rate case, Cause No. 43969 (December 21, 2011). Those rates were set to allow NIPSCO the opportunity to achieve an authorized rate of return on its rate base. The impact of the proposed Electric DSM Plan on the authorized return can be determined by relating the net benefits to the rate of return authorized. The cost benefit calculations necessary to isolate the impact on the overall rate of return and return on common equity from the Electric DSM programs through the UCT/PACT are provided in NIPSCO's case-in-chief.

Adding the UCT/PACT net benefit, lost margins and incentives (each as calculated by NIPSCO) to the authorized NOI will demonstrate if a disincentive exists. If the sum of these items (actual return on the rate base) is less than the authorized rate of return, then a disincentive exists. If the actual return on the rate base is increased, then there is no disincentive.

Q. What are the results of your analysis?

A. The results are contained on ETR Attachment 2, pages 1 – 6. The data are derived from:

1. The final approved order in Cause No. 43969 (NIPSCO's current authorized overall rate of return, rate base, return on equity, capital structure and authorized NOI);[5]

[5] Cause No. 43969 (12/21/11), Order at pages 65-66.

2. Petitioner's Exhibit No. 2-C (NIPSCO-calculated NPV of the UCT/PACT benefits and projected performance incentives for 2016 - 2018); and

3. NIPSCO's responses to Citizens Action Coalition's Data Request CAC Set 1-4 (NIPSCO-calculated projected lost margins for 2016 – 2018)(ETR Attachment 3).

For 2016, page 1 sets forth NIPSCO's 6.98% Weighted Average Cost of Capital (overall rate of return) on its $2,705,906,051 Indiana jurisdictional rate base, plus the authorized Net Operating Income ("NOI"). Adding the NIPSCO-calculated UCT/PACT net benefit ($51.2M), lost margins ($21.7M) and incentives ($1.7M), and applying an assumed 40% effective income tax rate produces a realized overall rate of return of 8.64%, more than one hundred sixty basis points above the authorized 6.98%. Page 2 includes the authorized return on common equity of 10.20% and uses the authorized capital structure and cost rates to calculate the effective new return on common equity. At 13.76%, this is more than three hundred fifty basis points above the authorized 10.2%. The same process is repeated on pages 3-4 for 2017 and pages 5-6 for 2018.

The resulting impact on NIPSCO's authorized rate of return caused by the implementation of the Electric DSM Plan further raises that authorized overall rate of return to 8.68% in 2017 and 8.79% in 2018. The resulting indicated rate of return on common equity increases as well: 13.84% in 2017 and 14.08% in 2018.

Q. Based on this analysis, will implementation of the NIPSCO Electric DSM plan result in a disincentive to NIPSCO?

A. No. If NIPSCO chose to meet demand with a supply-side option such as a new plant, it would earn a return on its investment of 6.98%. That investment would come with significant risk, including financing a massive capital investment, slower cost recovery and the possibility that the Commission may not find the project used and useful. In comparison, none of those risks apply to NIPSCO's proposed DSM Plan. If approved, NIPSCO's effective overall rate of return and return on common equity will surpass its authorized levels. NIPSCO faces no disincentive. Instead, the opposite is true. Any allowance of the recovery of lost margins under the proposed DSM Plan is unreasonable and unnecessary.

IV. LOST MARGINS AND COST EFFECTIVENESS TESTS

Q. Would you please define cost-effectiveness as used within your testimony?

A. Cost effectiveness is a measure of the relationship between the benefits of a DSM investment and the associated costs. Results are typically developed in NPV dollars or as a ratio of benefits/costs. A score greater than 1.0 indicates the benefits exceed the costs. There are five (5) cost-effectiveness tests commonly used by state commissions and utilities, usually with input from other stakeholders.

Q. How does one determine if a DSM program or group of programs is cost-effective?

A. Absent other specific mandates, the first step is to select which of the five cost-effectiveness tests to be used:

- Utility cost test / Program administrator cost test ("UCT/PACT")
- Ratepayer impact test ("RIM")
- Total resource cost test ("TRC")
- Participant cost test ("PCT")

- Societal cost test ("SCT")

These tests have been used for over twenty (20) years. Originating in California, they were developed for evaluating DSM programs and are contained in California's *Standard Practice for Cost-Benefit Analysis of Conservation and Load Management Programs* manual. NIPSCO focused its cost-benefit analysis on the PACT, RIM and TRC. It did not present complete results for the PCT[6] or any results for the SCT.[7]

Q. Please explain the Utilitry Cost Test / Program Administrator Cost Test.

A. Discussed earlier, UCT/PACT has been referred to as the revenue requirements test.[8] The purpose of the test is to determine if utility bills will increase over time. The UCT/PACT focuses on the energy costs and benefits experienced by the utility implementing the programs.

The costs include all expenditures by the utility to design, plan administer, deliver, and monitor the DSM programs. The benefits include all the avoided utility energy costs, avoided utility capacity costs, and avoided transmission and distribution costs. The UCT/PACT only includes the utility's costs and not the

[6] The PCT compares the costs and benefits to the customer that has installed a DSM measure. A score greater than 1.0 means the customer (participant) will benefit over the life of the measure. The benefits include bill savings realized by the customer and any financial incentive paid by the utility. The costs include all the direct expenses incurred by the customer to purchase, install and operate a DSM measure. Neither lost margins nor shareholder incentives are included in this test.

[7] The SCT compares society's costs of DSM to resource savings and non-cash costs and benefits. A benefit/cost ratio greater than 1.0 indicates that all impacted parties - utility, customer and state - are better off as a whole. The SCT can be considered the most comprehensive test for evaluating DSM programs since this is the only test designed to capture all benefits and all costs to society as a whole. Ideally the SCT would include all costs and benefits, including non-energy costs, no matter who experiences them.

[8] "Energy Efficiency Cost-Effectiveness Screening" Synapse Energy Economics, Inc., November 2012, page 16, footnote 14.

costs incurred by the customer. Neither lost margins nor shareholder incentives are included in this test.

Q. Please explain the Ratepayer Impact Measure test.

A. The RIM measures the impact on utility rates due to the changes in utility revenues and operating costs caused by a DSM program. The costs included in the RIM are program overhead, participant incentive payments and lost revenues.[9] The benefits include all the avoided utility energy costs, avoided utility capacity costs, and avoided transmission and distribution costs, the same as the UCT/PACT. Shareholder incentives are not included in this test.

All ratepayers are typically required to pay for the costs of DSM programs implemented. DSM program participants may experience net benefits through reduced bills because of lower energy usage. Non-participants in the DSM program may experience bill increases to pay for the program costs. The RIM is heavily influenced by the lost revenues to the utility, which are collected from all non-opt out customers -- participants as well as non-participants. Because the RIM is the only test that explicitly recognizes lost margins, more DSM programs fail to achieve a score of 1.0 for this test than the other standard tests.

[9] The California Standards and Practices Manual at page 13 also lists the following costs for RIM - decreased revenues for any periods in which load has been decreased, increased supply costs for any periods when load has been increased, fuels for fuel substitution, initial and annual costs (such as the cost of equipment, O&M, installation, administration), customer dropout, and equipment removal (less salvage value).

Q. Please explain the Total Resource Cost test.

A. The TRC reflects total benefits and costs to all customers in a utility's service area. The costs include the full incremental cost of the DSM measure without regard to whether the utility or customer incurred the cost. The TRC costs include the costs to purchase and install the DSM measure and the direct and indirect costs incurred in running the DSM program. The benefits include all the avoided utility energy costs, avoided utility capacity costs, and avoided transmission and distribution costs, the same as for the UCT/PACT. Neither lost margins nor shareholder incentives are included in this test.

Q. Did NIPSCO's DSM Plan pass all three tests?

A. No. Page 10, Table 1 of Witness Morgan's testimony, Petitioner's Exhibit No. 3, shows NIPSCO's proposed programs pass both the UCT/PACT and TRC tests, but fail the RIM test.

Q. How do these test results impact NIPSCO's proposed recovery of lost margins and shareholder incentives?

A. Because the programs' benefits outweigh their costs for UCT/PACT and TRC, NIPSCO argues the lost margins are reasonable, are entitled to be collected from ratepayers and should be approved.

Q. Why is the OUCC contesting NIPSCO's proposal to continue to recover lost margins from ratepayers?

A. It is important to remember that while the benefits are identical for UCT/PACT, TRC and RIM, the costs each test considers differ substantially. Neither UCT/PACT nor TRC recognize NIPSCO's proposed $78,000,000 in lost margins and shareholder incentives to be paid by ratepayers. The RIM test results demonstrate that for every DSM dollar paid by residential ratepayers, they will receive only about $0.33 in benefits. For C&I customers, their $0.31 benefit is even worse. These RIM test ratios are actually overstated, as the RIM test only factors in lost margins, not the additional shareholder incentives.

NIPSCO's projected DSM budget contains both the residential programs costs of $19,623,165 and their associated proposed lost revenue recovery of $29,285,624. The C&I budget shows a similar disconnect between estimated program costs of $26,235,075 compared to the proposed lost revenue recovery of $43,473,722. NIPSCO seeks a total cost recovery of $123,886,122.[10] Program costs represent only 37% of that total ($19,623,165 + $26,235,075 = $45,858,240 / $123,886,122 = 37.02%).

In NIPSCO's 2015 DSM case, Cause No. 44496, the OUCC testified regarding concerns that lost margins were producing DSM energy savings costing, on average, $0.30 per kWh saved. NIPSCO's proposed DSM 2016-2018 Plan increases the cost to ratepayers, on average over the three years of the plan, to $0.37 per kWh saved, as shown in Attachment ETR-1. Of the average $0.37 per kWh saved, the program cost recovery represents $0.14, with lost margin recovery averaging $0.21 per kWh saved and the balance of $0.02 per kWh saved represented by the proposal to earn incentives.

These observations illustrate the serious imbalance between ratepayer and utility interests. With lost revenues and shareholder incentives dwarfing the program costs, NIPSCO's proposed recovery of these two items is both

[10] Petitioner's Ex. No 2, page 35.

unnecessary and unreasonable.

V. FIXED COSTS AND "REVENUES LOST"

Q. Ms. Becker's direct at page 12, lines 9-12 defines NIPSCO's lost revenues as "the difference between the revenues lost and the variable operating expenses saved by the Company as a result of implementing an energy efficiency program." Is this definition of lost revenues consistent with the definition contained in SEA 412?

A. Yes. IC 8-1-8.5-10 (e) defines lost revenues.

Q. Is the recovery of lost revenues designed to allow the utility to recover the fixed costs associated with not selling energy to customers through the DSM programs put in place?

A. That is an argument made by Indiana utilities to support the recovery of lost revenues from the implementation of a DSM plan.

Q. What are fixed costs?

A. A fixed costs is a cost that does not change with an increase or decrease in the amount of goods or services sold. Fixed costs, when combined with variable costs result in the total cost of a good or service.

Q. When base utility rates are set, is there a fixed cost component included in the base rate?

A. Yes. Base rates are set to recover the costs of operation, fixed and variable costs, based on a test year level of sales. If a utility were to experience a sales level less than implicit in base rates then the authorized fixed costs will not be recovered. If sales exceed the amount included in base rates, the utility will realize a boost to its allowable rate of return. The difference between the additional revenue and increased variable costs goes straight to the bottom line.

Q. Do you have an example of how this would impact the bottom line?

A. Yes. Assume base rates were set at $1.00 per kWh sold (with fixed costs representing $0.75 and variable costs of $0.25) and the test year sales were 1,000 kWh. If the utility sells 900 kWh in a given year, the necessary $750 in fixed costs would not be recovered. By comparison, if sales for the year were 1,100 kWh, the utility will recover the full $750 in fixed costs, plus $75 of additional net revenue ($0.75 *100 kWh sold). Since the fixed costs have already been recovered, the $75 flows directly to the bottom line resulting in the utility achieving a return greater than authorized.

Q. Why are fixed costs relevant to this case?

A. While NIPSCO has been recovering lost margins, its total sales have been increasing and have exceeded sales utilized in setting NIPSCO's base rates. The growth in total sales has recovered fixed costs far exceeding the amount embedded in base rates and dwarfing any fixed costs not recovered as a result of DSM measures.

In interpreting the statutory definition of "revenues lost" in I.C. 8-1-8.5-10(e)(1), the Commission should consider whether this term refers to losses that prevented the utility from achieving its base rate-embedded level of sales (and thus its authorized fixed costs and ultimately, its authorized return). Put another way, does "revenues lost" exclude unrealized DSM-related sales when the utility is being provided a fair opportunity to fully recover its authorized fixed costs and authorized return? NIPSCO's DSM lost margin request is unreasonable because the DSM lost sales are not preventing NIPSCO from recovering its authorized fixed costs.

Q. What is ETR Attachment 4?

A. ETR Attachment 4 reflects NIPSCO's annual kWh sales for calendar years 2010 through 2014. NIPSCO's currently-approved base rates were authorized in Cause No. 43969 on December 21, 2011. Test year kWh sales were approximately 15.4 billion.[11]

Sales subsequent to the base rate order (2012, 2013, 2014) exceed test year sales by between 1.2 and 1.9 billion kWh annually. In comparison, this is about ten times greater than the estimated DSM-related lost sales for 2016-2018. NIPSCO annually recovers far more fixed costs than authorized in base rates. There is no evidence that suggests NIPSCO will fail to realize its base rate authorized level of sales or fail to recover its authorized fixed costs as a result of DSM. Providing recovery of lost revenues for DSM for any year subsequent to the test year is not only unnecessary, but unreasonable given NIPSCO's increase in kWh sales.

VI. SENATE ENROLLED ACT 412

Q. Is the NIPSCO DSM Plan consistent with the provisions of Senate Enrolled Act 412 ("SEA 412")?

A. No. NIPSCO selectively applies sections of SEA 412 that are most favorable to it but ignores sections that may not prove to be as beneficial. For example, Witness Vrab at page 49 cites portions of Ind. Code § 8-1-8.5-10 ("Section 10") for the proposition that if the Commission finds a DSM plan to be reasonable, the

[11] Cause No. 43969, NIPSCO Direct, Volume IV, testimony of J. Stephen Gaske, Pet. Ex. JSG-4, page 18. Line 144, Col. B., Energy Sold (15,492,631,610) – Line 144, Col. V., Interdepartmental (58,154,478) = 15,434,477,132.

electricity supplier shall be allowed to recover or receive reasonable financial incentives and lost revenues. However, if NIPSCO wants the lost margins and incentive benefits of SEA 412, it should also be required to comply with all applicable portions of the law, including the cost benefit analysis the statute requires to justify those benefits.

Q. What is the cost benefit analysis required by SEA 412?

A. I.C. 8-1-8.5-10(j) states that in making its determination of the overall reasonableness of a plan submitted under subsection (h), the commission shall consider several items. One of those items, specified in Section 10(j)(2) is "A cost and benefit analysis of the plan."

Section 10(l) sets forth the actions available to the Commission if it determines that a DSM plan is not reasonable *because the costs associated with one (1) or more programs included in the plan exceed the projected benefits* of the program or programs. (Emphasis Added).

I.C. 8-1-8.5-10(g) specifies that "program costs" include:

(1) Direct and indirect costs of energy efficiency programs.
(2) Costs associated with the evaluation, measurement, and verification of program results.
(3) Other recoveries or incentives approved by the commission, *including lost revenues and financial incentives* approved by the commission under subsection (o). (Emphasis Added)

Read together, these portions of SEA412 require that the Commission find a DSM plan reasonable before the utility may be eligible for lost margin and shareholder incentive recovery. Reasonableness is predicated, at least in part, on a cost benefit analysis where program benefits exceed program costs, and program costs must include lost revenues and incentives.

As discussed earlier, NIPSCO has shown that its proposed programs pass both the TRC and UCT/PACT, but fail the RIM, measuring ratepayer impact. Neither TRC nor UCT/PACT include lost margins or shareholder incentives as program costs required by Section 10(g)(3). In contrast, the RIM test includes direct and indirect program costs, EM&V costs and lost revenues. The only Section 10(g)(3) cost it does not include is shareholder incentives, which would further reduce the test scores. While the TRC and UCT/PACT tests have been widely utilized by Indiana utilities, stakeholders and the Commission, the Indiana General Assembly and Governor Pence have made it plain that Indiana law now requires a different, more inclusive analysis.

Q. Are there other SEA 412 requirements NIPSCO has failed to meet?

A. Section 10(j)(7) requires the Commission consider "The effect, or potential effect, in both the long term and short term, of the plan on the electric rates and bills of customers that participate in energy efficiency programs compared to the electric rates and bills of customers that do not participate in energy efficiency programs." While the PCT was calculated and provided in the case-in-chief, that information alone is not sufficient to provide the Commission the ability to conclude the plan meets these criteria. The PCT is an inadequate proxy for the potential effect "on the electric rates and bills of customers that participate in energy efficiency programs" because, like TRC and UCT/PACT, it ignores NIPSCO's proposed $78M in lost margins and incentives. There is no discussion of the impact of NIPSCO's DSM plan on any ratepayer class contained in the NIPSCO case-in-chief.

Section 10(j)(6) requires the Commission, in determining if a DSM plan is reasonable, to consider "Comments provided by customers, customer representatives, the office of utility consumer counselor, and other stakeholders concerning the adequacy and reasonableness of the plan, including alternative or additional means to achieve energy efficiency in the electric supplier's service territory." NIPSCO's case-in-chief does not include customer or customer representatives' comments, nor does it demonstrate other stakeholders have been solicited and otherwise included in the plan.

VII. SHAREHOLDER INCENTIVES

Q. Does the OUCC support NIPSCO's request for recovery of performance incentives?

A. No. As discussed immediately above, because NIPSCO's programs all fail the RIM test, NIPSCO is not entitled to either lost margins or shareholder incentives under SEA 412. While 170 IAC 4-8-3 allows for an electric utility to receive shareholder incentives to keep demand side management programs on an equal footing with supply-side resources, Attachment ETR-2 demonstrates that the DSM Plan's avoided cost benefits as calculated by NIPSCO, create a significant economic incentive for NIPSCO to pursue this plan. There is no compelling evidence demonstrating performance incentives are required to encourage cost-effective DSM in this case.

Q. Is it reasonable for the Commission to award performance incentives to a utility that sets it own savings targets?

A. No. NIPSCO proposes shareholder incentives equal to 15% of <u>any achieved net shared savings</u>. A performance incentive is inherently unreasonable when the utility chooses:

- the energy savings targets
- the programs to achieve those targets
- the size, scope and funding of those programs
- who will measure savings
- how the savings will be calculated

and then receives shareholder incentives regardless of whether any target is ever achieved or how poorly the programs perform, even if their failure is caused entirely by poor management.

It is particularly egregious for NIPSCO to seek a performance incentive when, by its own statements within the most recent Integrated Resource Plan ("IRP"), it describes energy efficiency as a corporate cultural core value:

> NIPSCO has adopted a cultural change that encourages energy conservation and efficiency. NIPSCO actively promotes the benefits of energy efficiency to its employees and customers. Employees, especially those with direct customer contact, are encouraged to promote conservation."[12]

That cultural change demonstrates that NIPSCO does not recognize any disincentive to offering cost-effective DSM programs. Allowance of performance incentives in this Cause is therefore unreasonable and should not be approved.

[12] NIPSCO 2014 Integrated Resource Plan, Section 5 – Existing Resources, page 42 "NIPSCO" Demand-Side management Strategy.

VIII. RECOMMENDATIONS

Q. What is the OUCC recommending in this proceeding?

A. The OUCC recommends the following based on my testimony:

1. Deny NIPSCO's request for continued recovery of lost margins.
2. Deny NIPSCO's request to begin to recover performance incentives.
3. Find that NIPSCO's DSM Plan is unreasonable in accordance with I.C. 8-1-8.5-10 (l) and / or (m).

IX. CONCLUSION

Q: Does this conclude your testimony?

A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS EDWARD T. RUTTER

Q: Please describe your educational background and experience.

A: I am a graduate of Drexel University in Philadelphia, PA, with a Bachelor of Science degree in Business Administration. I was employed by South Jersey Gas Company as an accountant responsible for coordinating annual budgets, preparing preliminary monthly, quarterly, annual and historical financial statements, assisting in preparation of annual reports to shareholders, all SEC filings, state and local tax filings, all FPC/FERC reporting, plant accounting, accounts payable, depreciation schedules and payroll. Once the public utility holding company was formed, South Jersey Industries, Inc., I continued to be responsible for accounting as well as for developing the consolidated financial statements and those of the various subsidiary companies including South Jersey Gas Company, Southern Counties Land Company, Jessie S. Morie Industrial Sand Company, and SJI LNG Company.

I left South Jersey Industries, Inc. and took a position with Associated Utility Services Inc. (AUS), a consulting firm specializing in utility rate regulation including rate of return, revenue requirement, purchased gas adjustment clauses, fuel adjustment clauses, revenue requirement development and valuation of regulated entities.

On leaving AUS, I worked as an independent consultant in the public utility area as well as telecommunications including cable television (CATV). I joined the OUCC in December 2012 as a utility analyst.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: I have previously testified before the Indiana Utility Regulatory Commission (Commission) in Cause Nos. 44311, 44331, 44339, 44363, 44370, 44418, 44429, 44446, 44478, 44486, 44495, 44497, 44526, 44540, 44542, 44576, 44602 and 43955 DSM-2. I have also testified before the regulatory commissions in the states of New Jersey, Delaware, Maryland, Pennsylvania, New York, Connecticut, Georgia, Florida, North Carolina, Ohio, Oklahoma, Virginia and Wisconsin. In addition to the states mentioned, I submitted testimony before the utility regulatory commissions in the Commonwealth of Puerto Rico and the U.S. Virgin Islands. I have also testified as an independent consultant on behalf of the U.S. Internal Revenue Service in Federal Tax Court, New York jurisdiction.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

By: Edward T. Rutter
Indiana Office of
Utility Consumer Counselor

Date: 9/4/15

NIPSCO
CAUSE NO. 44634
2016 - 2018 DSM PLAN
COST PER kWh SAVED

DESCRIPTION	2016	2017	2018	TOTAL
DSM SAVINGS:				
kWh				
RESIDENTIAL	43,703,000	42,627,000	42,120,000	128,450,000
C&I	68,905,000	68,605,000	73,035,000	210,545,000
TOTAL kWh SAVINGS (a)	112,608,000	111,232,000	115,155,000	338,995,000
DSM COSTS:				
PROGRAM COSTS (b)	$15,360,999	$14,758,944	$15,738,295	$45,858,238
LOST MARGINS (c)	21,738,194	24,335,383	26,685,768	72,759,345
INCENTIVES (d)	1,757,666	1,689,905	1,674,327	5,121,898
TOTAL	$38,856,859	$40,784,232	$44,098,390	$123,739,481
COST PER Kwh SAVED:				
PROGRAM COSTS (ROUNDED)	$0.14	$0.13	$0.14	$0.14
LOST MARGINS (ROUNDED)	$0.19	$0.22	$0.23	$0.21
INCENTIVES (ROUNDED)	$0.02	$0.02	$0.01	$0.02
TOTAL COST PER kWh SAVED	$0.35	$0.37	$0.38	$0.37

NOTES:
(a) Vrab Direct, Pet. Ex. No. 2, Page 38
(b) ETR Attachment 5, provided by NIPSCO in response to an informal discovery request
(c) Petitioner's Response to CAC Data Request 1-004
(d) Vrab Direct, Pet Ex. No. 2, Exhibit 2-C; sum of Residential and C&I totals

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	NIPSCO CAUSE NO. 43969 APPROVED 12/21/11	NIPSCO CAUSE NO. 44634 PROPOSED FILED 6/4/2015	NIPSCO CAUSE NO. 44634 PROPOSED NET IMPACT
NIPSCO CAUSE NO. 43969:			
INDIANA JURISDICTIONAL RATE BASE 6/30/10	$2,705,906,051	$0	$2,705,906,051
WEIGHTED AVERAGE COST OF CAPITAL ("ROR")	6.98%		6.98%
NET OPERATING INCOME	$188,872,242		$188,872,242
CAUSE NO. 44634 PROPOSED ADJUSTMENTS:			
UCT NET BENEFIT	0	51,289,051	51,289,051
PROPOSED LOST REVENUE RECOVERY	0	21,738,194	21,738,194
PROPOSED PERFORMANCE INCENTIVE	0	1,757,666	1,757,666
ADJUSTED NET OPERATING INCOME	188,872,242	74,784,911	263,657,153
ESTIMATED INCOME TAX IMPACT		$29,913,964	$29,913,964
ADJUSTED NET OPERATING INCOME POST INCOME TAX @ ESTIMATED 40% EFFECTIVE TAX RATE		$44,870,947	$233,743,189
RATE OF RETURN REALIZED UNDER PROPOSED DSM PLAN 2016			8.64%

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	BALANCE ($000'S)	PERCENT OF TOTAL	COST	CAUSE NO. 43969 WACC APPROVED 12/21/11	COST (a)	CAUSE NO. 44634 WACC DSM PLAN IMPACT
COMMON EQUITY	$1,470,831,844	46.53%	10.20%	4.75%	13.76%	6.40%
LONG-TERM DEBT	1,025,792,388	32.46%	6.42%	2.08%	6.42%	2.08%
CUSTOMER DEPOSITS	73,318,625	2.32%	4.43%	0.10%	4.43%	0.10%
DEFERRED INCOME TAXES	426,048,518	13.48%	0.00%	0.00%	0.00%	0.00%
POST-RETIREMENT LIABILITY	147,029,052	4.65%	0.00%	0.00%	0.00%	0.00%
POST-1970 ITC	17,636,467	0.56%	8.65%	0.05%	8.65%	0.05%
TOTALS	$3,160,656,894	100.00%		6.98%		8.64%

(a) COMPUTED COMMON EQUITY COST BASED ON WACC DEVELOPED ON SCHEDULE 1

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	NIPSCO CAUSE NO. 43969 APPROVED 12/21/11	NIPSCO CAUSE NO. 44634 PROPOSED FILED 6/4/2015	NIPSCO CAUSE NO. 44634 PROPOSED NET IMPACT
NIPSCO CAUSE NO. 43969:			
INDIANA JURISDICTIONAL RATE BASE 6/30/10	$2,705,906,051	$0	$2,705,906,051
WEIGHTED AVERAGE COST OF CAPITAL ("ROR")	6.98%		6.98%
NET OPERATING INCOME	$188,872,242		$188,872,242
CAUSE NO. 44634 PROPOSED ADJUSTMENTS:			
UCT NET BENEFIT	0	51,034,756	51,034,756
PROPOSED LOST REVENUE RECOVERY	0	24,335,383	24,335,383
PROPOSED PERFORMANCE INCENTIVE	0	1,137,644	1,137,644
ADJUSTED NET OPERATING INCOME	188,872,242	76,507,783	265,380,025
ESTIMATED INCOME TAX IMPACT		$30,603,113	$30,603,113
ADJUSTED NET OPERATING INCOME POST INCOME TAX @ ESTIMATED 40% EFFECTIVE TAX RATE		$45,904,670	$234,776,912
RATE OF RETURN REALIZED UNDER PROPOSED DSM PLAN 2017			8.68%

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	BALANCE ($000'S)	PERCENT OF TOTAL	COST	CAUSE NO. 43969 WACC APPROVED 12/21/11	COST (a)	CAUSE NO. 44634 WACC DSM PLAN IMPACT
COMMON EQUITY	$1,470,831,844	46.53%	10.20%	4.75%	13.84%	6.44%
LONG-TERM DEBT	1,025,792,388	32.46%	6.42%	2.08%	6.42%	2.08%
CUSTOMER DEPOSITS	73,318,625	2.32%	4.43%	0.10%	4.43%	0.10%
DEFERRED INCOME TAXES	426,048,518	13.48%	0.00%	0.00%	0.00%	0.00%
POST-RETIREMENT LIABILITY	147,029,052	4.65%	0.00%	0.00%	0.00%	0.00%
POST-1970 ITC	17,636,467	0.56%	8.65%	0.05%	8.65%	0.05%
TOTALS	$3,160,656,894	100.00%		6.98%		8.68%

(a) COMPUTED COMMON EQUITY COST BASED ON WACC DEVELOPED ON SCHEDULE 1

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	NIPSCO CAUSE NO. 43969 APPROVED 12/21/11	NIPSCO CAUSE NO. 44634 PROPOSED FILED 6/4/2015	NIPSCO CAUSE NO. 44634 PROPOSED NET IMPACT
NIPSCO CAUSE NO. 43969:			
INDIANA JURISDICTIONAL RATE BASE 6/30/10	$2,705,906,051	$0	$2,705,906,051
WEIGHTED AVERAGE COST OF CAPITAL ("ROR")	6.98%		6.98%
NET OPERATING INCOME	$188,872,242		$188,872,242
CAUSE NO. 44634 PROPOSED ADJUSTMENTS:			
UCT NET BENEFIT	0	53,638,107	53,638,107
PROPOSED LOST REVENUE RECOVERY	0	26,685,768	26,685,768
PROPOSED PERFORMANCE INCENTIVE	0	1,220,625	1,220,625
ADJUSTED NET OPERATING INCOME	188,872,242	81,544,500	270,416,742
ESTIMATED INCOME TAX IMPACT		$32,617,800	$32,617,800
ADJUSTED NET OPERATING INCOME POST INCOME TAX @ ESTIMATED 40% EFFECTIVE TAX RATE		$48,926,700	$237,798,942
RATE OF RETURN REALIZED UNDER PROPOSED DSM PLAN 2018			8.79%

NIPSCO
CAUSE NO. 44634
DETERMINATION OF DSM DISINCENTIVE

DESCRIPTION	BALANCE ($000'S)	PERCENT OF TOTAL	COST	CAUSE NO. 43969 WACC APPROVED 12/21/11	COST (a)	CAUSE NO. 44634 WACC DSM PLAN IMPACT
COMMON EQUITY	$1,470,831,844	46.53%	10.20%	4.75%	14.08%	6.55%
LONG-TERM DEBT	1,025,792,388	32.46%	6.42%	2.08%	6.42%	2.08%
CUSTOMER DEPOSITS	73,318,625	2.32%	4.43%	0.10%	4.43%	0.10%
DEFERRED INCOME TAXES	426,048,518	13.48%	0.00%	0.00%	0.00%	0.00%
POST-RETIREMENT LIABILITY	147,029,052	4.65%	0.00%	0.00%	0.00%	0.00%
POST-1970 ITC	17,636,467	0.56%	8.65%	0.05%	8.65%	0.05%
TOTALS	$3,160,656,894	100.00%		6.98%		8.79%

(a) COMPUTED COMMON EQUITY COST BASED ON WACC DEVELOPED ON SCHEDULE 1

NORTHERN INDIANA PUBLIC SERVICE CO.
Calculation of Demand Side Management Lost Margins
Billing Period January 2016 through December 2018

Line No.	Rate Schedule	Total Allocation of Lost Margins 2016	Total Allocation of Lost Margins 2017	Total Allocation of Lost Margins 2018	Total Lost Margins
1	611*	$ 9,409,380	$ 10,168,599	$ 9,707,645	$ 29,285,624
2		$ -	$ -	$ -	$ -
3	620	$ 2,880	$ 3,822	$ 5,085	$ 11,787
4	620.1	$ -	$ -	$ -	$ -
5	620.2	$ -	$ -	$ -	$ -
6	621	$ 2,419,129	$ 3,237,559	$ 4,307,627	$ 9,964,315
7	621.1	$ 6,088	$ 4,473	$ 4,472	$ 15,033
8	621.2	$ 6,235	$ 4,963	$ 4,963	$ 16,161
9	622	$ 6,234	$ 8,312	$ 11,059	$ 25,604
10	622.1	$ -	$ -	$ -	$ -
11	622.2	$ -	$ -	$ -	$ -
12	623	$ 2,531,144	$ 2,953,952	$ 3,539,998	$ 9,025,094
13	623.1	$ 3,196	$ 2,886	$ 2,903	$ 8,984
14	623.2	$ 4,824	$ 4,451	$ 4,469	$ 13,743
15	624	$ 1,753,681	$ 1,972,223	$ 2,320,793	$ 6,046,698
16	624.1	$ 155,901	$ 139,514	$ 140,704	$ 436,118
17	624.2	$ 111,633	$ 101,831	$ 102,465	$ 315,930
18	625	$ 16,261	$ 15,012	$ 16,326	$ 47,599
19	625.1	$ 370	$ 303	$ 350	$ 1,024
20	625.2	$ -	$ -	$ -	$ -
21	626	$ 153,009	$ 193,397	$ 217,708	$ 564,115
22	626.1	$ 6,535	$ 6,914	$ 7,602	$ 21,051
23	626.2	$ 19,064	$ 20,599	$ 22,171	$ 61,834
24	632	$ 3,424,798	$ 3,961,660	$ 4,682,257	$ 12,068,714
25	632.1	$ 452,175	$ 413,704	$ 414,151	$ 1,280,031
26	632.2	$ 118,326	$ 111,357	$ 111,445	$ 342,127
27	633	$ 23,189	$ 20,131	$ 21,903	$ 65,223
28	633.1	$ 103,630	$ 80,107	$ 92,501	$ 276,238
29	633.2	$ 103,043	$ 79,505	$ 89,212	$ 271,760
30	634	$ -	$ -	$ -	$ -
31	634.1	$ -	$ -	$ -	$ -
32	634.2	$ 884,323	$ 802,670	$ 821,900	$ 2,508,893
33	641	$ 19,686	$ 25,605	$ 34,051	$ 79,342
34	641.1	$ -	$ -	$ -	$ -
35	641.2	$ -	$ -	$ -	$ -
36	644	$ -	$ -	$ -	$ -
37	644.1	$ -	$ -	$ -	$ -
38	644.2	$ 2,459	$ 1,834	$ 2,010	$ 6,304
39	Not Applicable[1]				
40	Total Retail	$ 21,738,194	$ 24,335,383	$ 26,685,768	$ 72,759,346

	2016	2017	2018	Total
Residential	$ 9,409,380	$ 10,168,599	$ 9,707,645	$ 29,285,624
C&I	$ 12,328,814	$ 14,166,785	$ 16,978,123	$ 43,473,722
Total	$ 21,738,194	$ 24,335,383	$ 26,685,768	$ 72,759,346

NORTHERN INDIANA PUBLIC SERVICE CO.
Calculation of Demand Side Management Lost Margins
Billing Period January 2016 through December 2018

Energy

Line No.	Rate Schedule	Total Allocation of Lost Margins 2016	Total Allocation of Lost Margins 2017	Total Allocation of Lost Margins 2018	Total Lost Margins
1	611*	$ 9,409,380	$ 10,168,599	$ 9,707,645	$ 29,285,624
2		$ -	$ -	$ -	$ -
3	620	$ 2,880	$ 3,822	$ 5,085	$ 11,787
4	620.1	$ -	$ -	$ -	$ -
5	620.2	$ -	$ -	$ -	$ -
6	621	$ 2,419,129	$ 3,237,559	$ 4,307,627	$ 9,964,315
7	621.1	$ 6,088	$ 4,473	$ 4,472	$ 15,033
8	621.2	$ 6,235	$ 4,963	$ 4,963	$ 16,161
9	622	$ 6,234	$ 8,312	$ 11,059	$ 25,604
10	622.1	$ -	$ -	$ -	$ -
11	622.2	$ -	$ -	$ -	$ -
12	623	$ 2,419,876	$ 2,833,199	$ 3,407,278	$ 8,660,353
13	623.1	$ 3,042	$ 2,741	$ 2,724	$ 8,507
14	623.2	$ 4,612	$ 4,248	$ 4,230	$ 13,090
15	624	$ 1,623,060	$ 1,832,824	$ 2,170,239	$ 5,626,123
16	624.1	$ 143,317	$ 127,638	$ 126,864	$ 397,819
17	624.2	$ 103,281	$ 93,856	$ 93,443	$ 290,580
18	625	$ 3,205	$ 1,078	$ 1,277	$ 5,560
19	625.1	$ 68	$ 18	$ 18	$ 104
20	625.2	$ -	$ -	$ -	$ -
21	626	$ 50,569	$ 84,065	$ 99,625	$ 234,259
22	626.1	$ 2,036	$ 2,667	$ 2,653	$ 7,357
23	626.2	$ 6,276	$ 8,387	$ 8,356	$ 23,019
24	632	$ 3,311,670	$ 3,840,921	$ 4,551,855	$ 11,704,446
25	632.1	$ 435,934	$ 398,375	$ 396,286	$ 1,230,594
26	632.2	$ 115,362	$ 107,571	$ 107,162	$ 330,095
27	633	$ 5,757	$ 1,526	$ 1,809	$ 9,092
28	633.1	$ 24,086	$ 5,031	$ 5,005	$ 34,122
29	633.2	$ 25,468	$ 5,428	$ 5,408	$ 36,304
30	634	$ -	$ -	$ -	$ -
31	634.1	$ -	$ -	$ -	$ -
32	634.2	$ 711,610	$ 637,747	$ 635,319	$ 1,984,676
33	641	$ 19,686	$ 25,605	$ 34,051	$ 79,342
34	641.1	$ -	$ -	$ -	$ -
35	641.2	$ -	$ -	$ -	$ -
36	644	$ -	$ -	$ -	$ -
37	644.1	$ -	$ -	$ -	$ -
38	644.2	$ 1,042	$ 481	$ 479	$ 2,002
39	Not Applicable[1]				
40	Total Retail	$ 20,859,904	$ 23,441,134	$ 25,694,932	$ 69,995,970

Energy	2016	2017	2018	Total
Residential	$ 9,409,380	$ 10,168,599	$ 9,707,645	$ 29,285,624
C&I	$ 11,450,523	$ 13,272,535	$ 15,987,287	$ 40,710,346
Total	$ 20,859,904	$ 23,441,134	$ 25,694,932	$ 69,995,970

NORTHERN INDIANA PUBLIC SERVICE CO.
Calculation of Demand Side Management Lost Margins
Billing Period January 2016 through December 2018

Demand

Line No.	Rate Schedule	Total Allocation of Lost Margins 2016	Total Allocation of Lost Margins 2017	Total Allocation of Lost Margins 2018	Total Lost Margins
1	611*	$ -	$ -	$ -	$ -
2		$ -	$ -	$ -	$ -
3	620	$ -	$ -	$ -	$ -
4	620.1	$ -	$ -	$ -	$ -
5	620.2	$ -	$ -	$ -	$ -
6	621	$ -	$ -	$ -	$ -
7	621.1	$ -	$ -	$ -	$ -
8	621.2	$ -	$ -	$ -	$ -
9	622	$ -	$ -	$ -	$ -
10	622.1	$ -	$ -	$ -	$ -
11	622.2	$ -	$ -	$ -	$ -
12	623	$ 111,268	$ 120,753	$ 132,720	$ 364,741
13	623.1	$ 154	$ 145	$ 178	$ 477
14	623.2	$ 212	$ 203	$ 238	$ 653
15	624	$ 130,621	$ 139,399	$ 150,554	$ 420,574
16	624.1	$ 12,584	$ 11,876	$ 13,840	$ 38,299
17	624.2	$ 8,352	$ 7,975	$ 9,022	$ 25,349
18	625	$ 13,056	$ 13,934	$ 15,049	$ 42,039
19	625.1	$ 302	$ 285	$ 332	$ 920
20	625.2	$ -	$ -	$ -	$ -
21	626	$ 102,440	$ 109,332	$ 118,083	$ 329,855
22	626.1	$ 4,499	$ 4,246	$ 4,949	$ 13,694
23	626.2	$ 12,788	$ 12,212	$ 13,815	$ 38,816
24	632	$ 113,128	$ 120,738	$ 130,402	$ 364,269
25	632.1	$ 16,242	$ 15,329	$ 17,866	$ 49,437
26	632.2	$ 3,964	$ 3,785	$ 4,283	$ 12,032
27	633	$ 17,432	$ 18,605	$ 20,094	$ 56,131
28	633.1	$ 79,543	$ 75,076	$ 87,496	$ 242,116
29	633.2	$ 77,575	$ 74,077	$ 83,804	$ 235,456
30	634	$ -	$ -	$ -	$ -
31	634.1	$ -	$ -	$ -	$ -
32	634.2	$ 172,713	$ 164,923	$ 186,581	$ 524,217
33	641	$ -	$ -	$ -	$ -
34	641.1	$ -	$ -	$ -	$ -
35	641.2	$ -	$ -	$ -	$ -
36	644	$ -	$ -	$ -	$ -
37	644.1	$ -	$ -	$ -	$ -
38	644.2	$ 1,417	$ 1,353	$ 1,531	$ 4,302
39	Not Applicable[1]				
40	Total Retail	$ 878,290	$ 894,249	$ 990,836	$ 2,763,376

Demand	2016	2017	2018	Total
Residential	$ -	$ -	$ -	$ -
C&I	$ 878,290	$ 894,249	$ 990,836	$ 2,763,376
Total	$ 878,290	$ 894,249	$ 990,836	$ 2,763,376

NORTHERN INDIANA PUBLIC SERVICE COMPANY
ELECTRIC SALES
2009 - 2014

DESCRIPTION	TEST YEAR ENDED 6/30/2010 (a)	YEAR ENDED 12/31/2011 (b)	YEAR ENDED 12/31/2012 (b)	YEAR ENDED 12/31/2013 (b)	YEAR ENDED 12/31/2014 (b)
ELECTRICITY SALES (mWh)					
RESIDENTIAL	3,399,600	3,526,537	3,524,316	3,444,738	3,384,222
COMMERCIAL	3,864,509	3,886,490	3,863,067	3,881,913	3,864,241
INDUSTRIAL	8,043,519	9,257,587	9,250,976	9,339,677	10,114,222
PUBLIC ST.& HGHWY, OTH. AUTH, RAILS VOL TOTAL	126,849	100,190	99,172	99,809	103,424
TOTAL RETAIL SALES (mWh)	15,434,477	16,770,804	16,737,531	16,766,137	17,466,109

(a) Direct testimony of J. Stephen Gaske, Volume 4, page 72-74, Petitioner's Exhibit No. JSG-4
(b) Derived from SNL Data

	Program Spend				Total Spend (Program, Admin, EM&V)			
Program Name	**2016**	**2017**	**2018**	**Total**	**2016**	**2017**	**2018**	**Total**
Residential HVAC	$ 878,146	$ 891,916	$ 977,590	$ 2,747,652	$ 965,960	$ 981,108	$ 1,075,349	$ 3,022,417
Residential Lighting	$ 915,701	$ 880,460	$ 953,370	$ 2,749,531	$ 1,007,272	$ 968,506	$ 1,048,707	$ 3,024,485
Home Energy Analysis	$ 1,481,182	$ 1,495,661	$ 1,532,741	$ 4,509,584	$ 1,629,300	$ 1,645,227	$ 1,686,015	$ 4,960,543
Appliance Recycling	$ 1,036,809	$ 1,002,423	$ 1,005,901	$ 3,045,134	$ 1,140,490	$ 1,102,666	$ 1,106,491	$ 3,349,647
Appliance Replacement	$ 645,585	$ 647,557	$ 679,641	$ 1,972,783	$ 710,144	$ 712,313	$ 747,605	$ 2,170,062
School Education	$ 372,308	$ 360,068	$ 360,948	$ 1,093,324	$ 409,538	$ 396,074	$ 397,043	$ 1,202,656
Behavioral Program	$ 506,540	$ 554,845	$ 659,848	$ 1,721,233	$ 557,193	$ 610,330	$ 725,833	$ 1,893,356
Total Residential	$ 5,836,271	$ 5,832,930	$ 6,170,039	$ 17,839,241	$ 6,419,897	$ 6,416,224	$ 6,787,043	$ 19,623,166
Prescriptive	$ 2,775,964	$ 2,627,551	$ 2,791,457	$ 8,194,971	$ 3,053,560	$ 2,890,306	$ 3,070,603	$ 9,014,469
Custom	$ 1,602,434	$ 1,516,762	$ 1,611,378	$ 4,730,574	$ 1,762,677	$ 1,668,438	$ 1,772,515	$ 5,203,630
New Custruction	$ 595,499	$ 563,662	$ 598,823	$ 1,757,983	$ 655,049	$ 620,028	$ 658,705	$ 1,933,782
SBDI	$ 2,037,777	$ 1,816,783	$ 2,049,150	$ 5,903,710	$ 2,241,555	$ 1,998,461	$ 2,254,065	$ 6,494,081
RCx	$ 1,116,601	$ 1,059,534	$ 1,086,695	$ 3,262,829	$ 1,228,261	$ 1,165,487	$ 1,195,364	$ 3,589,112
Total C&I	$ 8,128,275	$ 7,584,292	$ 8,137,503	$ 23,850,067	$ 8,941,102	$ 8,342,720	$ 8,951,252	$ 26,235,074
Grand Total	$ 13,964,546	$ 13,417,222	$ 14,307,542	$ 41,689,308	$ 15,360,999	$ 14,758,944	$ 15,738,295	**$ 45,858,240**