

Citizens Action Coalition * Earthjustice

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CAC TO IURC: REJECT NIPSCO'S PROPOSED COST SHIFT CAC RECOMMENDS MORE EQUITABLE DISTRIBUTION OF COSTS AND REDUCTION IN RESIDENTIAL MONTHLY FIXED CUSTOMER CHARGE *Low-Income Assistance Program also needed to protect vulnerable households*

INDIANAPOLIS -- Feb. 14, 2019 – Citizens Action Coalition (CAC) filed testimony on Wednesday at the Indiana Utility Regulatory Commission (IURC) asking the IURC to reject NIPSCO's proposal to shift an extraordinary amount of costs from the largest industrial customers to everyone else. CAC also recommended that the IURC reject NIPSCO's request to raise the monthly fixed customer charge of all NIPSCO residential customers.

Expert testimony was filed on behalf of CAC by Jonathan F. Wallach, Vice President of Resource Insight, Inc. "The Company's proposal would unduly subsidize large industrial customers by shifting recovery of \$67-\$80 million of embedded production costs to other rate classes," said Mr. Wallach. In addition, Mr. Wallach's testimony explains that many of the costs being shifted to customers are the result of investments made by NIPSCO to serve, in part, the energy needs of the industrial customers, like the Schahfer and Michigan City coal-fired power plants.

NIPSCO is proposing to retire the coal plants earlier than previously planned and speed up recovering the costs related to those plants in this case. "With the Company's restructuring proposal, large industrial customers would enjoy the future economic benefits from early retirement of the Schahfer and Michigan City coal units without having to pay for the near-term incremental depreciation expense associated with early retirement," Mr. Wallach stated.

"We applaud NIPSCO for recognizing that a transition from dirty coal to clean energy will lower future costs to their customers, but this transition will not be a just one if future savings are not fairly apportioned among all of NIPSCO's customers," said Raghu Murthy, an attorney with Earthjustice, which is outside counsel to CAC in this case.

Mr. Wallach recommended that rates for the largest industrial customers be maintained at current levels (i.e., no increase or decrease) and that rates for all other classes be increased by an equal percentage to recover NIPSCO's requested revenue increase. "My recommended revenue allocation would substantially reduce the industrial subsidy from the Company's restructuring proposal and would provide for a fair allocation of the requested revenue increase," concluded Mr. Wallach.

As part of this rate case, NIPSCO is proposing to increase the monthly fixed customer charge by 22% to \$17. This is the amount customers pay regardless of how much electricity they use. CAC is recommending that the monthly fixed customer charge be reduced to \$12.55 from its current level of \$14.00.

“The Company’s proposal would dampen price signals to consumers for reducing energy usage, disproportionately and inequitably increase bills for the Company’s smallest residential customers and result in subsidization of larger residential customers’ costs by customers with below-average usage,” said Mr. Wallach. “Accordingly, the Commission should reject the Company’s proposal to increase the monthly fixed customer charge for residential customers. Instead, consistent with long-standing cost-causation and rate-design principles, I recommend that the residential fixed customer charge be set at a cost-based rate of \$12.55 per residential customer per month.”

John Howat, Senior Policy Analyst at the National Consumer Law Center (NCLC), also filed expert testimony on behalf of CAC recommending a comprehensive low-income assistance program be put into place. “We have seen that many lower-income households in Indiana lack sufficient income to make ends meet, yet must devote an inordinate proportion of these inadequate incomes to retain access to basic, necessary electric utility service,” stated Mr. Howat. “These affordability problems constitute a threat to the home energy security of NIPSCO’s low-income customers and call for program and policy interventions to mitigate that threat.”

The testimony filed at the IURC and related documents are available upon request.
