

Process Enhancements to Builder/Developer Agreement

Settlement in Cause No. 43706 Approved November 10, 2010

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General Information

 The settlement agreement was filed with the Indiana Utility Regulatory Commission (IURC) on July 2, 2010 and approved in its entirety on November 10, 2010.

Changes

- For New Developments
- For Current Developments
- Interim Procedures



New Developments

Elimination of the current Option contracts.

Elimination of square footage calculations.
 All homes will receive the same credit regardless of square footage.

New Credit amounts per home:

- \$3,500 per home for electric
- \$1,800 per home for gas



Margin Test

- Prior to construction, each new development will be subject to a "Margin Test."
- This test considers the Margin Credits generated by a development against the projected costs of that development.
- To determine the projected costs, NIPSCO would take the total estimated costs for the development (including overhead) and multiply it by 52%. This is the "Margin Cost."
- Developer will only be responsible for the difference of the Margin Cost less Margin Credit from the development.
- Any Contribution will be due before construction starts.

Example of the Margin Test

Assumptions: 50 home development with Margin Costs of \$100,000 for electric and \$75,000 for gas

Electric Test;

50 homes * \$3,500 (Electric Margin Credit per home)=\$175,000

\$175,000 (Margin Credit) - \$100,000 (Margin Cost) = \$75,000

Result: NO CONTRIBUTION REQUIRED

Gas Test;

50 homes * \$1,800 (Gas Margin credit per home)=\$90,000

\$90,000 (Margin Credit) - \$75,000 = \$15,000

Result: NO CONTRIBUTON REQUIRED



Example of the Margin Test

Assumptions: 50 home development with Margin Costs of \$200,000 for electric and \$100,000 for gas

Electric Test;

50 homes * \$3,500 (Electric Margin Credit per home)=\$175,000 \$175,000 (Margin Credit) - \$200,000 (Margin Cost) = -\$25,000 Result: \$25,000 Contribution Required Up-front (Cash only)

Gas Test

50 homes * \$1,800 (Gas Margin credit per home)=\$90,000 \$90,000 (Margin Credit) - \$100,000 = \$10,000 Result: \$10,000 Contribution Required Up-front (Cash only)



Existing Developments

- Developers will have the option to transition existing open contracts to the new program.
- The Builder/Developer department will perform the approved Margin Test on each contract that is an Open Contract.
 - The Builder/Developer department will provide a letter for each contract detailing the impact of the settlement and outlining the available options
 - The developer will then be able to make the election to transition to the new program or maintain the current contract.
- Each of the Options under the current contract will be treated as specified in the Settlement Agreement.



Transition of Existing Contracts

- If the Margin Test is positive (no contribution required), existing deposits and some payments made after June 11, 2009 may be eligible for refund.
- If the Margin test is negative, a contribution may be required.
- Based on the settlement agreement, no refunds will take place before April 4, 2011.
- NIPSCO will provide developer-specific information on or before January 4, 2011.

Transition (continued)

- Any Contribution owed will be due within 90-days of the Election Date.
 - The Election Date is the date a developer elects to transition to the new program and is defined in greater detail in the proposed settlement agreement.
- If a developer elects to not pay the required contribution, the contract will not be converted and will remain on the current contract and no refund of any payments will be available.
- A developer will be allowed to continue with the current contract whether or not a Contribution is owed.

Payment Schedule for Potential Refunds

i.	For Open Contracts expiring within 2 years of the Effective Date:	90 days after Election Date
ii.	For Open Contracts expiring more than 2 years but less than 4 years after the Effective Date:	180 days after Election Date
iii.	For Open Contracts expiring more than 4 years after the Effective Date:	365 days after Election Date



Transition - Option A

- If a Contribution were required, the balance of the Option A money being held by NIPSCO, less any required Contribution, will be returned based on the payment schedule outlined on page 10.
- If no Contribution were required, the amount of Option A money being held by NIPSCO will be returned based on the payment schedule outlined on page 10.
- Until the final refund is made, developers will still earn individual refunds on Option A contracts each time a new meter is turned on, as per current procedures.
- Any Option A contracts that ended since June 11, 2009 and had a balance left at the end of the contract will be eligible to receive a refund of that balance, as long as any required Contribution is covered by the balance.
 - If the Contribution is not covered, no additional Contribution will be required on these closed contracts, but no refund would be made.

Transition - Options B, D and E

- If the developer elects to move to the new program, any principal payments that have taken place since June 11, 2009 will be refunded based on the schedule outlined above.
 - If a developer elects to remain on the current contract, no refund will be made.
- If no refund is due, upon the Margin Test and the contribution paid (if applicable), the contract will be terminated.
- If a refund is due, once the Contribution has been paid (if applicable) and the refund has been issued, the contract would be terminated.



Transition - Option C

- If the developer elects to move to the new program, any payments that have taken place since June 11, 2009 will be refunded based on the payment schedule outlined on page 10.
 - If a developer elects to remain on the current contract, no refund will be made.
- If no refund is due upon the Margin Test and the Contribution is paid (if applicable), the LOC will be returned and the contract will be terminated.
- If a refund is due, once the Contribution has been paid (if applicable), the LOC will be returned. Once the refund has been issued, the contract will be terminated.

New Contracts

 Information regarding the process for new contracts will be forthcoming.

 All new contracts will utilize the process approved by the Commission in the November 10, 2010 Order in Cause. No. 43706.



For Further Information

- To view the approved Settlement Agreement as well as the most up-to-date information, please go to http://www.nipsco.com/Our-Services/Builders-and-Developers/Settlement_info.aspx.
- While we always appreciate hearing from you, unfortunately our customer service representatives do not have additional information at this time.
- Should you have any questions, we encourage you to email our New Business Builder Developer Team at <u>nipsconewbusiness@nisource.com</u>.