



David Stippler
Utility Consumer Counselor

2010 Annual Report

Our Mission

The OUCC is committed to representing consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

Summary

The Indiana Office of Utility Consumer Counselor (OUCC) is the state agency representing utility ratepayer interests. In cases before the Indiana Utility Regulatory Commission (IURC), appellate courts and federal regulatory agencies, the OUCC actively works to ensure that consumer interests are heard.

The OUCC is an independent agency, statutorily separate from the IURC. The OUCC's work resulted in approximately **\$112 million in savings** for Indiana utility consumers in 2010. The agency participated in **31 utility base rate cases** (compared to 19 base rate cases the year before) and **167 tracker proceedings**, auditing books and records implicating billions of dollars in requested utility revenue recovery.

As the only organization representing all consumer interests in cases before the IURC, the OUCC addressed a number of challenges in 2010 including aging utility infrastructure, increasing numbers of rate adjustment mechanisms (trackers), federal environmental mandates, regional electric transmission matters, and new technologies, while advocating for fair rates that produce sufficient revenues for safe, reliable utility service.

The challenges faced in 2010 will continue throughout 2011 and in the years to come. While the agency's caseload (more than 300 cases in 2010) is expected to be at similar or higher levels in 2011 and the years to come, the OUCC remains actively committed to ensuring strong representation for consumers in utility regulatory matters. The OUCC continues to do its work in a fiscally responsible manner while meeting or exceeding all performance targets for agency efficiency.

In 2010, the OUCC focused on major items of interest including:

- Duke Energy Edwardsport IGCC cost recovery – Identifying cost concerns & seeking creative solutions.
- Large rate requests by major utilities including:
 - NIPSCO – Challenging the utility's electric rate request while negotiating a decrease in the utility's natural gas base rates.
 - Vectren – Advocating for a much smaller electric rate increase (less than one-fifth) than the utility's original request.
 - Indianapolis Department of Waterworks – Recommending substantial limits on the utility's request while supporting critical new infrastructure.
- City of Indianapolis water and sewer utilities transfer to Citizens Energy Group – Carefully analyzing the proposal and recommending new consumer protections.
- Coordinating statewide efforts to enhance energy efficiency – Leading joint efforts among other consumer advocates and all major electric utilities in Indiana.
- Additional highlights as noted in this report – Including smart grid, resource planning, renewable energy, electric utility vegetation management, and more.

Our Experience

The key to the OUCC's success lies in its dedicated 53-member team consisting of:

- A legal staff with a combined 175 years of specialized experience in utility law.
- A technical staff with extensive professional and utility industry experience in many disciplines, including accounting, economics and engineering.
- An external affairs staff committed to providing consumer education and a useful interface with utility customers, utility industry representatives, and the media.
- A support staff committed to ensuring efficient and effective internal operations.



Many OUCC staff members have advanced degrees and professional certifications (CPAs, PEs, etc.); most attend annual seminars and make other continuing education efforts to stay up-to-date on developments in the utility industries.

Our Challenges

Through participation in more than 300 IURC cases over the past year, the OUCC continued to represent the public in the face of an increasingly complex caseload with a daily pace and intensity that continue to be greater than ever, regularly dealing with such issues as:

- The need for aging infrastructure to be repaired, rebuilt, or replaced.
 - In Cause No. 43645, the IURC approved \$110 million for capital improvement projects to allow the Indianapolis Department of Waterworks to fund multiple infrastructure improvements. After its independent review of the city's proposal, the OUCC agreed that the funds for capital improvements were justified and necessary.
 - In IURC Cause No. 43680, Indiana American Water Co., Inc. was authorized to recover \$25 million for projects replacing aging treatment facilities and sources of supply.
- Increasing numbers of requests for rate adjustment mechanisms, or "trackers," which allow utilities to seek rate recovery for certain expenses outside base rate proceedings.
 - Trackers generally discourage utilities from filing base rate cases, where decreased expenses or increased revenues would be recognized and offset tracked expenses.
 - OUCC staff and consultants audited books and records implicating billions of dollars in 2010 through 87 electric utility tracker proceedings, including 28 Fuel Adjustment Clause (FAC) reviews that have reflected increased coal costs and 59 additional electric utility tracker cases. Many electric utility trackers are focused on environmental costs, while others address regional transmission, off-system sales and purchased power costs.

Our Challenges

- The need for utilities to comply with federal environmental mandates at the most reasonable costs possible.
 - In IURC Cause No. 43873, Duke Energy sought IURC approval to implement clean coal technology at its Gallagher Generating Station and recover the costs through future rates. The OUCC raised concerns regarding the project's cost estimate and made the case for additional reporting requirements which were approved by the Commission.
 - In 2010, the state's five investor-owned electric utilities sought rate recovery of approximately \$485 million in environmentally related costs.
- Regional transmission operator (RTO) matters, including the share of costs allocated to Indiana ratepayers.
 - In 2010, the OUCC audited Indiana Michigan Power's (I&M's) first annual tracker related to RTO costs associated with its membership in PJM Interconnection.
 - Indiana's other major electric utilities are members of the Carmel, Ind. - based RTO Midwest ISO, with Duke Energy and Vectren recovering related costs through electric rate tracking mechanisms.
- New technologies and initiatives (such as smart grid, renewable energy, and much more), their role in addressing the state's future energy needs, and related costs for Hoosier consumers.
 - OUCC staff closely monitored the progress of I&M's smart meter pilot program in South Bend while negotiating with Duke Energy and Indianapolis Power & Light (IPL) on proposed smart grid initiatives.
 - The agency continued to support new renewable generating facilities in the state, including new wind farms, biomass and methane gas generation.
- Examining the policies and practices of utilities to ensure rates are fair, while recommending sufficient revenue levels to provide safe, reliable service.
 - In Northern Indiana Public Service Company's (NIPSCO's) first natural gas base rate case in more than 20 years (IURC Cause No. 43984), the OUCC stressed the need for a lower depreciation rate. As a result, all parties in the case successfully negotiated a settlement agreement resulting in a base rate reduction.
 - The OUCC recommended substantial limits on electric base rate requests by NIPSCO and Vectren Energy Delivery (Cause Nos. 43526 and 43839) for a wide range of reasons supported by testimony.

Our Commitment to Efficiency

The OUCC continues to advance its mission in an assertive and fiscally responsible manner, engaging in extensive strategic planning that ensures the efficient use of time and resources.

The OUCC is committed to achieving its short- and long-term goals on behalf of Indiana ratepayers. The agency met or exceeded all 2010 performance targets, measuring its success through Key Performance Indicators and Program Measures reported to the Indiana Office of Management and Budget (OMB).



- The agency focused on laying the groundwork to achieve the following objectives:
 - Execution of performance goals in a manner consistent with our mission.
 - Development of staff resources to handle the complex caseload.
 - Continuation of process improvements to exceed targets for Key Performance Indicators and Program Measures, as reported on the Governor's Dashboard for agency performance results.

- The OUCC developed 21 specific goals that were linked to the agency's mission and long-term objectives. Each goal was designed to support process improvement and knowledge development of each member of the OUCC's staff. The outcomes of the most prominent OUCC 2010 goals include:
 - Development of a process to enhance analysis of complex rate cases, outlining potential steps to improve the agency's effectiveness on cost of service, rate and tariff design issues.
 - Creation of a standard analysis tool to measure the effect of rate adjustment mechanisms (or "trackers") on residential ratepayers, which enhances the agency's ability to review trackers and measure their dollar impacts on residential rates both on a monthly and annual basis, and as a percentage on a total bill (as compared to base rates).
 - Compilation of best practices to perform water audits and implement water loss control measures, to integrate the American Water Works Association (AWWA) Water Audit Method into the agency's current practice of determining "Un-Accounted For Water (UAFW)."
 - Completion of a policy analysis on financial instruments to hedge coal prices and natural gas pricing in an increasingly volatile market, producing guidelines for the agency to follow in order to ensure that Indiana consumers benefit from the mitigation of price volatility and to lessen the impact of upward price movements.

Our Accomplishments

Closely monitored and identified concerns regarding the increasing costs of **Duke Energy's proposed IGCC project** at Edwardsport. While continuing to support the concept of the new plant and other clean coal technologies, the OUCG continued to raise concerns about the project's escalating costs and proposed rate recovery, while seeking creative solutions regarding the project.



Recommended limiting **Vectren's requested electric rate increase** to less than one-fifth of the amount the utility originally proposed. The OUCG also made a strong case against Vectren's rate decoupling proposal, which would guarantee the utility's rate of return regardless of reduced customer usage.

Recommended limits on **Indianapolis Water's requested rate increase**, realizing the need for new infrastructure and necessary revenue to pay for it, while recommending cost savings in the areas of management, cash flow, and others. The IURC final order approved a rate increase significantly less than Indianapolis Water originally proposed which saves ratepayers approximately \$11 million annually.

Committed substantial agency resources to reviewing **Citizens Energy Group's proposal to acquire the Indianapolis water and sewer utilities**. This very complex case raised numerous unique issues as the OUCG recommended approval of the transfer on the condition that a number of consumer protections are added.

Participated in 2 electric base rate cases filed by **Northern Indiana Public Service Company (NIPSCO)**. The OUCG's opposition helped lead to much smaller rate impacts in the first rate case. NIPSCO's second electric rate case is underway with the OUCG scheduled to file testimony in May 2011.

Successfully negotiated an agreement among all formal parties in **Northern Indiana Public Service Company's (NIPSCO's) natural gas rate case**, the first such case in more than two decades. The agreement, approved by the IURC, reduced overall base rates by \$14.8 million while preserving the utility's funding for low-income assistance.

Worked to develop solutions regarding the base rate requests from **Northern Indiana Fuel & Light Co. (NIFL)** and **Kokomo Gas & Fuel Co.**, along with the petition to consolidate those companies with NIPSCO. All three utilities are subsidiaries of Merrillville-based NiSource, Inc.

Represented consumer interests in numerous base rate cases involving **mid-sized and smaller electric, natural gas, water and sewer utilities, resulting in ratepayer savings in many of these cases**. Examples include the Crawfordsville Municipal Electric rate case, in which the OUCG negotiated an agreement reducing the utility's request from \$3.2 million to under \$1.7 million and resolving issues surrounding the co-mingling of revenues for the regulated utility and an unregulated cable company. Another example was the request of Sani Tech, a small sewer utility in Morgan County. While Sani Tech sought a 27% rate increase, the OUCG opposed the request with the IURC ultimately limiting the increase to less than one-third the requested amount.

Our Accomplishments

Audited and testified in quarterly and monthly **Gas Cost Adjustment** (GCA) filings from 20 gas utilities that may recover prudently incurred wholesale gas costs from consumers on a dollar-for-dollar basis, ensuring the procurement of natural gas at the lowest cost reasonably possible for the benefit of Indiana ratepayers.

Examined and testified in quarterly **Fuel Adjustment Clause** (FAC) filings from 7 electric utilities that may recover coal and other generating fuel costs from consumers on a dollar-for-dollar basis, ensuring the provision of electricity at the lowest fuel cost reasonably possible for Indiana consumers.

Led the coordinated efforts of utilities and fellow consumer advocates in the IURC's demand side management (DSM) investigation, which will result in **stronger energy efficiency efforts** by electric utilities throughout Indiana.

Continued to lead the DSM Coordination Committee, which is responsible for choosing the third party administrator over the core programs utilities will offer, in addition to an independent third party that will measure and evaluate the programs' effectiveness over the long term.

Analyzed and testified on electric demand side management (DSM) cases, focusing on energy efficiency initiatives going beyond the core programs required in the investigation.

Continued **collaborative work** with the state's 3 largest natural gas utilities to promote energy efficiency.

Actively participated in a number of Commission rulemakings addressing the state's energy future, including **Smart Grid, integrated resource planning, net metering** and more.

Worked with entities seeking to build new electric generation projects in Indiana, including wind, biomass, and other **renewable energy** projects.

Represented ratepayer interests in the IURC **Tree Trimming Investigation**, supporting consistent vegetation management standards for all electric utilities under Commission jurisdiction. This included filings in the pending case along with participation in the rulemaking proceeding established under the Commission's November 2010 order.

Continued to work with the state's small utilities regarding implementation of the "**small utility filing procedure**" and pursued other efforts to reduce rate case expenses for such utilities.



Our Accomplishments

Represented the public in federal-level cases regarding **regional transmission operators** (RTOs) to promote the safety and reliability of their multi-state power grid operations, while ensuring that customer rate recovery for the operations and management of RTOs is just and reasonable.

Played an active role in IURC cases in which wireless telephone service providers sought to offer federally funded **Lifeline/Link-Up assistance** for income-eligible consumers. The OUCC's goal in these cases is to help more consumers take part in these programs while ensuring that the providers comply with legal requirements for all Lifeline/Link-Up providers.

Addressed national and regional utility regulatory issues of importance to Indiana consumers as a member of the **National Association of State Utility Consumer Advocates** (NASUCA).

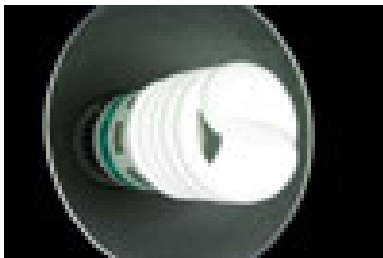
Took part in various state and regional industry meetings and symposiums on issues concerning Indiana consumers.

Participated in 13 IURC public **field hearings** throughout the state while receiving and processing thousands of **written consumer comments** in cases before the IURC.

Issued 36 **news releases** and media advisories to inform consumers on pending cases affecting their interests and to invite consumer comments for submission to the IURC in cases.

Offered 40 **consumer publications** on its Website and at public outreach events for the benefit of Indiana consumers, including guides to understanding utility rates, tips for reducing utility bills and new information for customers of utilities outside IURC jurisdiction.

Added more than 20 **new status pages on specific cases** to the agency's Website. These pages include a subscription option that allows customers to sign up for regular e-mail status updates as key cases move forward.



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