



INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

September 17, 2010

Mr. Adam Horst
Director, State Budget Agency
Statehouse, Room 212
Indianapolis, IN 46204-2796

Re: Indiana Office of Utility Consumer Counselor's Biennial Budget for Fiscal Years 2012 and 2013

Dear Mr. Horst:

The Indiana Office of Utility Consumer Counselor ("OUCC") has submitted its proposed operating budget for fiscal years 2012 and 2013. In support of that submission, I am providing relevant information regarding the agency's mission, operations, performance, and challenges for the future, along with a change package request for the proposed budget to meet future operational and functional needs.

OUCC Mission Statement:

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.

Pursuant to Indiana law¹, the OUCC represents the interests of all Indiana utility consumers, ratepayers, and the public in proceedings pertaining to the electric, natural gas, telecommunications, water and wastewater industries that are filed before the Indiana Utility Regulatory Commission ("IURC").² In addition, the OUCC represents the public's interests before state and appellate courts in matters affecting the consumers of a utility doing business in Indiana. Moreover, the OUCC also represents Indiana ratepayers' interests before federal agencies, including matters before the Federal Energy Regulatory Commission ("FERC").

I. Agency Organization and Operational Structure:

The OUCC is currently staffed by fifty-three (53) professional, technical, legal and support staff. The OUCC works to align its staff resources to address the diverse and complex issues it faces in various regulatory fora. The OUCC has allocated its staff among seven divisions: Business Office, Electric, External Affairs, Legal, Natural Gas, Resource Planning and Communications and Water/Wastewater. Each of these divisions is essential to achieving the mission of the OUCC.

The Electric, Legal, Natural Gas, Resource Planning and Communications, and Water/Wastewater Divisions provide the agency with the technical and legal expertise to participate in all regulatory dockets.

¹ I.C. 8-1-1.1-1 *et seq.*

² The Indiana Utility Regulatory Commission regulates more than 600 utilities in the state, overseeing most aspects of these utilities' monopolistic, non-competitive operations including rates for service, billing, and service quality and operating territory. By law, not all utilities or utility services are regulated by the IURC.

These divisions review utility filings including the following: rates for services and other matters; examine utility accounting, financial and operational records; inspect facilities; prepare and review depreciation and cost of service studies; make certain other financial determinations; and when warranted, request IURC investigations of utility services or practices. Case teams consist of technical and professional staff, such as accountants, engineers, and economists, in addition to one or more legal counsel. These case teams develop litigation strategies and testimonial support, subject to the overall direction and approval of the Utility Consumer Counselor, in any given case.

Individual case team members act as "in-house" experts and regularly file testimony in support of the specific positions taken by the OUCC on behalf of all Indiana consumers in regulatory and legal proceedings. In cases that are extraordinarily complex or require an especially unique level of expertise, the OUCC may hire outside consultants. These outside experts work closely with the OUCC's internal staff to analyze the pertinent facts and data in particular cases, identify the relevant issues, develop arguments and prepare testimony to support findings that promote the interests of Indiana consumers on these issues. Further, these consultants provide opinions to the IURC on whether the requested relief sought by a utility is in the public interest.

Divisions and Functions:

- 1. Business Office Division** - The Business Office Division is responsible for handling accounts payable, accounts receivable, asset management, data system management, payroll, procurement, professional services contracts, process support, office maintenance oversight, technology resource allocation, technology training, travel, and other general administrative operations of the agency.
- 2. Electric Division** - The OUCC's Electric Division primarily focuses on electric utility rate cases, which by their nature encompass numerous complex issues. Currently, the division is engaged in several major cases that will significantly affect Indiana consumers for the long term. As examples, Vectren Energy Delivery, one of the state's five large investor-owned electric utilities, is currently seeking a base electric rate increase and changes to its electric rate structure of approximately \$33 Million. In another matter, Duke Energy of Indiana is seeking the IURC's approval for the recovery of \$2.88 Billion of costs for constructing the Integrated Gas Combined Cycle ("IGCC") facility in Edwardsport, Indiana. The Electric Division staff is scrutinizing these respective proposals, while developing responsive expert testimony on behalf of ratepayer interests with respect to such proposals. Driven by the need for efficiency and full staff utilization, staff from other OUCC divisions provide specialized assistance in these proceedings with audits, project strategy assessment, and validation of project management.

Participation in Fuel Adjustment Clause ("FAC") and other environmental proceedings is another crucial responsibility of the Electric Division. Through these proceedings, the OUCC regularly audits utility accounting of fuel and purchased power expenses, and the pass-through of these costs to Indiana customers. The FAC process is becoming more challenging, with major utilities seeking additional rate tracking mechanisms for recovery of generation expenses. There has been a significant increase in the addition of environmental equipment to electric generation plants due to mandates by federal and state environmental law. As a result, OUCC staff has developed environmental science expertise allowing them to evaluate environmental operations and the legal aspects of environmental compliance.

- 3. External Affairs Division** - Recognizing that consumer education is a key component of the agency's mission, the OUCC's External Affairs Division is working to maximize the agency's opportunities to educate consumers about their utility services. Complaint resolution mailings

from its consumer services staff include the agency's guides to understanding electric and natural gas rates, along with conservation tips on either energy or water. This division also maintains and updates its website (www.IN.gov/OUCC) to provide consumers with timely information on pending utility cases as well as other useful information to use utility services wisely. Collaboration with other state agencies has been equally crucial to the OUCC's consumer education efforts. As a result of the OUCC's interagency collaboration, the OUCC shares exhibit space at the Indiana State Fair with other state agencies and distributes energy, water and telecom consumer information in numerous ways with unprecedented results. The External Affairs Division is committed to continuing to explore new ways of informing consumers about utility issues in the coming biennium, while doing so in the most efficient and cost-effective manner possible.

4. **Legal Division** - The Legal Division provides all legal support to the agency for addressing both state and federal utility issues. The majority of this division's attorneys are dedicated to an examination of state issues and support agency filings before the IURC and state appellate courts. The Deputy Consumer Counselor for Federal Affairs is responsible for representing Indiana ratepayer interests before the FERC, the Federal Communications Commission and other federal agencies in which the outcome of a pending proceeding will affect Indiana utility consumers.

Both federal and state regulatory issues are routinely complex and often involve far reaching policy implications. These issues require legal analyses and close coordination with the technical divisions and consultants, along with ongoing consultation with the Utility Consumer Counselor in the preparation of expert testimony, discovery, proposed orders and legal briefs. Federal issues may also involve an unusually wide range of highly technical matters that can have a direct and immediate impact on state issues. Increasingly, the OUCC is seeing appreciable growth of federal issues impacting Indiana ratepayer interests. With the growth of regional transmission organizations ("RTOs"), particularly with the development of the Midwest Independent Transmission System Operator ("Midwest ISO"), this trend is expected to continue.

5. **Natural Gas Division** - Through the state's Gas Cost Adjustment ("GCA") process, the OUCC's Natural Gas Division works to ensure that regulated natural gas utilities meet their legal obligations regarding prudent wholesale fuel purchases, while closely scrutinizing gas utility supply costs which are passed through in customer bills as allowed by Indiana law. This division has standardized the GCA process for all of the state's regulated natural gas utilities, allowing for more efficient and thorough regular reviews and recurring audits. In addition, the Natural Gas Division is involved in NIPSCO's first base gas rate case before the IURC in almost 23 years, other base gas rate cases, the proposed mergers of gas companies, various financing cases, and the examination of an alternative regulatory plan for ProLiance Energy.

This division remains keenly engaged in monitoring the development of clean coal technology in areas such as the use of local coal sources for synthetic natural gas production beyond electric generation. This development would reduce Indiana's reliance on natural gas imports and thereby reduce costs for home heating and industry, while promoting energy independence in Indiana.

6. **Resource Planning and Communications ("RPC") Division** - The Resource Planning, Emerging Technologies and Telecommunications Division was recently renamed the Resource Planning and Communications (RPC) Division. This name describes the division's role to address burgeoning issues in the areas of Reliability Planning, Integrated Resource Planning, Certificates of Need, Certificate of Authority, Avoided Cost Studies, Advanced Metering Infrastructure, Distributed Generation, Net Metering, Energy Efficiency ("EE")/Demand Side Management ("DSM") and Utility Interconnection. This division also focuses on federal agency

matters affecting Indiana consumers, arising before the Federal Communications Commission (“FCC”), the FERC, and the U.S. Environmental Protection Agency (“EPA”). The RPC Division is also actively engaged in addressing issues related to the operation of Regional Transmission Organizations (RTOs) which consist of PJM Interconnection and Midwest ISO in the state of Indiana. These RTOs are regional electric transmission operators overseeing wholesale power markets among utilities, interconnection and the electric transmission grid. Their daily operations affect all Indiana ratepayers. This division is also engaged in matters regarding the rules and actual deployment of renewable energy resources, and certain telecommunications issues that remain within the regulatory purview. The RPC Division deals with the rapidly growing, extremely complex area of energy issues, focusing on the engineering/planning aspects of electric utility generation, distribution, and transmission. The forecasted need for additional electric generation will lead to additional regulatory filings to get this generation on line and compliant with Indiana utility and environmental statutes. The OUCC has already witnessed filings by several utilities to build or purchase additional generation including renewable wind power resources.

The RPC Division is also working closely with other OUCC divisions to lead collaborative efforts with outside stakeholders to expand and improve electric and natural gas energy efficiency programs. RPC staff participates in the natural gas energy efficiency oversight boards for Vectren, NIPSCO and Citizens Gas, while also working with the state's major electric utilities on EE/DSM efforts. The OUCC will continue to participate actively in an ongoing IURC investigatory proceeding on DSM programs to determine their viability, while exploring ways to improve their long-term feasibility for the benefit of Indiana consumers.

7. **Water/Wastewater Division** - The Water/Wastewater Division is integrally involved with the myriad issues surrounding conservation, water quality and the need for increased use of water resources by other utilities, particularly those engaged in alternative energy generation. As consolidation continues in the water utility industry, the OUCC will need to expend resources monitoring these expanding utilities to ensure that their customers continue to receive a good value for the money they spend. The OUCC also works closely with Indiana Department of Environmental Management (“IDEM”) to ensure maintaining water quality comes at an affordable rate for consumers. The OUCC Water/Wastewater Division has been involved in a growing number of rate cases in recent years and anticipates that this trend will continue. The division also handles water/wastewater cases with small municipal utilities. In addition, it is involved in more complex matters such as the pending base water rate case for the Indianapolis Department of Waterworks (the largest regulated municipal water utility in Indiana) and the City of Indianapolis’ most recent filing, seeking approval of its proposed transfer of utility assets (both water and wastewater) to Citizens Energy Group.

II. Accomplishments and Challenges:

Accomplishments

1. **Dedicated Advocacy** – In 2009, the OUCC participated in more than 350 cases. (While the number of cases is significant, it is important to note the increasing complexity in many of these cases, addressing novel and emerging issues raised by and affecting the utility industry today.) Principal examples:
 - a. Indiana Michigan Power (“I&M”) base electric rate case: settlement achieved among all parties whereby the utility received approximately one-third of its original rate increase request.
 - b. Reinstatement of the Citizens Gas, NIPSCO and Vectren natural gas Universal Service Programs for low-income assistance: while supporting such reinstatement, the OUCC

recommended a more equitable balance in utility/ratepayer funding. The reinstatement resulted in approximately an additional \$1M of cost savings for these utilities' customers.

- c. Participation in various IURC investigations, rule makings, and other proceedings related to fundamental energy delivery transformation: energy efficiency; integrated resource planning; demand side management; smart grid; renewable energy; net metering; wind farm deployment; and feed-in tariffs.

In 2010, the OUCC has participated in 216 cases to-date and expects the number of cases to grow to more than 360 by the end of the year. It further anticipates an increase in the number of base rate cases to be filed over the next biennium, placing additional demands upon its resources. Principal examples:

- a. Northern Indiana Public Service Company ("NIPSCO") electric base rate case. The OUCC recommended denial of the utility's rate increase request in this litigated case, which marked NIPSCO's first electric base rate request in more than two decades. A recently issued IURC order reduced the utility's operating revenues by about \$49 million, though overall rates will increase somewhat due to the termination of a previously approved \$55 million annual rate credit.
 - b. Vectren electric base rate case: This is the first rate case involving a "decoupling" request from a major Indiana electric utility, which would ensure a level of revenue recovery to incent implementation of energy efficiency initiatives. The utility originally requested a \$54.2 million increase but has since adjusted its request down to \$33.5 million. Hearings have been concluded. The OUCC is recommending limiting the rate increase to \$10.9 million and recommending an incentive-based alternative to Vectren's decoupling proposal.
 - c. Indiana American Water Company rate case: Indiana American Water requested a revenue increase of approximately 26 percent, with the OUCC recommending the increase be limited to about 12 percent. The IURC granted a 19.7 percent increase in its order.
2. **Creative Problem Solving** - Worked to ensure appropriate utility financing in various Commission cases, including collaboration to expeditiously review filings so certain utilities could take advantage of federal ARRA funding opportunities for the benefit of ratepayers, especially in water/wastewater and smart grid proceedings.
 3. **Consumer Education** - Issued 49 news releases informing consumers on pending cases in 2009.
 - a. Optimized OUCC web services to include timely status on crucial proceedings and to inform of the availability of 41 OUCC consumer publications for their benefit.
 - b. Facilitated consumer input at 20 IURC public field hearings during 2009, an increase of 150% from 2008.
 - c. Added new information to the OUCC Website regarding the statewide demand side management/energy efficiency efforts the OUCC is leading, along with new pages on major regulatory cases and a frequently asked questions page for customers of utilities outside IURC jurisdiction.
 4. **Measurable Economic Savings** - As a result of the OUCC's advocacy, the agency achieved measurable economic savings for consumers. In the latter half of 2009, the OUCC developed a system to gather conservative estimates of the monetary outcomes of its efforts. In 2009, the OUCC played a significant role in attaining approximately \$119 million in savings for Indiana utility consumers. In 2010 to-date, the OUCC played a significant role in attaining approximately \$95 million in savings for Indiana utility consumers.

5. **Operational Cost Savings** - The OUCC likewise took action on cost saving measures to drive efficiencies in its operations and has attained over \$140,000 in annual agency budget savings in the first year of the current biennium.
6. **Effective Advocacy for Hoosier Ratepayers** - The OUCC has been committing substantial time and resources to a number of major utility rate cases. Several of these cases involve the first base rate changes sought by a utility in more than a decade, and present multifaceted issues. In many cases, the OUCC has been able to negotiate settlements with the utility and often, other intervening parties, achieving creative solutions that protect the interests of Indiana consumers while balancing the utilities' needs for improved infrastructure and cost-of-service support. In addition, the OUCC promotes positions in pending cases that support economic development while promoting alternative resources for new energy generation.

The OUCC has also performed numerous audits of utility fuel cost recovery proposals on a consistent, year-round basis through the state's FAC process for regulated electric utilities and the GCA process for natural gas utilities. These audits help ensure that utilities are recovering fuel costs from their customers in an accurate manner, not profiting on dollar-for-dollar fuel cost pass-throughs, and meeting their legal obligations to shop prudently in competitive wholesale energy markets for the lowest costs reasonably possible.

7. **Creative Collaborations on Energy Issues** - The OUCC has collaborated with stakeholders to implement novel, creative ways of addressing the need for more energy generation and energy efficiency while being effective advocates for consumers. For example, the OUCC is working with all stakeholders in the Demand Side Management Coordination Committee and leading the efforts to implement a consistent approach to energy efficiency and consistent programs among the state's electric utilities. These efforts, which will continue into next year, follow a December 2009 Commission order that ended a five-year investigation of demand side management programs throughout the state.
8. **Consolidation and Streamlining of Administrative Functions** - The OUCC successfully transitioned to the State Personnel Department's ("SPD") Centralized Human Resource system for greater efficiencies. SPD handles all OUCC HR functions.
9. **Demonstrating Support for the Hoosier Homegrown Energy Plan** - The agency is actively supporting the Governor's Hoosier Homegrown Energy Plan by participating in collaborative efforts with virtually all major Indiana investor-owned energy utilities and other interested stakeholders.
10. **Developing Expertise in Emerging Policy and Technology Issues** - The OUCC is on the forefront of emerging policy and technology regarding carbon capture and storage. It is also heavily involved in conservation and renewable energy policy issues by participating in the state's Wind Power Working Group and Water Shortage Task Force.
11. **Meeting all PROBE Goals, Implementing Meaningful Program Measures** - The agency's case flow procedures and Legal Strategy Plan ("LSP") timelines as detailed in the Strategic Agency Goals have been met and continue to create significant and measurable value in the agency. The OUCC is meeting all metrics which have been established in conjunction with the Governor's performance management system. The OUCC has also initiated a Critical Case Review process management system to further measure and improve the effectiveness of procedures and team member responsibilities. These tools will be instrumental in maximizing efficiencies, and minimizing internal delays in case administration.

12. Attracting, Developing, Retaining and Optimizing Staff - The agency has focused on attracting and retaining staff by developing them for consistently strong performance. For example, the OUCC has invested in more technical training, and has implemented the McFletcher Workstyle Patterns assessment system to optimize individual and team performance while also retraining all directors on effective utilization of Performance Management.

The OUCC has lost only one employee in 2010 to-date while recent hires have rapidly made contributions in individual cases and to the overall agency mission. Staffing numbers have been nearly constant over the current biennium. The leadership team increased its focus on developing staff by assigning the best available resources regardless of assigned division. Cross-division support has been successfully deployed in highly complex rate cases such as Indianapolis Water, NIPSCO, and Vectren.

Challenges

The OUCC faces numerous challenges in the near term, addressing unprecedented and highly volatile energy costs for Indiana utilities and their customers.

1. Increasingly Complex Caseload - The OUCC's main concerns are increased caseloads and the likelihood of numerous base rate case filings, water acquisitions, environmental compliance, and resource utilization in 2012-2013. The number of base rate and financing case filings will increase due to factors such as the current economy and lagging utility revenues. Such filings put increasing pressure on staff work load. Figure 1 highlights the expected trend for new cases to be filed in the 2012-2013 biennium and demonstrates recurring levels of ongoing regulatory case activity will continue unabated.

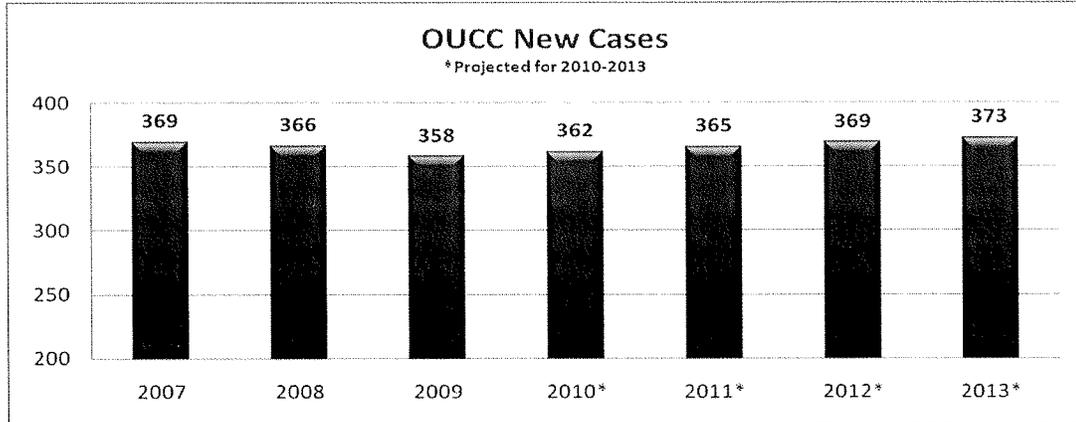


Figure 1

The OUCC is planning ahead for work distribution and streamlining processes to prepare for an influx in its caseload. Agency goals are designed to support process improvement and knowledge development. The OUCC continues to cross-pollinate staff skills and expertise among divisions to handle the caseload. The development of skills and expertise in the emerging utility fields for in-house staff and the retention of high-caliber consultants are top priorities for the OUCC.

Utility issues are complex and require increasing levels of expertise in the areas of electric generation, transmission systems, environmental requirements and fuel costs; natural gas storage, distribution systems and commodity pricing; water/wastewater pumping, storage, purification and rate setting; and Internet, broadband access, telephone number conservation, delegated federal functions (interconnection and certification of eligible carriers), and telecommunications fraud.

- 2. Consumer Education** - Consumer education and outreach are also key objectives for the OUCC, both through the agency's own initiatives and through collaborative efforts with other stakeholders. It is essential that consumers have a better understanding of energy efficiency, the regulatory process, and the factors that affect their utility bills. With prices going up, consumers need to be kept informed and better prepared to deal with all utility issues affecting their lives.

III. Objectives for the Next Biennium:

Since being appointed Indiana's Utility Consumer Counselor, I have continued to call on all OUCC employees to perform their work with the agency's mission statement in mind. Dedicated advocacy, consumer education and creative problem solving are critical components of that mission statement in both the OUCC's day-to-day work and its long-term vision. These components form the lens through which the agency views all regulatory cases and the OUCC's approach to them.

The challenges the OUCC faces will only intensify in the next two years, with significant changes continually occurring in utility regulation, particularly in the energy industries. Base rate cases, ongoing energy cost reviews, the need for additional electricity generation, environmental issues and regional and national transmission infrastructure will be some of the major areas to be addressed by the agency in the next biennium, with these and other matters having the potential for major ramifications for Indiana utility consumers - residential, commercial and industrial alike. In light of these challenges and the constant changes in the utility industries, it will be of paramount importance that the OUCC retain a highly qualified and well-trained professional staff. This is crucial to ensuring competent representation of Hoosier consumers in all utility matters.

My staff is committed to fulfilling its objectives and meeting the agency's mission. And as part of Governor Daniels' Administration, the OUCC is actively setting tangible goals and tracking the results as it strives consistently to ensure that the public has a strong, clear representative voice in all utility proceedings. It is crucial to the regulatory process and its integrity that the public is well-represented with its position well-documented in docketed matters before the IURC and other regulatory bodies.

In addition, the OUCC is committed to its ongoing collaborative efforts with the utility industry and with other state agencies, including the Interagency Council on Energy, with regard to energy efficiency efforts and continued implementation of the Governor's Hoosier Homegrown Energy Plan.

As such, I have set my management priorities to include the following:

1. Execute in a manner consistent with our mission.
2. Develop and intelligently apply our human resources to increase efficiency and effectiveness in the face of challenges of caseload volume complexity; and retention of staff with professional certification.
3. Continue process improvements to exceed targets for Key Performance Indicators ("KPIs") and program performance measures.

Key Performance Indicators:

After receiving approval from the Office of Management and Budget (“OMB”) for its KPIs and Program Measures, the OUCC developed a system to track and review its results. By aligning and measuring our performance expectations and KPIs with our formal mission statement, the OUCC has successfully established a “cadence of accountability.” This measures success by reporting KPIs, which the OUCC tracks on a weekly basis. As a result, the OUCC is able to track performance against both short-term and long-term goals and its vision for the future. When the OUCC initially created these measures, its leadership team gathered input from all agency staff. This collaborative process instilled ownership in the process among all employees and allowed the system to become part of each employee’s daily mindset. The OUCC’s aggressive consumer representation has expanded objectives to include five key areas: efficient use of utility resources; the environment; economic development; investment in utility infrastructure; and energy security/independence.

Key Performance Indicators:

1. Percentage of contested cases in which OUCC raised a public interest issue, which resulted in an IURC final order addressing that issue.
2. Percentage of cases filed in which OUCC reaches a fair resolution with filing utility.

In order to guide the OUCC's ability to achieve its Key Performance metrics effectively and efficiently, the OUCC established the following Program Measures:

1. Percentage of outreach opportunities optimized to foster a greater understanding of utility consumer issues.
2. Percentage of cases with Litigation Strategy Plan initiated within 7 business days.
3. Percentage of cases with LSP meeting discussed with case team within 2 weeks of petitioner's case in chief testimony filed.
4. Percentage of cases the OUCC reviews and monitors for post-order compliance.

IV. OUCC Organizational Chart:

See Attachment A.

V. Programs to Be Reduced, Eliminated or Replaced:

Please see Section II, Bullet Points 8 and 12 above for detailed information regarding the OUCC's participation in the SPD HR Centralization plan, along with technical staff reorganization, which has resulted in greater efficiency and utilization of existing staff and available resources.

VI. Change Package:

During the 2010 – 2011 budget process, the OUCC requested the addition of an engineering and cost-allocation specialist. Though the request for these positions was approved, the OUCC found other avenues to meet the need of these particular skill sets and maintain requested budgetary reserves. In the near-term, the OUCC still desires to bring these skills in-house. It expects higher costs for consultants with deep knowledge and credibility necessary in a specific technical, financial, or auditing discipline. While it is desirable to have in-house capability, a continuing challenge is the inability to pay competitively to retain the talent.

The number of docketed utility cases before the IURC is increasing, along with their complexity. Further, the implications of the technical, policy and legal issues in these cases are becoming more global in nature and as a result require broader knowledge and greater in-depth research by staff to adequately

address and resolve the issues. The OUCC has achieved this efficiency by retaining and rewarding high performing employees, increasing the professionalism and knowledge base of the staff via personal development, better utilizing specialized training and consultants, creating staff working groups to develop specific areas of expertise, and adopting creative approaches when handling cases.

During the coming biennial period, however, the OUCC will be faced with increasingly complex utility cases and novel issues which will necessitate adding highly educated technical staff with specialized skill sets. For the 2012/2013 biennium, I am requesting a change to the base budget for personnel costs to provide for an increase in total agency head count from 53 to 55 positions. These additional professional positions would each be salaried at \$65,000 per year. The agency's goal will be to recruit candidates with strong technical backgrounds, ideally with capabilities and experience in utility-related areas. We will continue to adopt creative approaches when handling docketed cases, and will continue to emphasize professional development and staff retention as part of our strategy. A major focus for the proposed new staff will be on the industry's efforts to address the need for new energy generation, and the resultant regulatory activity.

In order to verify that the utilities are making prudent investment decisions, the OUCC needs additional staff with accounting, construction management or engineering expertise. These new analysts may perform field audits to verify project progress and interact with industry experts regarding changes in design, scope, or costs. They will be able to supplement the work of current analysts who have environmental science and accounting skills, and will provide a much broader range of analysis and testimony for the OUCC, particularly as witnesses in Certificate of Public Convenience and Necessity ("CPCN"), Environmental Cost Recovery ("ECR") and CPCN tracker cases.

Figure 2 displays the appropriation budget for the OUCC's Operating Fund from the 2008-2009 biennium through the projected appropriation budget for the 2012-2013 biennium.

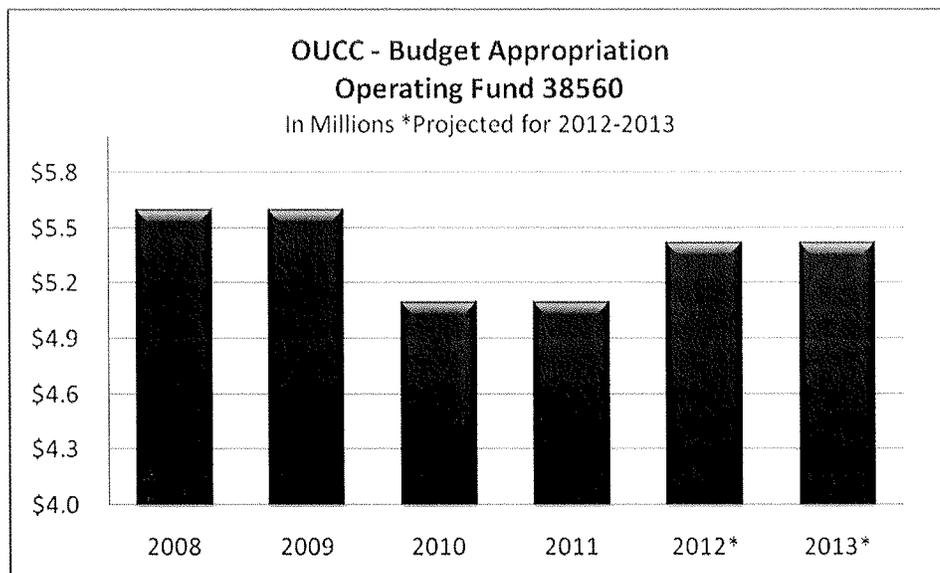


Figure 2

Though the change package requested for the 2012-2013 biennium will exceed the prior biennium, it will still be below 2008-2009 levels. This level of funding will accommodate expected increases in staffing costs, health benefit expenses, and general operating expenses. To maintain reduced funding levels, the requested appropriation includes only necessary improvements to communications systems and increases in expenses for current services.

Similarly, Figure 3 displays the appropriation budget for the OUCC's Expert Witness Fund from the 2008-2009 biennium through the projected appropriation budget for the 2012-2013 biennium.

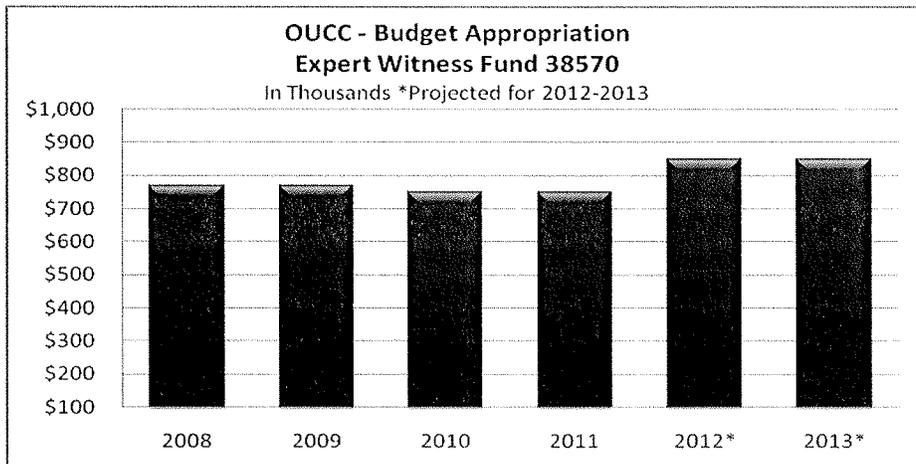


Figure 3

The change package requested for the 2012-2013 biennium will bring the Expert Witness Fund back to 2008-2009 levels and include an increase for projected expert witness resource needs to handle increased case demands. During the upcoming biennium the OUCC expects significant changes in the FAC and GCA audit process, as well as increased needs for expert witnesses in upcoming rate cases. The change package for the Expert Witness Fund will allow the OUCC to limit the number of staffing positions required for its annual operating budget and ensure the availability of expert witness resources on an as needed basis.

As mentioned before, it is critical to the success of the OUCC that it retains and attracts qualified professionals to carry out its mission of providing value for all utility consumers. The OUCC competes with utilities for these same qualified individuals and if there is to be a level playing field in the regulatory process, the OUCC must be fully funded to allow it to pay a competitive market-based salary for these utility professionals. OUCC utility professionals must be equally skilled and qualified to successfully negotiate on the complex issues that are presented in the utility regulatory arena. Moreover, the OUCC must be capable of providing professional input on the issues at hand in order to enable the IURC to receive requisite information from a consumer perspective necessary to make sound, regulatory decisions that are in the public interest. OUCC staff must be as trained and knowledgeable as their utility counterparts to ensure that outcome.

The proposed change package would position the OUCC to fully discharge its statutory responsibilities as the consumer advocate for Indiana ratepayers. Thank you for your thoughtful consideration of these funding requests.

Respectfully submitted,

A. David Stippler
Utility Consumer Counselor

CC: Eric Bussis, State Budget Agency