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Turning On Citizen Power

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Say NO to NIPSCO!!

NIPSCO recently filed for a natural gas rate increase with the Indiana Utility Regulatory Commission. NIPSCO's PR machine is selling this rate increase as a modest \$1.67 increase in the average residential bill. However, NIPSCO is seeking a fundamental change in how they bill their customers. Currently, NIPSCO's profit margin is based, by and large, on how much natural gas ratepayers use. **What NIPSCO wants to do is separate its profit margin from the amount of gas used by customers. This scheme is known as decoupling.**

Decoupling revenue from actual sales will allow NIPSCO to increase their profits by selling less natural gas. The reason they are seeking this change is that gas usage has been declining for decades, therefore their revenues are in decline. So essentially, they want ratepayers to assume all of the risk, while they realize all of the benefits. **As a result of decoupling, NIPSCO ratepayers will see their monthly fixed charge increase from \$6.36 to \$20.00**



Decoupling schemes have been recently rejected in Arizona, Connecticut, Illinois, Iowa, Kansas, New Mexico, and Tennessee.

- In rejecting decoupling, Connecticut regulators noted that, "Full decoupling compensates the Company for any type of reduction in consumption, such as warmer weather, customer loss, a deteriorating economy as well as permanent and price-induced conservation. **Clearly, the very large potential risk of revenue instability is shifted from the Company to customers.**"

In 2007, The National Association of State Utility Consumer Advocates adopted a resolution opposing decoupling noting that:

- **"Past experience has shown that revenue guarantee mechanisms such as decoupling may result in significant rate increases to customers."**
- "Past experience has shown that rate increases prompted by revenue guarantee mechanisms such as decoupling are often driven not so much by reduced consumption caused by utility energy efficiency programs, as by reduced consumption due to normal business risks such as changes in weather, price sensitivity, or changes in the state of the economy."

Decoupling is also being falsely advertised as a way to encourage utilities to invest in energy efficiency. The argument is that if you remove utility profits from how much gas they sell, they will have an "incentive" to invest in energy efficiency. However, while decoupling may remove the disincentive for utilities to invest in efficiency, it does nothing by itself to encourage those investments. **In reality, decoupling merely shifts the disincentive for using less gas through energy efficiency measures (i.e. purchasing a natural gas furnace that uses less gas) from the utility to the ratepayer.**

Bottom Line: Why should NIPSCO be rewarded for customer investments in efficiency and conservation?

Other reasons to oppose decoupling:

- Decoupling will allow NIPSCO to lock in and charge residential customers \$20 per month (up from \$6.36 per month) for their fixed costs. This is not subject to change until their next rate case. Their last rate case was in 1988, 22 years ago. This allows NIPSCO to avoid opening up their books and looking at all the areas where costs have both gone up and gone down. It is a classic example of single issue ratemaking that allows for automatic recovery of costs and deprives ratepayers of due regulatory process and protection.
- Decoupling places shareholder profitability over serving the public good.

In addition to decoupling, NIPSCO is seeking:

- A 6.9% increase in total annual natural gas operating revenues.
- A bad debt tracker which will allow NIPSCO to raise everybody's rates to recover money they lose when people don't pay their bills and get disconnected. This removes any incentive for NIPSCO to keep consumers connected. It will lead to more rate increases, more disconnects, and further erosion of consumer protections.
- A reduction in shareholder's contribution to the low income heating assistance program from \$1.5M to \$500K, which places the most vulnerable among us, seniors and people with disabilities, at risk of disconnection during the cold winter months.

It is clear that this request to increase natural gas rates is typical utility behavior of placing profit above people and shifting all the risk to residential ratepayers. **To make matters worse, NIPSCO points out that while residential ratepayers will see a rate increase, rates for commercial and industrial customers will actually decrease. Enough is enough!!**

Take Action!

Contact the Indiana Office of Utility Consumer Counselor!

- Refer to Cause #43894 and ask that your comments be included in the public record.
- Tell them to oppose NIPSCO's decoupling mechanism, also known as a straight fixed variable rate design
- Tell them to oppose NIPSCO's request for a bad debt tracker
- Tell them to oppose NIPSCO's request to reduce their shareholder contributions to the low income assistance program

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