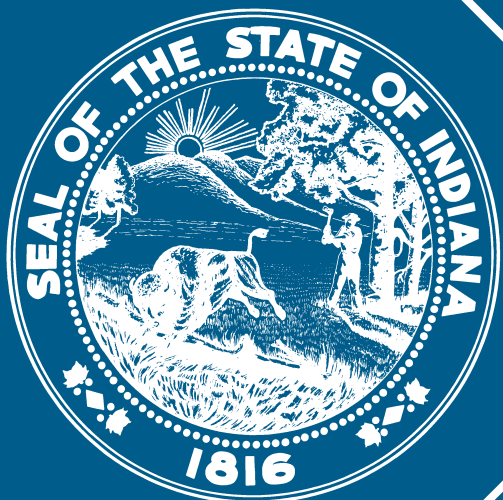


# Indiana Office of Utility Consumer Counselor

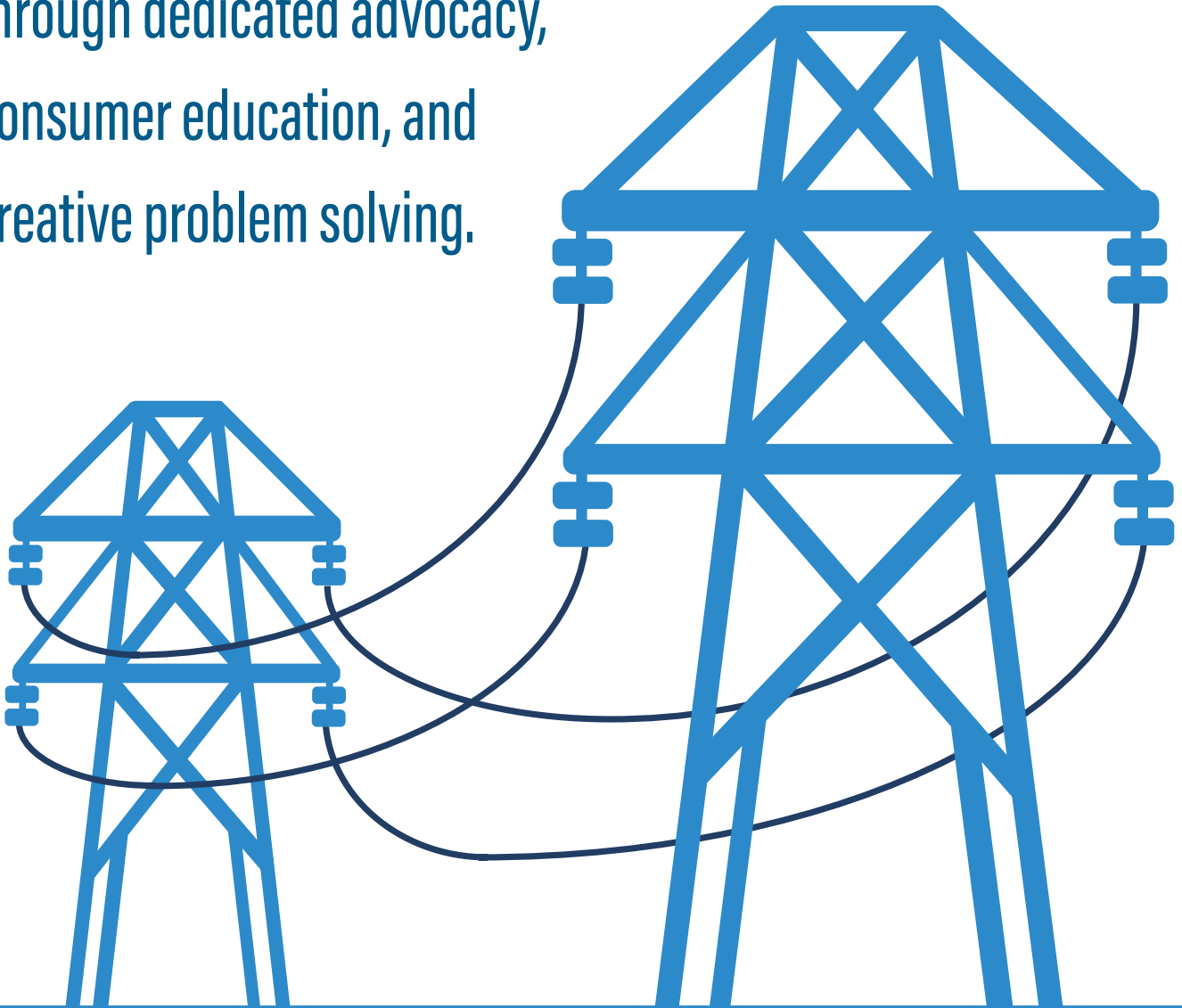


*Annual  
Report*

*2019 - 2020*

# Our Mission

To represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.



## Connect With Us

 @IndianaOUCC  @Indiana.OUCC  @IndianaOUCC  /IndianaOUCC

Sign up for our newsletter: [IN.gov/OUCC/2877.htm](https://www.in.gov/OUCC/2877.htm)

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## OUCC

## *By The Numbers*

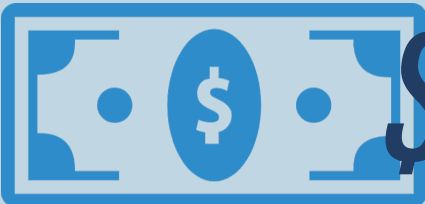


Participated In  
**341** Cases  
before  
the  
IURC



**32** Staffers  
*with*  
Advanced  
Degrees

Consumer  
Savings:



**\$59.13**  
Per Dollar Spent

Consumer Savings:



**458**  
Million Dollars

341 IURC dockets were open during State Fiscal Year 2019-2020 (7/1/2019-6/30/2020). | \$458 million is the difference between utility requests & amounts approved in IURC orders during the same fiscal year. | The consumer savings amount is divided by approved funding in OUCC budget for State Fiscal Year 2019-2020. | Advanced degrees include Ph.D., law, and master's degrees.

# Welcome

Strong legal and technical representation for utility consumers has never been more important than it is in today's unprecedented and unexpected times. With that in mind, it is my honor to share with you the Indiana Office of Utility Consumer Counselor's (OUCC's) latest Annual Report.

Our team has risen to the occasion throughout the State of Indiana's 2019-2020 fiscal year, as we have confronted - and continue to confront - major transitions that are affecting all Hoosier consumers and their utility services.

The COVID-19 pandemic has touched every consumer, including residential utility customers, small businesses, and large manufacturers. As we produce this report, we still do not know all of the pandemic's economic ramifications. Our highly trained and dedicated attorneys, technical experts, and support staff continue to take an "all hands on deck" approach to the Indiana Utility Regulatory Commission's (IURC's) ongoing investigation into COVID-19's effects on utility rates and services, as well as the financial strain placed on so many consumers.

To varying degrees, electric, natural gas, water, and wastewater utilities throughout Indiana and the United States continue addressing aging infrastructure and the need to replace it in an efficient, cost-effective manner.

The shift in electric generating fuel also presents challenges as our state continues to move from its traditional dependence on coal to other sources.

Residential, commercial, and industrial utility consumers must have strong representation in cases that will determine what they pay for their utility services. The accountants, economists, engineers, and additional experts on our team work closely with our attorneys to build strong cases on behalf of Indiana utility ratepayers.

I see the hard work, dedication, and experience of our staff every day in tackling challenging and ever-changing technical issues and legal arguments that will affect how much the consumer will pay for his or her energy, water, and wastewater utility services. At the same time, these cases are crucial in making sure the necessary infrastructure for safe and dependable service is in place, in shape, and ready to serve.

When a utility seeks a rate increase or makes another request before the IURC, our team at the OUCC is a party to that case under Indiana law. The OUCC participated in more than 340 Commission cases during the State's last fiscal year.

The OUCC also participates in cases before the Federal Energy Regulatory Commission (FERC) and in proceedings before state appellate courts.

In all we do, the OUCC focuses on our mission: To represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, creative problem solving, and consumer education.

As you will see throughout this report, our team works hard to carry out our mission every day.

Sincerely,



Bill Fine

Indiana Utility Consumer Counselor





## OUCC At a Glance

Electric, natural gas, water, and sewer utilities throughout Indiana are monopoly service providers. Because they are monopolies, a regulatory process is in place as a surrogate for competition. This process happens at either the federal, state, or local government level, depending on the utility.

For example, rates and charges for most investor-owned utilities are regulated at the state level by the IURC. Rates for rural electric membership cooperatives (REMCs) and most municipal utilities are regulated at the local level.

Like other state public utility commissions around the nation, the IURC is required by law to balance utility and ratepayer interests while basing its decisions on the evidence in each specific case. Cases before the IURC are very similar to civil court proceedings.

In a rate case, for example, the utility has the burden of proof to show its need for additional revenues. A utility's attorney or attorneys will present the case with written testimony and exhibits from expert witnesses.

The OUCC, a state agency separate from the IURC, participates in these cases on behalf of all Indiana utility consumers (including residential, commercial, and industrial customers) as prescribed by state law. Our attorneys, accountants, economists, engineers, and additional analysts scrutinize the utility's case-in-chief in each docket, which may include hundreds or even thousands of pages of testimony, exhibits, and work papers in every case. Our attorneys follow up with questions through the legal discovery process. Traditionally, our accountants have visited utilities to conduct audits on-site, and our engineers have traveled to a utility's service territory to get an in-person look at the infrastructure and its condition.

Based on our comprehensive legal and technical analysis in each case, the OUCC prepares and files testimony with the Commission. While the IURC is tasked with balancing the interests of all involved stakeholders, the OUCC's role is to vigorously represent the interests of the consumers.

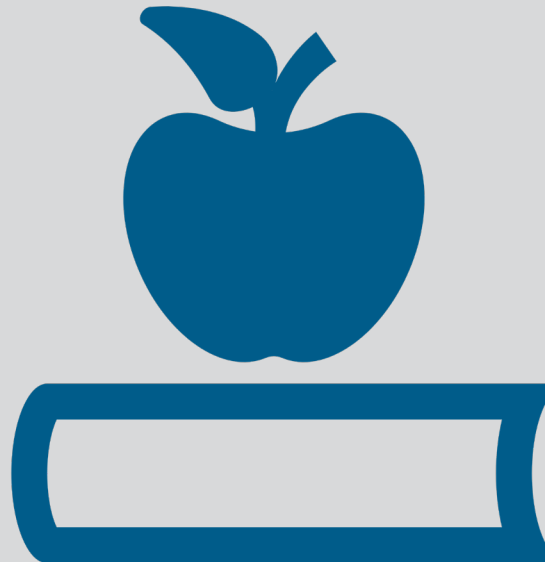
Whenever it is possible for our team to negotiate a settlement agreement that is fair for customers, we will do it. Other cases are fully litigated, with the IURC considering evidence and legal arguments from a utility, the OUCC, and additional parties that may intervene.

### **OUCC accomplishments in the past year include:**

- **Major consumer savings in rate cases.**
- **Successfully arguing against an effort by ten utilities to raise rates due to declining sales during the COVID-19 pandemic and continuing to watch closely for any similar requests in the future.**
- **Seeking relief for consumers adversely impacted by the economic effects of the pandemic.**
- **Actively participating in nearly 150 tracker proceedings, implicating billions of dollars in rate recovery.**
- **Continuing to pursue consumer rate relief due to the federal Tax Cuts and Jobs Act of 2017.**

# Consumer Education

The more informed the consumer is, the better. With this in mind, the OUCC is committed to helping ratepayers understand and efficiently use their utility services, while identifying sources of financial assistance. Our staff engages with residential and business consumers through our publications, monthly newsletter, and additional online forums. We provide consumers with opportunities to comment on pending cases and strive to help them understand and participate in the regulatory process.



## Highlights

- Education & Outreach
- Public Case Participation
- Direct Consumer Assistance
- Newsletter & Publications
- Social Media



## Education & Outreach

As one of the three major items in our mission statement, consumer education plays an important role in our work on behalf of the public.

*Consumer News... For You* is our monthly newsletter offering succinct updates and timely consumer advice in a simple and quick format. The newsletter is the agency's primary vehicle for communicating with the public.

Social media continues to play a growing role in the agency's consumer education efforts. A new Instagram page was launched this year to go with the OUCC's Twitter, Facebook, and LinkedIn pages. Through these outlets and on the agency's website, the OUCC provides timely, relevant information to consumers across the state. Social media campaigns over the last year have promoted payment arrangements during the COVID-19 pandemic, scam awareness, energy and water efficiency, and more.

## Public Case Participation

Our staff also continues its efforts to improve the public comment process for pending cases, including greater efficiencies and increased consumer information at IURC public field hearings.

The OUCC welcomes written consumer comments in every Commission case. All comments are reviewed by

**Consumer News... For You**  
Subscribe to our monthly newsletter  
at [www.in.gov/oucc/2877.htm](http://www.in.gov/oucc/2877.htm)

the agency's case teams. Comments received at least one week before the OUCC files testimony in a given case are also filed with the IURC, so they become a part of the formal case record. The OUCC has filed thousands of comments with the Commission in recent major cases, including rate cases and the Commission's COVID-19 investigation.

An IURC public field hearing – at which consumers can speak directly to the Commission under oath – is legally required in any base rate case that would raise the utility's annual revenues by at least \$2.5 million. Additional field hearings may be held at the Commission's discretion. The OUCC may request an additional field hearing on its own motion, when consumers submit such requests, or when consumers have expressed concerns about a particular case issue.

The OUCC participated in 12 public field hearings before the IURC during the State's most recent fiscal year, assisting consumers with comments and educating them on their options for providing comments. Half of these hearings were in the Duke Energy and I&M rate cases, in which the utilities requested combined increases that would have totaled more than \$600 million if fully approved. The OUCC external affairs team continues working with IURC staff to make these hearings as efficient as possible.



Customers of LMH Utilities, Inc. attend an IURC public field hearing in Dearborn County.





OUCC External Affairs Director Anthony Swinger discusses an ongoing case with local media.

On our website, the OUCC offers more than 40 publications on a wide range of consumer issues. They include simple tips for saving money on energy and water bills, guides to understanding bills, fraud prevention, and guides to understanding and participating in utility rate cases.

One of the agency's initiatives in the last fiscal year has focused on improving the website's readability. We have used the Flesch-Kincaid scale to focus on the site's pages and have updated language to ensure that at least 80% of the site is written at the eleventh-grade level or lower.

## Direct Consumer Assistance

Our consumer services staff stands ready to assist ratepayers with questions about their utility services and pending cases. We also offer consumer guidance on issues relating to utilities outside of the IURC's jurisdiction.

State law gives rural electric membership cooperatives (REMCs) and most municipal utilities the ability to withdraw from IURC oversight. Telecommunications and internet service providers are exempt from IURC oversight along with most sewer utilities (including municipal sewer systems, regional sewer districts, and conservancy districts). The OUCC serves an important role of educating consumers on which utilities are regulated by the IURC and those that are regulated at the local level. With inquiries from customers of locally regulated utilities, the OUCC provides clear information to help the customers direct their concerns to the appropriate sources.

## Training

Consumer education is important internally, too. OUCC attorneys and analysts must stay current on industry trends and professional best practices, as utility attorneys and analysts do likewise. OUCC staff regularly participates in continuing professional education and in additional training. This training has continued remotely throughout the COVID-19 pandemic.



Fourth grade students learn about the OUCC and additional agencies at each year's Statehood Day celebration at the Indiana Statehouse.

## Consumer Publications

Free publications from the OUCC include:

- Introducing Your OUCC
- Speaking Out on Pending Cases
- Public Field Hearings
- Guide to Utility Regulatory Proceedings
- Disconnection Rules
- Reduce Your Energy Bills
- Reduce Your Water Bill
- Understanding Electric Rates
- Understanding Natural Gas Prices
- Understanding Sewer Rates
- Energy Safety Tips
- Locally Regulated Utilities

All publications are available on our website or by calling us at 1-888-441-2494.

# Social Media



Our External Affairs team is committed to providing consumers with regular case updates and helpful consumer tips on Twitter, Facebook, Instagram, and LinkedIn.



**CLEANING WIPES SHOULD NEVER BE FLUSHED DOWN THE TOILET.**



**Budget Billing**  
Don't get behind on your utility bills. Most energy utilities offer budget billing for consistent, monthly payments.



**CONSUMER COMMENTS ARE STILL INVITED IN THE IURC'S COVID-19 INVESTIGATION.**



**Leaky Toilet?**

1. Add a bit of green food coloring to your toilet tank.
2. Let it sit for 15 minutes.
3. Check to see if there is color in the bowl. If there's no green, there's no leak.
4. Don't forget to flush!



**Fix a Leak Week 2020**  
March 16 - 22



**SPRING CLEANING**

- ✓Dust the thermostat.
- ✓Clean exhaust fans.
- ✓Calk and seal air leaks.



**TEACH Kids ELECTRICAL SAFETY**

#NationalElectricalSafetyMonth



**STAY VIGILANT**

*Scammers may pretend to be utility workers.*



# Dedicated Advocacy

The OUCC's analysts and attorneys are committed to providing Hoosier ratepayers with the strongest possible representation in rate cases and additional proceedings affecting utility rates and services. The COVID-19 pandemic has heightened the need for this representation, along with significant rate cases during the State's fiscal year.



## Highlights

- COVID-19 Investigation
- Rate Cases
- Trackers
- Federal Activity



## Case Participation

In the State of Indiana's 2020 fiscal year (July 1, 2019 through June 30, 2020), the OUCC participated in 341 cases before the IURC. In addition, the OUCC participated in cases before the Indiana Court of Appeals and Indiana Supreme Court involving appeals of Commission orders, and in proceedings before the Federal Energy Regulatory Commission (FERC).

The number of cases has not changed widely in recent years. However, the complexity of utility regulatory cases continues to grow due to a variety of factors.

## COVID-19 Investigation

The COVID-19 pandemic has affected every aspect of our lives and continues to do so. And it highlights the importance of safe, reliable utility services to all households and businesses at reasonable prices.

These unprecedented times have called for unprecedented actions. In March 2020, Governor Eric J. Holcomb issued an Executive Order prohibiting the disconnection of electric, natural gas, water, sewer, broadband, and telecommunications services statewide.

In May 2020, the OUCC filed a petition seeking a two-phase IURC investigation into the pandemic's effects on utility rates and services, including a focus on immediate consumer protections in Phase One, and setting the boundaries for appropriate future recovery of pandemic-related utility costs in Phase Two.

Specific protections the OUCC requested in the investigation's first phase included: 1) extending the state's moratorium on disconnections, 2) waiving late, convenience, and disconnection fees, as well as deposits, and 3) requiring more flexible payment arrangements for consumers.

On the same day the OUCC's petition was filed, a group of investor-owned utilities filed a motion seeking rate recovery for lost revenues due to declining sales. Utilities filing the request included Duke Energy, Indiana Michigan Power (I&M), Indiana Natural Gas Corp., Indianapolis Power & Light (IPL), Midwest Natural Gas Corp., Northern Indiana

Public Service Co. (NIPSCO), Ohio Valley Gas, Sycamore Gas Co., and Vectren Energy Delivery.

The OUCC argued against lost revenue recovery in its filings, noting that, "Regulation was instituted as a substitute for competition and the free market. As such, regulation should not put a utility in a better position than other non-regulated entities. All businesses are suffering during this pandemic and utilities should not be made whole or insulated from an economic downturn simply because they are regulated."

On June 29, 2020, the IURC issued its Phase One order denying the lost revenue request, finding, "However, asking customers to go beyond their obligation and pay for service they did not receive is beyond reasonable utility relief based on the facts before us. A utility's customers are not the guarantors of a utility earning its authorized return. Instead, utilities are given the opportunity to recover their costs and a fair rate of return, which includes a certain level of risk attributable to variable sales."

The Phase One order also extended the disconnection moratorium through Aug. 14, 2020 for all utilities under IURC jurisdiction. On June 30, 2020, Gov. Holcomb issued an Executive Order extending the moratorium through the same date for utilities outside of the IURC's jurisdiction.

Commission orders in this case required utilities to waive late fees, disconnection/reconnection fees, and deposits through mid-October. They also required utilities to offer payment arrangements – for customers facing arrearages – for terms of at least six months. State rules require a three-month minimum term under normal circumstances. Certain utilities have gone beyond the Commission's requirement and offered 12-month plans.

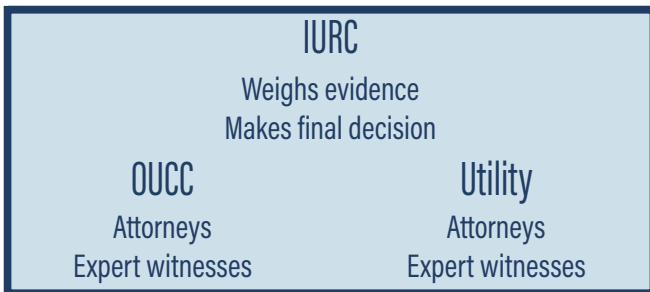
The investigation's second phase is expected to focus on longer-term issues related to COVID-19. Among other things, the issues may include consideration of appropriate methodology to review the reasonableness, necessity, and prudence of any COVID-19-related cost recovery requests in future rate cases.

Utilities may, but are not required to, choose to seek rate relief in Phase 2 due to cash flow issues related to the moratorium and payment plan extensions. Utilities will have the burden of proof in these subdockets. Offsetting savings can also be taken into account.

## Rate Cases

A base rate case, or general rate case, is the one forum in which regulators, consumer advocates, and additional stakeholders can conduct a thorough review of a utility's finances and fiscal health. When a utility seeks changes in its general rates, the request moves forward in a legal proceeding that allows all aspects of the utility's financial health to be examined, including cash flow, debt, operating expenses, opportunities for cost savings, and much more.

- Rate cases before state public utility commissions throughout the United States, including the IURC, are very similar to civil court proceedings.
- The IURC is required by law to balance ratepayer and utility interests while basing its decisions on the evidence in specific cases.
- The utility requesting a rate increase has the burden of proof and presents its case through attorneys and expert witnesses.
- The OUCC represents the public at large in each rate case through its attorneys and expert witnesses. Additional parties may intervene.



A utility will file a case-in-chief including testimony, exhibits, and work papers at the start of a rate case. The documents may total hundreds or even thousands of pages. In a three- to four-month period, the OUCC's analysts will examine the documents. Accountants review the utility's records. Engineers examine issues regarding infrastructure and may go on-site to inspect facilities. Attorneys seek clarification and additional background information through legal discovery questions. Following its review, the OUCC files testimony and presents its case on behalf of consumers.

Most rate cases take approximately 10 months from start to finish. Under state law, the IURC must issue a base rate order within 300 days of the utility's initial filing, if the filing includes all testimony, exhibits, and work papers to be filed in the utility's case-in-chief. The law gives the Commission authority to add 60 days if it finds cause.

The State's most recent fiscal year saw action on several major utility rate requests. It also saw continued growth in the complexity of rate cases and the issues involved with them.

**Duke Energy** made the largest rate request in any Indiana base rate case ever when it sought approximately \$395 million in new, annual operating revenues.

On July 29, 2020, the IURC approved a \$146 million increase, granting less than 40 percent of the utility's original request. The largest factor in this case was the utility's authorized return on equity. Duke Energy requested a 10.5% authorization. The OUCC recommended 9.1%, and the Commission order approved a 9.7% ROE.

A strong aspect of the rate order was the Commission's denial of Duke Energy's decoupling request, which would have allowed the utility to recover lost margins (revenues) for customer reductions in energy consumption that were not caused by Duke Energy's conservation efforts.

Other aspects of the decision have prompted the OUCC to appeal the order, with a number of additional consumer parties joining.

**Indiana Michigan Power (I&M)** pursued its second base rate case in less than two years, receiving IURC approval for an \$84 million increase in a March 2020 order. By comparison, I&M requested a \$172 million increase. The OUCC recommended limiting the increase to less than \$2 million.

As with the Duke Energy case, the IURC approved a 9.7% authorized ROE. The Commission's order also reduced I&M's nuclear decommissioning costs and denied I&M's request for ratepayer funding of proposed economic development programs, on the grounds that they do not provide utility service to customers.

The order also denied I&M's request to shift recovery of \$46 million annually to residential and commercial customers due to lost wholesale customers. I&M sought Commission reconsideration of this part of the order. The OUCC and additional consumer parties successfully opposed the request.

In its previous rate case, I&M was granted an increase of nearly \$97 million in May 2018.

**Northern Indiana Public Service Co. (NIPSCO)** received approval of new electric rates in December 2019. The OUCC and NIPSCO reached agreement on the utility's total annual revenues and fixed charges for residential customers. The final order granted an increase of \$42.7 million and an approved ROE of 9.75%. It also reduced the fixed monthly residential electric customer charge from \$14.00 to \$13.50.

The OUCC and additional parties unsuccessfully argued against NIPSCO's proposal to allow large industrial customers to go directly to the market to purchase some of their electricity, potentially shifting more than \$40 million

in annual cost recovery to commercial and residential customers.

In July 2019, **Citizens Energy Group** received a \$57.8 million increase in its sewer rates., with the OUCC and Citizens settling on most of the case's issues. The OUCC's analysis showed that most proposed projects in Citizens' request reflected a prudent approach to major environmental projects, which are required under the terms of a federal consent decree.

The sole issue litigated in the case focused on the sewer utility's septic tank elimination program, and grinder pumps installed on new customer properties. The OUCC argued that Citizens should maintain the pumps and incur the related costs over the long term. Citizens successfully argued that property owners should be responsible for the maintenance and costs.

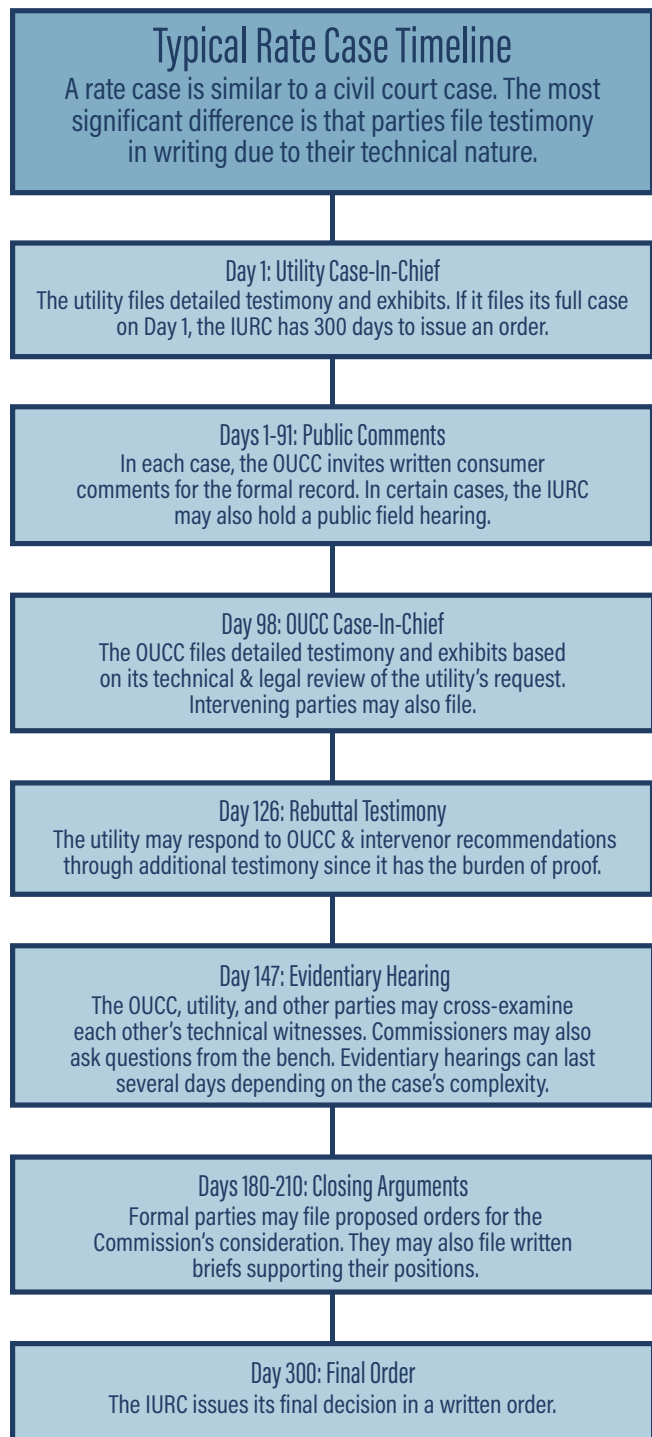
A number of smaller utilities have requested rate increases in the last year including **LMH Utilities** and **Community Natural Gas Co.** LMH, a privately owned sewer utility in Dearborn County, received an increase of less than 8 percent after originally requesting a 94 percent increase. The OUCC also litigated the Community Natural Gas case, in which the agency's recommendations helped reduce the utility's annual requested increase by nearly \$360,000.

Additional recent rate cases have included **Richmond Power & Light (RP&L)**, in which a settlement agreement is now pending before the IURC. Settlement agreements with the **City of Martinsville**, **Brown County Water Utility**, **Morgan County Rural Water Corp.**, **Aqua Indiana**, and **Boonville Natural Gas Corp.** were approved.

When the OUCC and utilities file settlement agreements, they have the burden of proof to show that the agreements are in the public interest. Settling parties file testimony for the IURC's consideration on any agreement. The Commission has discretion under state law to accept, deny, or modify any agreement before it.

The OUCC is willing to conduct settlement negotiations in all Commission cases. If the agency can negotiate a fair settlement for consumers, the agreement limits the risks of an adverse decision and helps reduce litigation costs that are ultimately included in rates.

A number of additional rate requests from small utilities are pending at the time of this report. The OUCC's website includes updated information on each of these cases.





## Trackers

In addition to rate cases, utilities can also seek rate changes through “trackers” or “riders.” Each tracker is used to adjust rates, between general rate cases, for a specific item as allowed by state law. Examples include fuel recovery, energy efficiency programs, environmental and regional transmission costs, and more.

Each utility tracker is authorized either by the Indiana General Assembly or the IURC. Any rate increase or decrease through a tracker requires IURC approval. While trackers differ by types of costs and by how often they are filed, the OUCC closely analyzes all tracker filings to ensure they are compliant with state law and that all calculations are accurate and supported by evidence as required.

Indiana utilities recover billions of dollars for capital and operations expenses through trackers each year. The OUCC represented consumer interests in 149 such cases during the State’s most recent fiscal year.

### Transmission, Distribution, and Storage System Improvement Charge (TDSIC):

Under a 2013 law, an electric or natural gas utility may choose to seek

IURC approval of a 5-to-7-year plan for infrastructure improvements. An IURC order must be issued on the proposed plan within 210 days, with OUCC review typically limited to approximately 86 days.

If a plan is approved, the utility may then file for a rate adjustment as often as every six months. The TDSIC adjustment requires OUCC review and IURC action, respectively, in 60 and 120 days. The utility may then use the TDSIC tracker to recover 80 percent of the plan’s costs through rates as the projects are completed. The remaining 20 percent is deferred to the utility’s next base rate case, which it must file before the end of the plan’s term.

Changes to the TDSIC statute, approved in 2019, allow a utility to update its plan annually and cancel a plan with 60 days’ notice.

To date, 9 utilities have received approval of TDSIC plans implicating a cumulative total of more than \$5.3 billion, as of the end of the State’s most recent fiscal year.

In Fiscal 2020, the OUCC reviewed and testified on 15 TDSIC tracker filings. In three gas trackers, certain costs were disallowed due to a lack of data in the utility’s filing.

New TDSIC plans approved in 2020 included a 6-year, \$950 million plan for NIPSCO’s natural gas utility and a 7-year, \$1.2 billion plan for IPL.

The IPL TDSIC plan is currently under appeal. Any party to an IURC case may appeal a final order to the Indiana Court of Appeals.

When participating in an appellate case, the OUCC handles all legal work internally, with the agency’s attorneys drafting briefs and participating in oral arguments when warranted.

**Gas Cost Adjustment (GCA):** Natural gas utilities may adjust their rates periodically to recover wholesale gas costs on a dollar-for-dollar basis. State law requires utilities to be prudent when shopping for gas in the competitive market. The cost pass-throughs require OUCC review and IURC approval before taking effect. A GCA filing may increase or reduce rates.

In the most recent fiscal year, the OUCC closely scrutinized and filed testimony on 61 GCA filings from 17 utilities.

### Major Utilities: TDSIC & Base Rate Approval

Electric		
Utility	Using TDSIC?	Base Rates Approved
Duke Energy	Yes	2020
Indiana Michigan Power (I&M)	No	2020
Indianapolis Power & Light (IPL)	Yes	2018
Northern Indiana Public Service Company (NIPSCO)	Yes	2019
Vectren	Yes	2011

Gas		
Utility	Using TDSIC?	Base Rates Approved
Citizens Gas	No	2011
Northern Indiana Public Service Company (NIPSCO)	Yes	2018
Vectren North	Yes	2008
Vectren South	Yes	2007

In three cases, the OUCC identified errors and excess earnings, resulting in total consumer savings of nearly \$200,000.

Most gas utilities in Indiana file GCAs every three months. Certain smaller utilities file every six or 12 months.

**Fuel Adjustment Clause (FAC):** This tracker allows electric utilities to recover costs for fuel at their generation plants, including coal, natural gas, and nuclear fuel. Similar to the GCAs, these filings only allow for dollar-for-dollar cost recovery and require utilities to shop prudently for their sources.

The OUCC analyzed and testified on 27 FAC cases in the most recent fiscal year. State law allows the OUCC 20 days to review an FAC request once it is filed. However, agreements with four of the state's five investor-owned electric utilities give the OUCC 35 days to complete its review and file testimony. FAC cases occur every three or six months, depending on the utility.

**Environmental Cost Recovery (ECR):** ECR trackers and similar riders allow utilities to recover costs of environmental projects, largely aimed at compliance with federal government mandates. Utilities have recovered hundreds of millions of dollars through environmental trackers in recent years. However, most of these costs have been moved into base rates in recent cases.

**Demand Side Management (DSM):** Each major Indiana electric utility submits a three-year energy efficiency plan for IURC approval. Costs for an approved plan's programs, along with lost revenues and shareholder incentives, as defined by statute, are recovered through rates in the DSM trackers. Natural gas utilities also offer ratepayer-funded energy efficiency plans and programs.

**Green Power Rider (GPR):** An electric utility may offer an alternative billing option for consumers wanting to promote renewable energy. For an extra fee, the customer can participate in a voluntary program through which the utility buys an equivalent amount of power from wind, solar, and other renewable resources.

**Pipeline Safety Adjustment (PSA):** This tracker allows natural gas utilities to recover costs for pipeline projects required by federal mandates.



OUCC Assistant Electric Division Director Mike Eckert works on numerous cases including coal procurement and fuel cost issues. Eckert has served with the agency since 1987.

**Distribution System Improvement Charge (DSIC) & System Integrity Adjustment (SIA):** These trackers are available to water and wastewater utilities.

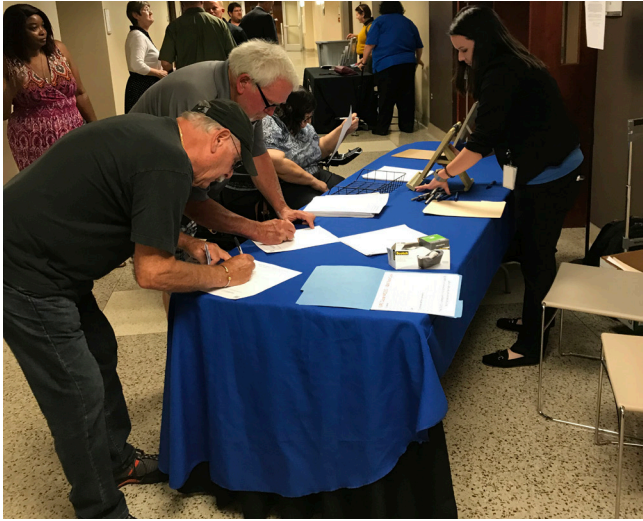
The DSIC may be used for replacing water distribution or sewage collection infrastructure between rate cases. It may also be used to recover replacements of lead and galvanized steel service lines.

The SIA allows a water or sewer utility to raise rates if it does not recover the revenues authorized in its most recent rate case.

**Additional Trackers:** Some utilities use unique trackers, such as Duke Energy's IGCC tracker which has recovered costs for the Edwardsport integrated gasification combined cycle generating plant in Knox County. This tracker will end as a result of Duke Energy's recent rate order. Future operating and maintenance costs for the Edwardsport facility will be recovered through the utility's base rates.

Another major tracker is I&M's Life Cycle Management (LCM) tracker, which pays for projects at the Donald C. Cook Nuclear Plant. Though the plant is located in Michigan, most of its electricity is designated for use by I&M's Indiana customers.

All 5 major Indiana electric utilities have RTO trackers, through which they recover costs for participation in multi-state, regional transmission organizations.



Public field hearings - including this I&M rate case hearing in Muncie - allow consumers to speak directly to the IURC on pending cases.

## Federal Issues

The OUCC's Federal Division is an important voice for Hoosier consumers, participating in cases before the Federal Energy Regulatory Commission (FERC) and participating extensively in multi-state stakeholder processes.

Regional transmission operators and independent system operators are multi-state organizations. They oversee the electric grid in their respective regions and are responsible for ensuring a reliable and resilient power supply at all times. Indiana is served by two such entities. Indiana Michigan Power (I&M) is a member of the Pennsylvania-based PJM Interconnection, which oversees the grid in 13 states and the District of Columbia. The other major Indiana electric utilities are members of the Midcontinent Independent System Operator (MISO), based in Carmel, Indiana. MISO's territory covers 15 states and the Canadian province of Manitoba.

Each grid operator addresses a plethora of extremely complex engineering, economic, and legal issues both in day-to-day operations and in long-term planning. The participation of consumer advocates is crucial to the oversight of these entities, as regional transmission costs are ultimately recovered through customer rates. According to MISO, the projected cost of building a new transmission line in Indiana may range from \$1.3 million to \$4.9 million per mile.

As an active member of Consumer Advocates of the PJM States, Inc. (CAPS), the OUCC's federal team regularly participates in regional and sub-regional multi-state

transmission planning and market development. The OUCC also participates regularly in stakeholder input processes within PJM and MISO.

Resource adequacy, wholesale markets in which utilities purchase electricity, and seams management are among the key issues that go into regional planning. Seams management involves issues with the transfer of energy between RTOs. It is particularly important for Indiana since the state is served by more than one transmission operator.

Aging infrastructure is as much an issue for transmission systems as it is for the generation and distribution of electricity. The ongoing transition from coal-fired generation to natural gas and renewable resources also has a direct impact on regional transmission planning and costs. The addition of wind farms, solar projects, and other new generation sources to the grid will continue to require new electric transmission lines and systems throughout the nation. With consumers paying for these costs, the participation of consumer advocates will continue to play a crucial role.

## Fixed Residential Charges

A typical utility bill includes a fixed charge that does not vary from customer to customer, along with portions based on a customer's usage. The fixed charges, often referred to as "customer charges" or "facility charges," have been a major issue in recent rate cases. Monthly residential customer charges vary by utility.

Electric	
Utility	Customer Charge
Duke Energy	\$10.54
Indiana Michigan Power (I&M)	\$15.00
Indianapolis Power & Light (IPL)	\$17.00
Northern Indiana Public Service Company (NIPSCO)	\$13.50
Vectren	\$14.00

Gas	
Utility	Customer Charge
Citizens Gas	\$12.00
Northern Indiana Public Service Company (NIPSCO)	\$14.00
Vectren North	\$11.25
Vectren South	\$11.00

# Creative Problem Solving

The utility industries are always in a state of change. From emerging technologies to market forces and from federal policy changes to the need to address aging infrastructure, the changes and challenges facing utilities and their customers continue to grow and become more complicated. Efforts by consumer advocates and utilities to creatively solve problems are more important than ever.



## Highlights

- A Time of Change
- Integrated Resource Plans/Infrastructure Cases
- Aging Infrastructure
- Environmental Rules
- Energy Efficiency
- Federal Taxes
- Collaboration With Our Peers



## A Time of Change

Before the COVID-19 pandemic surfaced, utilities and their customers throughout the United States were already in a time of unprecedented change.

The need to address aging energy, water, and wastewater infrastructure has combined with the continued fuel shift for electricity generation to create numerous challenges and challenging questions for utilities, policy makers, regulators, and consumer advocates. These are challenges that demand creative problem solving and will continue to do so in the months and years ahead.

The electric industry in the United States continues to transition away from coal-fired generation and toward natural gas and renewable resources. This transition is affecting Indiana more acutely than most other states because of Indiana's traditionally heavy reliance on coal.

The OUCC collaborates with utilities and additional stakeholders in comprehensive planning for Indiana's future energy needs. All major electric utilities are required to develop integrated resource plans (IRPs) every three years, mapping out their anticipated supply needs for the next two decades.

With each IRP, the OUCC's attorneys and technical experts participate in numerous meetings and discussions with utilities, IURC staff, and additional stakeholders to help ensure an appropriate level of public input while helping to enhance the plans and make them as beneficial as possible for meeting the future energy needs of each utility, its customers, and the state as a whole.

All of Indiana's large investor-owned utilities plan to reduce their use of coal in the coming years while increasing their use of renewable energy. NIPSCO, specifically, plans to retire all of its coal-fired generation by 2028.

During its 2019 session, the Indiana General Assembly created the 21st Century Energy Policy Task Force. Co-Chaired by State Representative Ed Soliday (R-Valparaiso) and State Senator Eric Koch (R-Bedford), the task force is in the midst of a two-year effort to gather data and develop recommendations for Indiana's future energy policy.



OUCC Natural Gas Division Analyst Cinthia Sabillon participates in gas cost adjustment and financing cases. She also represents the agency on the energy efficiency oversight boards for two major Indiana utilities.

Final recommendations are due in December 2020. They will cover ways to maintain electric service that is reliable, resilient, and affordable for all consumers, encouraging the use of advanced technologies, and identifying the outcomes needed to overcome future challenges, including timelines for achieving them.

The task force's 15 members include 8 legislators and 7 appointees by Governor Eric J. Holcomb. The Governor's appointees include Utility Consumer Counselor Bill Fine in addition to various industry and academic experts.

## IRPs and CPCNs

As noted above, each major electric utility's IRP is a long-range plan for meeting its generation and electric supply needs over the next 20 years. After holding public meetings and receiving consumer and stakeholder input, each utility submits its IRP to the IURC. IRPs are updated through annual surveys utilities submit to regional transmission operators.

IRPs, however, are non-binding and do not require IURC approval; nor do they immediately affect utility rates.

When an electric utility seeks to build a new power plant or a large renewable energy facility, or when it seeks to retrofit coal-generating plant infrastructure with technology to remove emissions, it files a request with the IURC seeking approval through a formal regulatory case. The case typically includes a request for a Certificate of Public Convenience and Necessity (CPCN), which allows the utility to proceed with the project(s) and allows the utility to recover the construction and financing costs through rates.

CPCN cases in the last fiscal year have included settlement agreements with I&M and Vectren, respectively, on new solar projects in St. Joseph and Spencer counties. These agreements have allowed the projects to advance while including consumer savings. In addition, NIPSCO has received recent approval or is requesting approval for more than 1,400 MW in wind and solar energy. In these cases, the OUCC has recommended approval along with reporting requirements.

While the ongoing shift from coal to renewable resources is largely driven by economic forces and consumer demand, federal environmental regulations in recent years have played a key role, as well. Although the federal government has made major policy changes in recent years, with many environmental rules under review in the federal courts, utilities have still been responsible for meeting the deadlines those rules established. Compliance may require years of planning and construction work at generating facilities.



OUCC Electric Division Analyst Caleb Loveman served on numerous case teams in the past year, analyzing Indianapolis Power & Light's (IPL's) proposed energy efficiency plan and testifying in the Richmond Power & Light (RP&L) rate case.

## Aging Infrastructure

Aging utility infrastructure continues to be a challenge for Indiana and the rest of the nation.

Water utilities throughout the United States will need to make more than \$384 billion in improvements to ensure safety over the next 20 years, according to the US EPA. In addition, a recent report from the American Society of Civil Engineers and the Value of Water Campaign showed the rate of water main breaks throughout the nation rising by 27 percent between 2012 and 2018.

Indiana's large investor-owned electric and natural gas utilities have also raised concerns about aging infrastructure in filings before the IURC and have received approval of improvement plans implicating billions of dollars in recent years.

In cases before the IURC, the OUCC continues to show its commitment to improving energy and water/wastewater infrastructure at reasonable costs. Utilities are required by law to maintain transmission and distribution systems in a condition to provide safe, reliable service to all customers. As utilities increase rates and incur debt to pay for improvements and new investments, it is crucial that the costs be appropriate and not excessive, remembering that the process for regulating monopoly utilities is a surrogate for competition.

In addition to the IRP process for electric utilities, the OUCC encourages water and wastewater utilities to develop and implement proactive and robust asset management plans to address aging infrastructure. Such a plan prolongs the life of assets while meeting consumer demands and establishing rates based on sound operational and financial planning.

As noted in the previous chapter, most rate cases with municipal utilities are settled. One such example from the State's most recent fiscal year involved Martinsville's municipal water rate case. The rates and financing approved under the agreement will allow for renovations to the city's treatment plant, well replacements in a contaminated wellfield, and the installations of new mains and hydrants throughout the water distribution system.

Additional examples include Aqua Indiana's plans to replace aging sewer and water infrastructure at utilities in southern and west-central Indiana.





OUCC Electric Division Analyst Eric Hand has testified in numerous rate cases, focusing largely on tariff changes and vegetation management. He also focuses on special contracts for large industrial customers.

## Environmental Rules

Numerous environmental issues factor into utility ratemaking. For years, electric utilities and numerous stakeholders have addressed issues with air emissions from generation facilities, including federal requirements for sulfur dioxide, nitrogen oxide, mercury, and additional emissions. Even when federal regulations have changed due to policy reasons, utilities must still plan for compliance, especially with rules facing federal court challenges and unknown outcomes.

EPA regulations, especially on coal-fired power plants, are expected to continue to have a major impact on electric rates throughout Indiana.

Additionally, ash ponds at current and former coal-generating plants are requiring remediation and, in certain cases, removal, due to the federal coal combustion residuals (CCR) and effluent limitations guidelines (ELG) rules. Evaluating these already complex programs has become even more complicated due to delays in compliance deadlines, rule repeals, and unique characteristics that vary from project to project.

Within the fiscal year, the OUCC and Vectren filed and received approval of a settlement agreement that allows for removal of ash at the A. B. Brown Generating Station and the reuse of the ash at an out-of-state cement facility.

Proceeds from sales of the ash will be used to offset the project's operating and maintenance costs by at least \$25 million.

NIPSCO is closing all of its ash ponds by removal while Duke Energy plans to remove ash from some ponds and cap others in place. Current and future costs regarding Duke Energy's ash removal projects were at issue in the utility's recent rate case as well as a subdocket that is still pending.

## Energy Efficiency

Energy efficiency programs allow more opportunities for creative problem solving. Each Indiana investor-owned electric utility seeks approval of an energy efficiency plan – known as a demand side management (DSM) plan – every three years. Natural gas utilities are also offering energy efficiency programs under plans that have received IURC approval.

The OUCC is heavily involved in these cases, examining each proposed program and seeking to balance the energy savings from the programs with the costs customers pay to achieve those savings.

OUCC staff also participates on each utility's DSM oversight board, to help ensure that ratepayer-funded energy efficiency programs are managed effectively and operated within the terms approved by the Commission. The oversight boards make decisions regarding program budgets, planning, and evaluation.

New technology continues to emerge not only for electric generation and water/wastewater treatment, but for improvements to transmission and distribution systems for all utility types. Advanced meters, cybersecurity, and many other factors play crucial roles in the long-range planning and day-to-day provision of utility services.

Indiana utilities are joining the rest of the nation in installing new metering technology for customers, including advanced metering infrastructure (AMI). Recognizing that some customers prefer to retain traditional meters, the OUCC, Citizens Action Coalition, and

IPL have reached a settlement agreement that would allow customers to “opt out” of having an advanced meter.

That agreement is pending. Similar tariffs were previously approved for Duke Energy and I&M.

## Federal Taxes

The Tax Cuts and Jobs Act of 2017 reduced the corporate federal tax rate for most investor-owned utilities from 35 percent to 21 percent. With utilities allowed to recover income taxes through rates on a dollar-for-dollar basis, state-level actions were necessary to adjust rates and ensure that the savings were shared with ratepayers.

Through an IURC investigation, Indiana utilities have reduced rates by more than \$200 million. Most matters in the investigation were fully addressed and complete before the State’s most recent fiscal year. But issues surrounding two utilities continued through the past year.

The tax relief subdocket for Hamilton Southeastern Utilities was stayed while its most recent rate order was on appeal. With the appellate issues resolved, the subdocket is now pending.

A settlement agreement between the OUCC and Indiana American Water Co. received Commission approval in June 2020, resolving a number of accounting issues and reducing bills by more than \$6.4 million annually.

## Collaboration with Our Peers

A crucial element in creative problem solving is the OUCC’s ability to share information with fellow state utility consumer advocates across the nation. The agency is an active member of the National Association of State Utility Consumer Advocates (NASUCA), which includes 55 member agencies throughout the United States and the Caribbean.

Indiana Utility Consumer Counselor Bill Fine serves on NASUCA’s Executive Committee with OUCC Chief Technical Advisor Margaret Stull chairing the organization’s Tax & Accounting Committee. Additional staff throughout the agency participate in additional NASUCA committees and meetings. NASUCA provides a vital forum for understanding best practices and current trends for consumer advocates throughout the utility industry.

## Working Through the Pandemic

The COVID-19 pandemic has affected every workplace in 2020, with state agencies being no exception.

Though we do not see each other in-person every day, the OUCC continues to conduct thorough analyses, produce strong testimony in cases, and meet regularly online.

With the help of current technology, we continue to advocate strongly, effectively, and efficiently for ratepayers throughout Indiana.



An OUCC Water/Wastewater Division meeting in late 2019.



A more recent meeting of the OUCC’s Legal Division, via Microsoft Teams.

# OUCC Team

**The highly specialized professionals in our agency put their expertise to work for consumers each day, drawing from many advanced degrees and hundreds of years of combined experience. We work cohesively to make sure Hoosier consumers have strong, dependable representation in all utility regulatory cases.**

## Executive

Our executive leadership guides the agency based on decades of litigation, administrative law, and managerial experience.

Under Indiana law, the Governor appoints the Utility Consumer Counselor to a four-year term. The Utility Consumer Counselor must be a practicing attorney "qualified by knowledge and experience to practice in utility regulatory agency proceedings."



William Fine - Utility Consumer Counselor  
Abby Gray - Executive Director, Legal Operations  
Barbara Smith - Executive Director, Technical Operations

## Legal

With approximately 400 years of combined legal experience, the OUCC's attorneys specialize in the highly complex field of utility law.

Our legal team is committed to providing strong, dependable representation for consumers through writing briefs and proposed orders, questioning utility witnesses through legal discovery and cross examination, and participation in settlement negotiations.



Randall Helmen - Chief Deputy Consumer Counselor  
Scott Franson - Deputy Consumer Counselor  
Jason Haas - Deputy Consumer Counselor  
Lorraine Hitz-Bradley - Deputy Consumer Counselor  
Karol Krohn - Deputy Consumer Counselor  
Daniel Le Vay - Deputy Consumer Counselor  
Tiffany Murray - Deputy Consumer Counselor  
Jeffrey Reed - Deputy Consumer Counselor  
Cheryl Williams - Paralegal

## Federal

The OUCC's federal team is a voice for Indiana ratepayers in proceedings that directly or indirectly affect the benefits they receive from the multi-state electric transmission grid, and the related costs.

Our staff has worked for the Federal Energy Regulatory Commission (FERC), both of Indiana's transmission system operators, and elsewhere in the industry. Using this experience, our Federal Division brings a knowledgeable and experienced outlook to the table.



Arthur Iler - Deputy Consumer Counselor, Federal Affairs  
Michael Gahimer - Senior Utility Analyst

## Technical

Experts in the OUCC's Electric, Natural Gas, and Water/Wastewater Divisions include accountants, engineers, economists, fiscal analysts, and environmental analysts.

With hundreds of years of combined professional and industry experience, our analysts develop and present detailed, persuasive, and well-researched testimony to make sure Indiana ratepayers have a strong voice in cases affecting their rates and services.



### Water/Wastewater

Scott Bell – Director  
Carl Seals – Assistant Director  
Margaret Stull – Chief Technical Advisor  
Takia Bland – Administrative Assistant  
Richard Corey – Utility Analyst II  
Shawn Dellinger – Utility Analyst II  
Thomas Malan – Utility Analyst II  
James Parks – Utility Analyst II  
Carla Sullivan – Utility Analyst II  
Kristen Willoughby – Utility Analyst II

### Natural Gas

Leja Courter – Director  
Heather Poole – Assistant Director  
Dezara Atherton – Administrative Assistant  
Yi Gao – Utility Analyst I  
Angela Griffith – Utility Analyst I  
Mark Grosskopf – Senior Utility Analyst  
Brien Krieger – Utility Analyst II  
Cinthia Sabillon – Utility Analyst I

### Electric

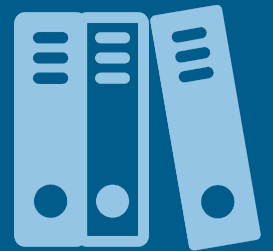
Stacie Gruca – Director  
Michael Eckert – Assistant Director  
April Paronish – Assistant Director  
Lauren Aguilar – Utility Analyst II  
Anthony Alvarez – Utility Analyst II  
Cynthia Armstrong – Senior Utility Analyst  
Wes Blakley – Senior Utility Analyst  
Peter Boerger, Ph.D. – Senior Utility Analyst

Theresa Davis – Administrative Assistant  
Eric Hand – Utility Analyst II  
John Haselden – Senior Utility Analyst  
Sergio Hunt – Utility Analyst II  
Kaleb Lantrip – Utility Analyst II  
Caleb Loveman – Utility Analyst II  
Kimberly Remy – Administrative Assistant

## Business Office & Information Technology

The OUCC is a high-performing agency thanks in large part to the professionalism of our Business Office.

We are the first Indiana state agency to fully implement the new SuccessFactors system for performance management. Our team also keeps working to identify efficiencies and opportunities for cost savings.



Krista Orton – Executive Office Director  
Mary Lyons – Professional Development & Technical Specialist  
Kimberly Weaver – Office Operations Assistant  
Scott Wright – Project Manager

## External Affairs

Our External Affairs Division focuses on consumer engagement through pending cases, public outreach, our newsletter and social media pages, and more.

The OUCC is committed to reliable utility consumer education while providing great government service to consumers throughout the state.



Anthony Swinger – Director of External Affairs  
Olivia Rivera – External Affairs Specialist



# Milestone Anniversaries

A number of our team members celebrated milestone work anniversaries with the State of Indiana during the past budget year. Some worked for other state agencies before joining the OUCC; others have been with the OUCC from the outset. Their years of expertise and insight are invaluable, and we can't thank them enough for their hard work and dedication.

## Kim Remy

Administrative Assistant - 35 Years

"I've had the opportunity to serve the State in three very different agencies and have enjoyed each of them immensely. But the OUCC has been really unique. I have seen this agency grow and change during my time here. The OUCC is filled with so many hardworking people and their passion for consumer advocacy is contagious. My coworkers have grown to be part of my extended family and I am forever grateful for their support over the years. There are some wonderful people with huge hearts here and I feel very blessed to know them and work with them."

## Scott Wright

Project Manager - 30 Years

"When I joined the OUCC in 1990, it was a small, dedicated team of professionals advocating on behalf of Indiana ratepayers. In 30 years, the number of dedicated professionals has grown, the subject matter has evolved, and the passion for advocacy burns just as brightly. It has been my privilege to be a small part of the OUCC team."

## Mark Grosskopf

Senior Utility Analyst - 25 Years

"It is important to me to believe in the product or service provided by an organization I work for. From the beginning of my career with the OUCC, it pleased me to know that my efforts would be for the benefit of 'the people.' Consumer protections and reliable, affordable utility service are important aspects of a society. When people ask me what I do, I tell them I try to keep the utilities honest, and it's a full-time job. They seem to understand this. Just as important as our work, I have made some very good friends along the way."

## Lorraine Hitz-Bradley

Deputy Consumer Counselor - 20 Years

"A decade on behalf of the public at the OUCC, and there is always so much more to do! I learn new things constantly and face the challenges with an amazing group of people all working for the same cause: To be the public's advocate. Most people don't know we exist, but we work for utility customers every day nonetheless - and always wish we could do more."

## Randy Helmen

Chief Deputy Consumer Counselor - 20 Years

"Many things have changed over the last 20 years, presenting challenges and opportunities for consumer advocates. But no challenge has been greater than the COVID-19 pandemic. It has been the highlight of my career to protect Indiana ratepayer interests during this difficult year. I am fortunate to work with talented public servants who teach me new things every day while serving ratepayers extremely well."

## Daniel Le Vay

Deputy Consumer Counselor - 20 Years

"We often fight over issues that affect a lot of people a little bit and less often, issues that affect a few people a lot. In most cases, we aren't just advocating for a result in that case only. It's important to avoid results that erode consumer protections that have evolved over decades. Because of recent changes in state law, the job of the utility consumer advocate has gotten more challenging. But I really appreciate the OUCC's mission and the dedicated people I work with."

# Indiana Office of Utility Consumer Counselor

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