

## NIX THE FIX! Say NO to higher monthly fixed charges!

There's a disturbing trend developing in Indiana. As a result of slow electric load growth due to many factors (including economic downturns, increased energy efficiency, and decreased costs of distributed generation, most notably rooftop solar), Indiana's electric utilities are seeking to increase fixed monthly charges on customers' bills. Put another way, the utilities want to charge you more before you use one single kWh of electricity. Utilities prefer to collect costs in fixed charges because it reduces their risk that lower sales will adversely impact their revenues and profits.

### The Problem with Higher Fixed Charges

Other businesses with fixed costs – the oil industry, hotels, and grocery stores for example – do not impose mandatory fees to cover their fixed costs. Instead, these costs are reflected in the product price, and consumers can control how much they spend by how much they purchase. The same should be true for electric consumers.

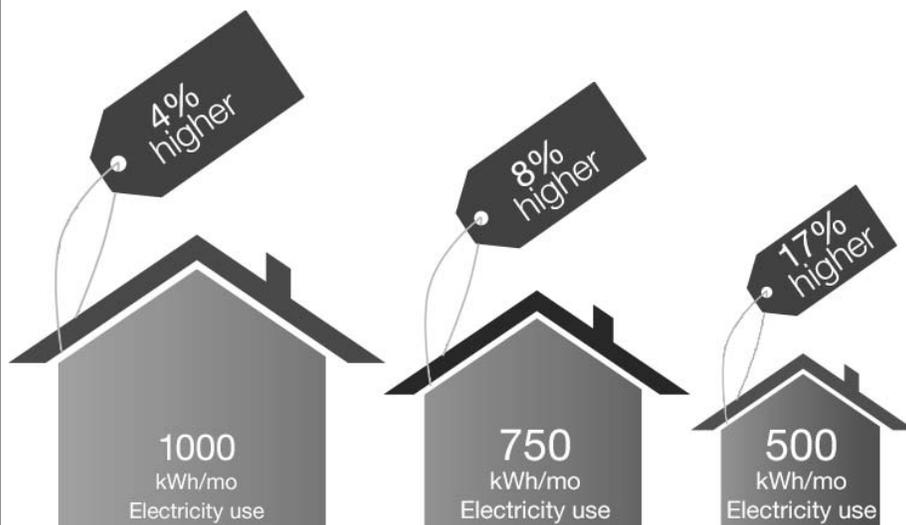
**Fixed charges are unfair.** They hit low electricity users harder than high electricity users. Bills will increase by a much higher percentage for customers living in small apartments and homes than for those living in spacious homes.

**Fixed charges are inequitable.** Low income customers bear a disproportionate burden. Fixed fee increases consume a larger share of the incomes of those who are the least able to pay, most notably vulnerable populations on fixed incomes like seniors and people with disabilities.

**Fixed charges are anticompetitive.** Higher fixed charges reduce the economic return from saving energy and generating your own electricity at home with solar panels or other types of distributed energy technology. The utility steals a portion of your bill savings to pad its profits.

Higher fixed charges also cause you to lose much of your ability to control your electric bill. When you have to pay more each month regardless of how much electricity you use, you have less control over your family's energy costs. The illustrative example below from the excellent "Caught in a Fix" report by Consumers Union and Synapse Energy Economics displays the inequity of higher fixed charges. The full report can be found at <http://consumersunion.org/news/new-report-from-consumers-union-exposes-problems-with-fixed-charges-on-electricity-bills/>

### How Mandatory Fixed Fees Hurt Electricity Customers



With fixed fees for electricity, homes using **less** power can be hit with **steeper** bill increases. This example models the impact of increasing fixed fees from \$9 to \$25 per month, with a corresponding decrease in the charge per kilowatt-hour (kWh) used.

Source: "Caught in a Fix" Report prepared for Consumers Union by Synapse

# Indiana Fixed Charge Case Studies

- **NIPSCO filed for approval in October 2015 to raise their monthly fixed charge from \$11 to \$20 in their most recent rate case.** However, they entered into a settlement with the Indiana Office of Utility Consumer Counselor (OUCC), the large industrial customers, the Indiana Municipal Utility Group and the United Steelworkers. **In the settlement, the Indiana Utility Regulatory Commission (IURC) approved an increase in NIPSCO's monthly fixed charge to \$14.** CAC appealed but ultimately lost in the Court of Appeals. It should be noted that while they did not seek this approval in the rate case, **NIPSCO indicated in testimony that they believed a \$83.95 monthly fixed charge was appropriate.**
- **Indianapolis Power & Light (IPL) received approval in March 2016 to raise their monthly fixed charge from \$11 to \$17.** CAC appealed that decision, but ultimately lost in the Court of Appeals. **In December 2017, IPL filed another rate case in which they were seeking to increase the fixed charge from \$17 to \$27 for most IPL customers.** A settlement was reached in that case in which CAC and our partners were successful in maintaining the fixed charge at \$17. That settlement is awaiting approval from the IURC.
- **Indiana Michigan Power (I&M) filed a rate case in July 2017, requesting approval to increase their monthly fixed charge from \$7.30 to \$18, an astonishing 147%.** CAC intervened in this case and aggressively opposed I&M's request. The end result was a settlement which, if approved by the IURC, **will establish a monthly charge of \$10.50** for most residential customers, well below what the company was seeking.
- **Vectren Electric filed a so-called "grid modernization" 7-year plan in February 2017, in which they initially sought approval to increase their monthly fixed charge an average of \$2 per year.** Despite CAC's opposition, the IURC approved a settlement agreement between Vectren, the OUCC, and the Vectren Industrial Group. **The settlement allows Vectren Electric to increase their monthly fixed charge up to 50¢ every six months, or up to \$1 every year for the next 7 years.**

## Take Action Now!

Contact the Indiana Office of Utility Consumer Counselor and make your voice heard!

### Tell the OUCC:

- You oppose increases in your fixed monthly charges.
- You oppose the OUCC entering into settlements which allow utilities to increase monthly fixed charges.
- To fight for small business and residential customers to ensure that bills are affordable, just, and reasonable.

### Contact your State legislators! Tell them:

- Residential and small business ratepayers need relief now.
- High fixed charges take away consumers' control over their energy costs and are anti-competitive.
- To author or sponsor legislation which places a reasonable cap on residential customer monthly fixed charges of \$10. Provide them the following suggested language for the cap on monthly customer charges:

*Effective immediately, the Indiana Utility Regulatory Commission shall only authorize an electricity supplier to set a fixed charge on each residential customer account in an amount not to exceed ten dollars (\$10) per month. Beginning January 1, 2020, the maximum allowable fixed charge may be adjusted by no more than the annual percentage increase in the Consumer Price Index for the prior calendar year. "Fixed charge" means any fixed customer charge, basic service fee, flat distribution charge, or other charge not based upon the volume of electricity consumed, but not including demand charges, which are not covered by this provision.*

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