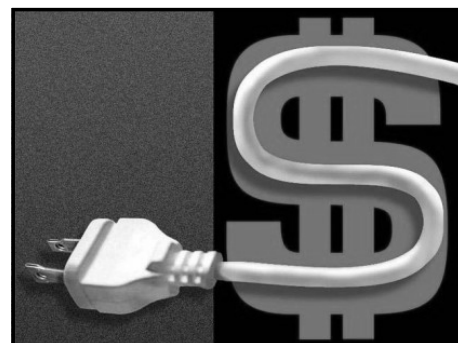


Tell the Indiana Utility Regulatory Commission to say NO to *yet another* NIPSCO rate increase!

2011: NIPSCO Electric received a 4.5% rate increase from the Indiana Utility Regulatory Commission (IURC).

2012: NIPSCO Electric received approval from the IURC to raise rates approximately \$800 million in order to bring their coal-fired power plants into compliance with standards for acid rain emissions.

2013: NIPSCO Electric received approval from the IURC to raise rates another \$59 million to come into compliance with new mercury regulations.



Now: NIPSCO Electric is requesting another rate increase of over \$1 billion, and NIPSCO Gas is asking for a rate increase of \$713 million!

Background - Senate Bill 560:

NIPSCO's current request for another rate increase was made possible by legislation passed by Indiana's State Senators and Representatives in 2013. NIPSCO, along with the rest of Indiana's investor-owned energy utilities, successfully lobbied the 2013 Indiana General Assembly for the passage of SB560. The consequences of SB560's passage include:

- ♦ *Utilities now have trackers to upgrade their transmission and distribution lines, which they should have been doing all along!*
- ♦ *Trackers allow utilities to raise rates when certain costs go up without having to lower rates when other costs go down.*
- ♦ *Before trackers, if utilities wanted to raise rates, they had to file a rate case. In a rate case, the utilities have to open their books and show where their costs have gone up **and** where their costs have gone down. The utility regulators then decide what a fair rate increase (or occasionally, decrease) is, based on all of the evidence.*
- ♦ *Utilities want to avoid rate cases. They would rather have trackers because trackers are one-way rate-making - with trackers, bills always go up, never down!*
- ♦ *As a result of SB560, the utilities now have trackers for just about everything, eliminating the need for them to file rate cases and allowing them to place the burden of the cost of doing business squarely onto ratepayers' shoulders.*

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 in its monopoly service territory. **Conversely, trackers shift the burden of cost and risk of running a monopoly utility company from voluntary investors to captive ratepayers.**

Utilities' jobs are to provide reliable electric and gas service. Under traditional regulation, they make handsome profits for doing so. In order to provide reliable service, they have to maintain their distribution systems. In order to maintain those systems, they are supposed to invest in their infrastructure, and they are supposed to recover their costs through rate cases before the IURC. **Now that SB560 has passed, they have the ability to gouge ratepayers and make excessive profits to do what they were supposed to be doing all along!**

NIPSCO is the first utility to take advantage of the changes that SB560 made to utility regulation in Indiana. They certainly won't be the last.

There is one huge question that is now being asked as a result of NIPSCO's request for a rate increase. It has to do with how much they can charge ratepayers year after year. This rate request entails a 7-year plan drawn up by NIPSCO to upgrade its transmission and distribution. Under SB560, the impact on customer bills is limited to 2% of NIPSCO's annual retail revenues. **BUT NIPSCO interprets the law to mean that utilities can pile those increases on, year after year, making their cost recovery exceed \$200 million per year by the end of the seven years.** However, the large industrial customers that are party to this case interpret the law it to mean that the impact can only be 2% of NIPSCO's annual retail revenues in any one year with no piling on, which would limit NIPSCO's cost recovery to about \$30 million per year. This is a huge legal issue that the parties in the case will be asking the IURC to reconcile. CAC has intervened in this case and will be working to make sure that ratepayers' voices are heard!

Another impact of SB560 is that the IURC, which understandably takes about 18 months to make decisions in complicated cases like these, is now limited to 210 days to make its decision. This dramatically limits the IURC's and other parties' ability to take their time to weigh all the evidence in this case. It reduces the ability of the IURC to ensure that the interests of **all** ratepayers are represented and protected. **More importantly, the rushed time schedule reduces the opportunity for the public to participate and make their voices heard in cases like these.**

"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

Intended Consequences: Business as Usual

Indiana's energy utilities have been very resistant to moving into the 21st Century when it comes to how they generate their electricity. About 85% of Indiana's electricity is generated by burning coal (recently down from 96% because of the natural gas boom). Burning coal is harmful to our health and our environment, and because of that the EPA continues to enact more regulations to protect the public from these harmful effects. Maintaining coal-fired power plants is getting more expensive, and that trend will continue for the foreseeable future.

Switching away from fossil fuels and toward energy efficiency and renewable sources of electricity (primarily wind and solar) will allow Indiana to take a huge step toward improving our health, our environment, bringing the cost of electricity down, and creating thousands of jobs across the state. **But the utilities don't want to do this for a simple reason: the more money they spend, the more money they make.** And since keeping their coal-fired power plants on life support is incredibly expensive, **that means lots of profit for them and lots of money out of our pockets!**

SB560 diverts time, attention, and resources away from sustainable development, cements business as usual, and forces us to continue dumping money into old, outdated electric generation systems that we can't afford.

Take Action:

Contact the Office of Utility Consumer

Counselor!

Tell him to:

- Oppose NIPSCO's electric \$1 billion rate increase request in Cause Numbers 44370 and 44371
- Oppose NIPSCO's gas \$713 million rate increase request in Cause Number 44403

Indiana Office of Utility Consumer Counselor

Attn: David Stippler
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204
uccinfo@oucc.IN.gov
(888) 441-2494 phone

Contact your State Senator and Representative!

Tell them you
can't afford
the impacts
of SB560!

It eliminates
consumer
protections and essentially allows utilities to raise rates
on their own with little to no oversight by the IURC.

Urge them to repeal SB560!

Indiana State House

200 W. Washington Street
Indianapolis, IN 46204-2786

Senate Switchboard: (317) 232-9400
(800) 382-9467

House Switchboard: (317) 232-9600
(800) 382-9842