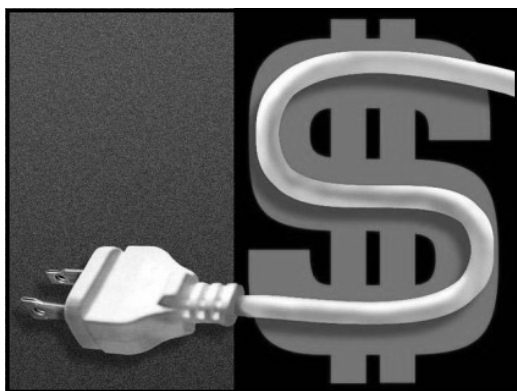


## Tell Your State Legislators and Gov. Pence to Protect Consumers: **VETO SB560, SUPPORT and STRENGTHEN SB510**

**SB560 shifts all of the risk of operating a monopoly utility company onto YOU, the ratepayer.**

Indiana utilities are regulated monopolies. In exchange for guaranteed customers and guaranteed profit, they accept the obligation to provide reliable service and to be regulated by the state. The purpose of those regulations is to ensure that rates are just and reasonable and that the utility earns a fair profit. **Monopoly utilities have little risk and the opportunity to earn impressive profits.** However, the Indiana utilities are proposing legislation that will transfer what little risk they do have onto you, because you have no choice but to pay the bill that they send you each month.



Every branch of government, including our schools, is being asked to do more with less. The public is struggling with stagnant and diminishing wages, while the cost of living is soaring, especially for the day-to-day

essentials like food, gas, health care, and utility bills.

Meanwhile, the monopoly electric and gas utility companies in Indiana are watching their profits soar. They have worked hard over the years to undermine regulatory oversight, and they're doing it again this year. SB560 will virtually allow them to raise your rates automatically, and at the same time deregulate most of their monopoly revenues and profits.

**The Indiana utilities are asking *your* elected officials for a raise, and they want it to come from *your* checkbook.**

**Over the last ten years, the average monthly electric bill of a regulated utility in Indiana has increased over 49%, while the average monthly gas bill has increased as much as 33%.**

**Much of the increase in monthly bills is attributable to trackers, or automatic rate adjustments.**

Trackers allow utilities to raise rates when costs go up in some areas while never having to lower rates when costs go down in other areas.

SB560 gives the utilities a tracker for transmission and distribution. **This will lead to excessive profits for something they are already supposed to be doing: providing reliable electric and gas service.**

Maintaining transmission and distribution wires and pipelines is something the utilities are required to do by law. These costs are well understood, can easily be determined, and do not fluctuate (like fuel costs do). Traditionally, trackers have been allowed only for costs that experience significant price volatility and are largely outside the control of the utility.

Transmission and distribution costs should not be tracked. Instead, the utilities should be required to go to the **Indiana Utility Regulatory Commission (IURC)** and file a rate case. In a rate case, they will have to open up their books and show not only where their costs have gone up, but also where their costs have gone down.

Under current regulations, it is well-established that the utility's investors, not its customers, must put up the capital necessary for the utility to fulfill its legal obligation to provide reliable service. **Conversely, trackers shift the burden of cost and risk of running a monopoly utility company from voluntary investors to captive ratepayers.**

**SB560 also contains "self-implemented rate-making," which is the ability for utilities to raise base rates virtually automatically.**

This has been long-sought by the utilities. After utilities file for an increase in base rates (a rate case), they are required to wait until the IURC issues a final order indicating the level to which the utilities are allowed to raise their rates. This can take as long as a year or two because of the large amount of information involved in a rate case and the overwhelming workload of the IURC.

***"However, as the number of items, dollar values, and utility decision points being reviewed has increased with no increase in oversight resources or time to review and process the matters at hand, effective regulation is challenged."***

*- IURC 2010 annual report*

**SB560 will allow utilities to virtually automatically increase your rates up to 50% of the rate hike they are asking for if the IURC has not issued an order after 300 days.**

**SB510 promises to protect consumers from unreasonable and excessive charges for substitute natural gas (SNG) from the proposed Indiana Gasification/Leucadia coal-to-gas plant in Rockport, IN.**

In November 2011, the IURC approved a 30-year contract between the Indiana Finance Authority (IFA) and Indiana Gasification, LLC, a subsidiary of Leucadia National Corporation (an out-of-state hedge fund). **This contract forces Indiana ratepayers to pay approximately \$7.8 billion over the next 30 years for the synthetic gas produced by the proposed Rockport/Spencer County plant.** The contract was signed as a result of the passage of SB423 in 2009.

**SB423 removed all regulatory oversight** of the charges for the syngas coming from the proposed Rockport plant. It also stipulated that the contract must include a guarantee of savings for ratepayers. However, according to the approved contract, ratepayers will have to wait 30 years to learn whether or not this was a good deal.



**In its original form, SB510 restored some regulatory oversight** by requiring that every 3 years during the life of the 30 year contract, the IURC must verify if ratepayers have actually realized savings. If ratepayer savings have not been realized, the bill required Indiana Gasification to refund ratepayers the amount of the shortfall. SB510 was amended in the Senate Utilities Committee to remove the 3-year review. **We want it restored to its original form.**

**Without SB510:**

- ♦ Indiana Gasification will be allowed to operate as a deregulated gas utility, and the IURC will be prevented from instituting ANY ratepayer protections;
- ♦ Indiana Gasification will be allowed to shift 100% of the financial risks for this investment onto Indiana ratepayers;
- ♦ Indiana ratepayers will be locked into a 30-year contract for SNG with no regulatory review for 30 years, even if there are cheaper resources available on the market;
- ♦ Indiana Gasification will not be required to abide by Indiana’s current “least-cost” utility service law, which mandates that gas utilities provide fuel at the cheapest cost to ratepayers; and
- ♦ The State of Indiana will be protecting the financial interests of an out-of-state hedge fund (Leucadia) at the expense of Indiana ratepayers and Indiana gas utilities.

<div><h1>Take Action Now!!!</h1><p><b>Call, write, or e-mail your State Senator and Representative, as well as Gov. Pence, and tell them to protect the interests of Hoosier consumers!</b></p><p><b>Tell your State Senator and State Representative to SUPPORT and STRENGTHEN SB510.</b></p><p>The introduced version of SB510 would protect us from unreasonable and excessive charges for substitute natural gas (SNG) from the proposed Indiana Gasification/Leucadia coal-to-gas plant in Rockport, Indiana. Restore SB510 to its original form!</p><p><b>Tell Gov. Pence to VETO SB560.</b></p><p>It eliminates consumer protections and essentially allows utilities to raise rates on their own with no oversight by the IURC.</p></div>	<p>To look up and/or e-mail your legislators, visit: <a href="http://district.iga.in.gov/DistrictLookup/">http://district.iga.in.gov/DistrictLookup/</a></p>
	<p><b>Indiana Senate</b> 200 W. Washington Street Indianapolis, IN 46204-2786 (317) 232-9400 (800) 382-9467</p>
	<p><b>Indiana House of Representatives</b> 200 W. Washington Street Indianapolis, IN 46204-2786 (317) 232-9600 (800) 382-9842</p>
	<p><b>Governor Pence</b> Office of the Governor, Statehouse Indianapolis, Indiana 46204-2797 <a href="mailto:mpence@gov.in.gov">mpence@gov.in.gov</a> (317) 232-4567</p>