

IURC PBR Study – Indiana Code § 8-1-2.5-6.5 - NIPSCO Responses

Instructions:

We kindly request that you complete the following survey by September 27th, 2024, providing as much detail as possible in your responses. Your input is invaluable and will assist us in the preparation of an upcoming workshop. Upon completion, please submit your responses to the IURC (PBRstudy@urc.in.gov) as well as nacrowley@CAEnergy.com, aromanovs@caenergy.com, and crgoodrich@caenergy.com.

Definitions:

Multi-year Rate Plan: A multi-year rate plan is an approach to rate regulation that sets a utility's base rates and revenue requirements for a period of time, typically three or more years. Multi-year rate plans can include forecasted revenue requirements, price caps, revenue caps, or formula rate plans.

Performance Incentive Mechanisms: Performance incentive mechanisms attach a financial reward (or penalty) to the achievement (or failure to achieve) of specific metrics, typically related to policy objectives that may not be incentivized through traditional ratemaking.

Questions:

- 1. Does your organization consider the adoption of multi-year rate plans advisable in Indiana? Please explain the reasons for your position. If your organization requires more information before forming a position, what additional information is needed?**

NIPSCO Response: NIPSCO supports providing utilities with the opportunity to voluntarily propose multi-year rate plans (MYRP), as MYRPs may serve to stabilize rates, encourage long-term planning, and align regulatory investments with customer needs, which are consistent and support the Five Pillars Policy established in Indiana. Further, providing utilities the opportunity to use of MYRPs may result in beneficial alternatives to traditional ratemaking being identified, while maintaining the balance between the needs of customers and shareholders.

- 2. Does your organization consider the adoption of performance incentive mechanisms advisable in Indiana? Please explain the reasons for your position. If your organization needs more information before forming a position, what additional information is needed?**

NIPSCO Response: Similar to MYRPs, NIPSCO supports providing utilities with the opportunity to evaluate and to voluntarily develop and propose utility specific performance incentive mechanisms (PIMs). Based upon a utility's evaluation, it could propose to include PIMs that are uniquely connected to its operations. Indiana's utilities each have different characteristics in terms of number of customers, size and density of service territory, diversity of generation resources, etc. This is why NIPSCO supports providing utilities with the opportunity to file MYRPs and PIMs and leaving the decision to do so to the utility. Additionally, any regulatory framework should provide adequate flexibility for the utility to develop a proposal for consideration by the Commission and stakeholders that is best suited to its operations and to benefit its customers.

3. Are there any specific aspects or details about multi-year rate plans or performance incentive mechanisms, beyond what is stated above, that your organization needs to provide comprehensive feedback on these mechanisms?

NIPSCO Response: NIPSCO supports the use of the following guiding principles when developing performance incentive mechanisms:

Performance Metrics:

- Should be voluntary
- Should be clear, unambiguous, and transparent
- Should be measurable and quantifiable
- Should be addressed to results that are largely within the control of the utility
- Should be balanced so as not to create perverse incentives
- Should be realistic / reasonably achievable
- Baseline calculations should be realistic and reasonable
- Not all performance metrics should be/need to be accompanied by targets or incentives/penalties – especially in early years of PBR plan