

OUCC

Indiana Office of Utility Consumer Counselor



2014-2015 ANNUAL REPORT

Welcome!

August 2015

Fellow Hoosiers:

It is my privilege to offer you the Indiana Office of Utility Consumer Counselor's (OUCC's) Annual Report for the 2014-2015 fiscal year.

Reflecting back on this tremendously busy time, the OUCC's attorneys, technical experts, and administrative staff have tackled numerous challenges while achieving many accomplishments on behalf of consumers. All Hoosier utility ratepayers have been affected as we continued to cope with new federal regulations, advocated for prudent approaches to the replacement of aging utility infrastructure, and sought to ensure that utility rates, structures, and investments promote the safety, reliability, and affordability of services.



This report offers a snapshot in time of the key issues facing Indiana utility consumers and how the OUCC is addressing them each day. It also shows how the agency continues to be a strong advocate for ratepayer interests as we continue to navigate an ever-changing landscape in the utility industry.

We hope you will find this report helpful and informative.

Sincerely,

A. David Stippler
Utility Consumer Counselor

On the Cover:

*(L) Utility Consumer Counselor David Stippler prepares for oral arguments before the Indiana Court of Appeals.
(R) Several of our analysts, attorneys, and administrative staff join together for a group photo.*

Summary

More than 1,000 years of legal, technical, and industry experience. Expansive knowledge of regulatory law, the energy industry, and water/wastewater industries. A strong commitment to Hoosier consumers.

These are some of the things the Indiana Office of Utility Consumer Counselor's (OUCC's) lawyers and technical experts bring to the table every day in fulfilling the agency's mission on behalf of utility ratepayers.

We are the only entity representing all consumer interests (residential, commercial, and industrial) in cases before the Indiana Utility Regulatory Commission (IURC). We participate in cases before the Indiana Supreme Court and Indiana Court of Appeals when an IURC order is appealed. And we intervene before the Federal Energy Regulatory Commission (FERC) in cases that affect Indiana consumer interests.

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.**

For every dollar the OUCC spent in the most recent fiscal year, \$69.59 was returned to Indiana consumers through reductions in utility-requested rate increases. Total savings the OUCC helped achieve for ratepayers in that time period (July 2014 through June 2015) reached \$392.1 million.

proceedings in fiscal 2015, auditing books and records implicating billions of dollars in requested utility revenues.

The OUCC represented consumer interests in 15 base rate cases and 165 cost tracker

At the same time, the agency committed substantial resources to a new type of rate recovery case approved in a 2013 state law. In these cases, electric and natural gas utilities can seek IURC approval of seven-year infrastructure plans. These cases have implicated about \$4.8 billion in rate requests to date.

Additional highlights of the past year include our work in rate cases and investigations involving Indianapolis Power & Light Co. (IPL) and Citizens Energy Group. We also continue to address such ongoing issues as electric reliability, federal environmental mandates, energy efficiency, and finding solutions for customers of small, troubled utilities.

This report describes our recent accomplishments and ongoing challenges through the lens of our mission statement, which guides us in all that we do every day.

Our Commitment

As an agency, and as individuals, the OUCC's team is committed and dedicated to serving as a reliable advocate for consumers and as a credible resource for consumers, regulators, and other stakeholders.



The OUCC continues its active participation as a member of the National Association of State Utility Consumer Advocates (NASUCA). 53 consumer advocate organizations in 41 states and the District of Columbia belong to this national organization, which creates an ongoing forum allowing advocates to share best practices and resources throughout the country for the benefit of utility ratepayers.

Indiana Utility Consumer Counselor David Stippler serves on NASUCA's executive committee as the organization's secretary. Federal Deputy Consumer Counselor Robert Mork chairs NASUCA's electric committee.

At NASUCA's 2015 Mid-Year Meeting in Philadelphia, Mork received NASUCA's Sonny A. Popowski Outstanding Service Award. Mork, who has spearheaded the OUCC's representation of Indiana consumers at the federal level since 2000, coordinated an analysis of the US EPA's proposed Clean Power Plan for use by NASUCA member offices throughout the nation. Specifically, the analysis focused on state-level implications of the proposed federal plan.

Also in recent months, Counselor Stippler joined the advisory board of the University of Missouri's Financial Research Institute (FRI). The institute provides regulated public utility industry stakeholders with a neutral environment for examining, understanding, and debating current issues relating to public policy. Its purpose is to provide impartial analyses of utility policy issues for state commissions, academics, the industry, and other stakeholders.

Counselor Stippler also participated in panel discussions throughout the last year at the University of Missouri, at the Energy Policy Leadership Summit in Miami, and at the Spring Symposiums of IUPUI's Richard G. Lugar Center for Renewable Energy Resources. Counselor Stippler's activities at the Lugar Center Symposiums included a presentation on distributed generation and moderating a panel discussion on Indiana stakeholders in energy diversification.

OUCC staff also participated in panel discussions at the Mid-American Regulatory Conference's (MARC's) annual meeting and at Michigan State University's annual training program for utility regulators.

Closer to home, the OUCC's leadership team has embarked on a collaboration with University of Indianapolis business management students, developing strategic planning initiatives for the next several years. Through this initiative, OUCC managers are taking their organizational and leadership skills to a higher level, helping the agency work even more efficiently on the public's behalf.

The Indianapolis Bar Association recognized the OUCC as a member of its 2014 Green Legal Initiative, which honors law firms and legal departments for making significant commitments to environmentally conscious business practices. Through efforts to use energy more efficiently, reduce paper usage, and increase recycling, the OUCC is believed to be the first executive branch state agency to receive this honor.



Utility Consumer Counselor David Stippler congratulates Project Manager Scott Wright on 25 years of service.

Individually, the OUCC honored several team members for their years of service in state government. Tyler Bolinger and Kim Remy were honored for 30 years of service, with Edward Kaufman and Scott Wright honored for 25 years of state government service. Other OUCC employees serving the state for 25 years or longer include Abby Gray, Michael Eckert, and Scott Bell.

Beyond the hearing room, the agency was successful in friendly competitions with other state agencies. 25 agencies competed in the 10th Annual Paddle Battle, with the OUCC's team winning the race. In addition, the OUCC won the State Personnel Department's 2014 Steps Challenge, which was open to all state employees as part of state government's Invest In Your Health initiative. 23 OUCC employees were on the agency's team, with the average steps per OUCC team member adding up to 499,387 for the month. That's the equivalent of about 250 miles.



The OUCC's winning Paddle Battle Team: Robert Mork, Susann Brown, Duane Jasheway, and Cheryl Williams, with Utility Consumer Counselor David Stippler and former State Personnel Director Anita Samuel.

The OUCC also met all internal goals for participation in the State Employees Community Campaign (SECC), which is the workplace fund raising campaign for state employees. They may contribute to any 501(c)(3) charity through payroll deductions, one-time donations, and participation in special events. 84 percent of the OUCC's staff is participating in the campaign this year, with staff contributions up 25 percent over the year before.

Dedicated Advocacy

Dedicated advocacy is the first of the three cornerstones in the OUCC's mission. Our team is dedicated to making sure consumers are strongly represented in the utility regulatory arena.

The OUCC examines utility proposals and requests for increased rates to make sure utilities are taking disciplined and well-documented approaches in order to receive relief. Utilities must present clear evidence justifying all project costs, and must provide the most accurate cost estimates possible.

Examples of dedicated advocacy over the last year have ranged widely in the energy and water/wastewater areas.

Utility efforts to seek accelerated rate increases for infrastructure costs

A 2013 state law (Indiana Code 8-1-39) allows an electric or natural gas utility to seek IURC approval of a seven-year infrastructure improvement plan. If the plan is approved, the utility may then seek incremental rate increases every six months to pay for the projects.

In the first two years since this law was passed, new utility requests have been filed seeking billions of dollars in rate relief under expedited hearing and filing schedules that are legally mandated. These types of cases have dramatically increased the OUCC's workload while presenting numerous legal implementation issues.

- When a utility requests approval of a seven-year plan, the IURC must rule within 210 days (compared to 300 days for a general base rate case). The OUCC is limited to just under 100 days to complete its review and file its testimony.
- If the plan is approved, the utility can seek expedited rate recovery every six months through a "Transmission, Distribution, and Storage System Improvement Charge (TDSIC)." The OUCC has 60 days to review and file testimony on a TDSIC rate increase, with the law requiring the IURC to issue an order within 90 days of the utility's filing.
 - » The TDSIC allows the utility to recover 80 percent of the project costs through the expedited rate recovery, provided they are consistent with the seven-year plan. The remaining 20 percent must be deferred to the utility's next base rate case, which must be filed before the end of the seven-year period.



- » In these cases, utilities are required to provide detailed supporting data for OUCC and IURC review. Each utility must also demonstrate that it is making the infrastructure improvements using the least cost option.
- » The law primarily envisions the recovery of costs for replacing aging infrastructure. Examples include new transmission and distribution lines, upgrades to existing lines, mains and substations, new poles and transformers for electric lines, new pressurization and odorization stations for gas utilities, and more.
- » In the latest fiscal year, OUCC attorneys, analysts, and support staff spent nearly 7,300 staff hours reviewing these types of cases.



Deputy Consumer Counselor Karol Krohn speaks with a consumer before a public field hearing.

To date, four Indiana utilities have sought approval of plans totaling nearly \$4.8 billion. The IURC denied two of the requested plans, with two others being approved but appealed.

- The outcomes in these cases sent a clear message to the utilities: They have the burden of proof in these cases and must justify their requests with clear and sufficient cost support.
- IURC orders on plans for NIPSCO’s electric utility and Vectren’s natural gas utilities were appealed to the Indiana Court of Appeals.
 - » In the NIPSCO case, the Court rejected the plan due to a lack of specificity beyond the plan’s first two years and remanded it to the IURC for further proceedings. On remand, the OUCC, NIPSCO and industrial customers have reached a settlement agreement that, if approved, will require NIPSCO to:
 - Refund all money collected under its previously approved plan, with interest,
 - File an electric base rate case by the end of 2015, to allow for a full review of the utility’s finances, and
 - Re-file an updated seven-year plan with the IURC after filing the rate case, incorporating the required level of project details as agreed to by the parties.
 - » In the Vectren case, the Court of Appeals upheld the IURC order. However, Vectren has expressed its intent to incorporate additions to its seven-year plan to address project and cost details in its Fall 2015 tracker update filing.
- Plans filed by Duke Energy (\$1.9 billion) and Indiana Michigan Power (\$713 million) were rejected by the IURC due to a lack of sufficient supporting data and due to requests for approval of projects outside the statute’s scope.



Utility Consumer Counselor David Stipler congratulates Electric Division Director Tyler Bolinger on 30 years of service with the State of Indiana.

The TDSIC trackers resulting from the seven-year plans are in addition to more than 150 other trackers – or rate adjustment mechanisms – filed by Indiana utilities each year.

All trackers are limited in scope and require OUCC review under expedited timeframes.

Trackers used in Indiana cover costs for wholesale natural gas, electric generating fuel, clean coal technology installation, compliance with federal environmental mandates, energy efficiency programs, regional transmission, replacement of aging water infrastructure, and more.

TDSIC tracker cases have proven to be far more complex than traditional rate adjustment mechanisms, with the average TDSIC requiring more than seven times as many OUCC staff hours than the average Fuel Adjustment Clause (or FAC, which allows electric utilities to recover generating fuel costs).

To help meet the increased demands, the 2013 law allows the OUCC to request additional personnel funding as needed. The General Assembly approved the OUCC's 2015 budget request to include six new staff positions to aid in addressing these new cases.

Federal environmental mandates and their impacts on Indiana electric rates

New regulatory mandates from the US Environmental Protection Agency (EPA) and more significantly, timeframes for compliance, have led to increases in Indiana electric rates and will continue to do so for the foreseeable future.

Final EPA rules as to carbon emissions standards for electric generation were released on August 3, 2015 and will affect Indiana disproportionately because of the state's heavy reliance on coal for electric generation. Utilities must comply with the federal mandates and must often undertake substantial construction projects to bring generating plants into compliance. The projects that are necessary to meet these mandates are large in scale and very costly.

Indiana law allows electric utilities to recover environmental compliance costs from ratepayers on an expedited basis. The law requires a utility to first receive IURC approval for its plans, and then seek approval of the costs through ongoing tracker cases as the costs are incurred.

Within the last year, all 5 Indiana investor-owned utilities have continued to move forward with construction projects at their coal-fired generation plants. The projects are aimed at reducing mercury and other emissions in order to comply with the EPA's Mercury and Air Toxics Standards (MATS) rule. Although the US Supreme Court overturned the rule in June 2015, utilities moved forward in seeking to meet its requirements over the last few years.

- A settlement agreement between the OUCC and Duke Energy received IURC approval in August 2014, allowing for \$113 million in upgrades at Duke Energy's Gibson and Cayuga generating stations.
- The OUCC and industrial customers negotiated a substantial settlement agreement with Indiana Michigan Power (I&M), regarding upgrades to its Rockport generation station in southwestern Indiana. This agreement, which saves customers more than \$3.2 million in proposed construction costs, received IURC approval in May 2015.



I&M's Rockport generating plant was the focus of a key settlement agreement within the last year.

- Environmental compliance efforts by Indianapolis Power & Light (IPL) include the conversion of three coal-fired units at its Harding Street Generation Station to natural gas, and the replacement of its Eagle Valley plant in Morgan County with a new gas-fired combined cycle facility. While the IURC granted approval for converting the Harding Street units, the OUCC and industrial customers challenged IPL's proposed cost recovery, specifically recommending that the utility be allowed to earn less money through rates over the long-term than it requested. Construction of the new plant in Morgan County was also approved, with construction costs currently estimated at \$631 million. IPL is expected to request rate recovery for the costs of the new plant in a future case.
- NIPSCO continues to move forward with environmental projects at its Bailly, Schahfer, and Michigan City plants. The OUCC is monitoring the progress of these projects, which are currently on time and on budget.
- Vectren received approval in January 2015 for a plan, ranging between \$70 million and \$90 million, for new projects at its A.B. Brown, Culley, and Warrick generation plants. The utility will seek cost recovery in future cases, though the January 2015 order placed the projects in Vectren's rate base over the OUCC's objections.

Continuing to monitor costs for Duke Energy's Edwardsport generating station

In 2012, the IURC approved a settlement agreement among the OUCC, industrial customers, and Duke Energy that shields ratepayers from more than \$900 million in construction and financing cost overruns at Duke Energy's Knox County plant, the first new baseload generating facility to open in Indiana in two decades.

Other benefits in the 2012 agreement include a \$3.5 million contribution to Indiana's Energy Assistance Program (EAP) for low-income consumers, as well as a \$1 million clean energy initiative funded by Duke Energy and coordinated with the OUCC. For this initiative, the funds have been awarded to the Battery Innovation Center near NSWC Crane in southern Indiana. The center will use the funds to support research for on-site storage of renewable electricity, including pilot projects at two schools in the near future.

The OUCC continues to work diligently to ensure Duke Energy complies with the terms of the agreement, most notably ensuring that the utility does not receive rate increases for costs that should be borne by utility shareholders under the settlement's terms.

The settlement agreement states that Duke Energy may not recover start-up and testing costs through rates. In the utility's most recent cost recovery case, the OUCC has recommended more than \$114 million in customer rate relief. The OUCC's position is that the Edwardsport plant had not reached fully operational, "in service" status during the 12-month review period at issue.

Cases involving IPL's rates and network facilities

IPL is seeking a base rate increase for the first time since 1995. Although average residential IPL rates have risen by more than 43% through trackers since then, the pending rate case is giving the OUCC and IURC their first opportunity in 20 years to conduct a thorough review of IPL's overall rates and finances.



Chief Technical Advisor Edward Kaufman and Utility Analyst Ray Snyder discuss IPL's pending rate case with a customer.

In the rate case, the utility is requesting a \$67.8 million increase in total revenues. IPL is also seeking to raise the flat, monthly residential customer charge from \$11.00 to \$17.00. The OUCC currently recommends limiting the rate increase to \$5.9 million while making no changes to the flat customer charge.

In addition, the IURC launched an investigation in March 2015 into IPL's "ongoing investment in, and operations and maintenance of, its network facilities." The investigation follows a series of manhole explosions implicating underground IPL network facilities in downtown Indianapolis.

The IURC has consolidated the IPL rate case and investigation into one case, with an evidentiary hearing scheduled for September 2015. In the consolidated case, 14 OUCC witnesses have filed comprehensive testimony and exhibits on behalf of IPL ratepayers.

Rate increases for Citizens Energy Group

In mid-2014, Citizens Energy Group implemented new rates for the water and sewer utilities it purchased from the City of Indianapolis in 2011.

The water rate increase followed a litigated case in which the OUCC recommended substantial reductions to the utility's proposed increase. Executive compensation, operating costs, and the balance between debt and cash flow were among the case's disputed issues. The IURC's final order granted an increase of nearly \$10 million less than Citizens had requested.

In the sewer rate case, however, the OUCC and Citizens were able to negotiate a settlement agreement that lowered the requested rate increase by about \$6 million. The OUCC's analysis showed that Citizens' sewer plans entailed a reasonable approach to major environmental projects needed for compliance with federal regulations and with an EPA consent decree. Indianapolis and many other cities with aging sewer infrastructure have been dealing with environmental issues, particularly combined sewer overflows, that are very costly to address.

More recently, Citizens Thermal Energy requested a rate increase for its steam utility serving downtown Indianapolis. The OUCC recommended reducing the steam rate hike by about \$1 million, with the IURC order reducing the increase by nearly that amount.

In June 2015, Citizens filed a new rate case for its water utility, requesting an increase of approximately 22 percent over its current annual revenues.

The OUCC is closely reviewing the new rate case filing and expects to file testimony in October 2015.

More examples of the OUCC's dedicated advocacy

- Litigating rate cases when necessary and negotiating settlement agreements when possible. For example:
 - » The Kingsbury Water Corporation rate case involving a small LaPorte County utility. In this case, the OUCC has identified numerous infrastructure and management issues that need to be addressed. If the OUCC's recommendations are approved, an average residential customer will save approximately \$50 per month compared to the utility's request.
 - » The Indiana Natural Gas Corporation rate case. The OUCC was able to negotiate a settlement agreement saving customers more than \$100,000 per year. Indiana Natural Gas Corp. serves seven counties in southern Indiana.
 - » The Knightstown Municipal Electric rate case, with the town agreeing to the OUCC's recommendation for a significant reduction in the requested increase.
- Accomplishing significant rate reductions for natural gas consumers through the gas cost adjustment (GCA) process, which allows gas utilities to recover wholesale commodity costs.
 - » In July 2014, Citizens Gas attempted to shift more than \$1.1 million in prior costs from commercial and industrial customers to residential customers by performing a new demand allocation study. The OUCC advocated exclusion of the recalculated demand allocation study and the redistribution of prior GCA costs. Residential customers saved more than \$1.1 million with the IURC ruling in the OUCC's favor.
 - » The OUCC also negotiated a settlement agreement saving more than \$1.6 million for Vectren North customers. The OUCC disputed the handling of certain gas purchases. The purchases were not included in Vectren's gas cost incentive mechanism, which provides risks and rewards for gas supply acquisition performance compared to a market standard.



Public field hearings, including this hearing in Lowell, Ind., are an important part of the rate case process.

- Achieving needed transparency for a heavily marketed “line protection program.” These programs act as a type of insurance on a customer’s utility lines and can be offered either by third parties or by the utilities themselves. Citizens Energy Group had marketed the Utility Shield service in a way that could have confused customers into thinking that the third party service was offered by the utility. Following the OUCC’s recommendations in an IURC investigation, the Commission ordered Citizens to remove its name and logo from materials promoting and marketing Utility Shield. The investigation order also required Citizens to repay more than \$522,000 to the natural gas Universal Service Program that had been misappropriated and applied to non-gas charges.



Utility Analyst Heather Poole and Deputy Consumer Counselor Scott Franson prepare for an evidentiary hearing.

Consumer Education

The best consumer is an informed consumer.

With that in mind, the OUCC is committed to informing Indiana ratepayers with timely and meaningful information, aimed at helping them better understand their utility services.

Simplifying Our Website

While the OUCC deals with extremely technical issues on behalf of ratepayers, the agency's website (www.IN.gov/OUCC) is visited mainly by consumers and has the primary function of being an avenue for informing the consumer.

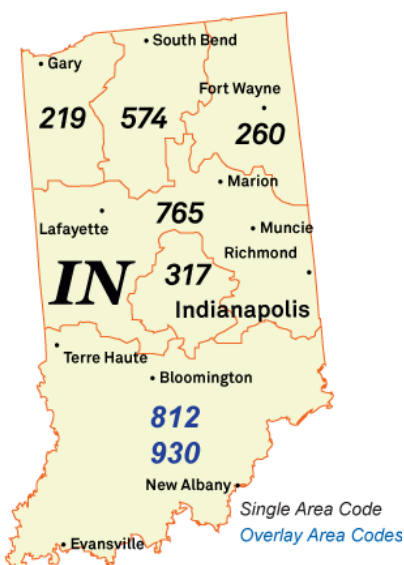
Accordingly, the OUCC has launched an initiative to streamline the site and make its language more user-friendly. This process started in early 2015 and will continue throughout the year.

New Newsletter

In May 2015, the OUCC launched its new electronic newsletter, "Consumer News... For You!" The monthly newsletter is aimed at giving consumers a very quick overview of the agency's latest activities and key utility case developments, with web links for consumers who want to retrieve additional information. The newsletter is a free service and consumers can subscribe at www.IN.gov/OUCC.

New Area Codes and Changes in Dialing

Substantial changes have occurred in the last fiscal year regarding telephone use, with the OUCC committing its outreach resources to helping inform consumers about the changes and what they will need to do to adjust to these changes.



New area codes are needed in central and southern Indiana with 812 and 317 running very low on their number supplies.

In southern Indiana, consumers with the 812 area code have started using ten-digit dialing for local calls, to allow for the addition of the new 930 area code. The 930 code is overlaying 812, requiring ten-digit dialing but allowing all consumers with 812 numbers to keep their existing numbers. This is the first major change for the 812 area since the code was first introduced in the 1940s.

Similarly, ten-digit dialing will be required in Indianapolis and most of its suburbs starting in September 2016, with the 317 area code to be overlaid with the new 463 area code. As in the

812 area, ten-digit dialing will allow the new code to be added while also allowing all consumers with 317 numbers to keep them.

The IURC approved overlays for 812 and 317 after receiving testimony from the OUCC and the telecommunications industry in support, and after holding a series of public field hearings throughout each of the respective areas. All new area codes in the United States since 2008 have been added through the overlay method. Overlays with ten-digit dialing are now being used in 25 states to varying degrees, including Indiana and all four of its neighboring states.

Transitioning to ten-digit dialing does not change local calling areas or telephone rates. In all cases, the new calling pattern is phased in over several months to help consumers prepare for and adjust to the changes.

Consumer education efforts in the 317 area will continue throughout the coming year. Other area codes in central and northern Indiana are not expected to need changes within the foreseeable future.

Additional consumer education initiatives and accomplishments

- Representing the public in 11 IURC field hearings throughout the state.
- Reviewing and filing written comments received from consumers in numerous cases before the Commission.
- Issuing 34 news releases and media advisories to inform consumers about pending cases and their opportunities for public comment, and informing consumers about general utility-related issues of importance.
- Expanding the agency's social media presence. New messages are shared daily via the OUCC's Twitter feed. Regular and timely posts are also made on the agency's Facebook and LinkedIn pages.
- New publications to help better inform consumers about cogeneration (combined heat and power) systems, along with new energy efficiency cases and programs.



Utility Analyst Susann Brown (L) helps out at the Earth Day Indiana Festival.

Creative Problem Solving

Creative problem solving is crucial for addressing the challenges posed for the energy and water/wastewater industries, and the customers they serve. This is truer than ever considering the unprecedented challenges the industries and their customers will face in the coming years.

In many cases, the OUCC reaches a settlement agreement that will provide a fair resolution for consumers. Going beyond casework, the OUCC is engaged in broader policy discussions with industry and other stakeholders that are aimed at helping ensure reliable utility services at the most reasonable prices possible for years to come.

Navigating a changing energy efficiency landscape

Energy Efficiency (or Demand Side Management, as it is referred to within the industry) is a crucial component in meeting future energy needs for our state, region and nation. As electric and natural gas utilities in Indiana propose, create, and operate energy efficiency programs, the OUCC is an active participant. Indiana's energy efficiency landscape for electric utilities, in particular, has changed significantly over the last couple of years and has been the subject of much focus under legislation approved in 2014 and 2015.

Energizing Indiana, which coordinated key energy efficiency programs as a third party and under a uniform, statewide brand, started at the beginning of 2012. In 2014, the Indiana General Assembly voted to conclude the Energizing Indiana program at the end of the year.

Subsequently, each of the state's five investor-owned electric utilities sought IURC approval to operate its own energy efficiency programs on a temporary, one-year basis for 2015 (with the exception of IPL, which sought and received approval for a two-year plan). The OUCC thoroughly reviewed all five plans, made recommendations, and reached settlement agreements with three utilities (Duke Energy, Vectren, and Indiana Michigan Power) that saved customers approximately \$6.6 million in reduced incentives. Also, the OUCC recommended approval of NIPSCO's program without changes.

In the 2015 session, the Indiana General Assembly approved legislation setting a permanent framework for electric utility energy efficiency programs. The new law (Senate Enrolled Act 412) requires investor-owned electric utilities to file energy efficiency plans by the end of 2017 and then file new plans at least every three years. To date, Vectren has requested approval of a new two-year plan with NIPSCO and Duke Energy proposing new three-year plans.



The OUCC is closely reviewing the plans submitted by Duke Energy, NIPSCO and Vectren, and will review plans other utilities file in the future. When evaluating the plans, the law requires the IURC to consider ten specific criteria including projected changes in consumer electric consumption, cost and benefit analyses, comments from the OUCC and consumers, and how the plan will affect rates in both the short term and long term.

However, the OUCC is seeking answers to a number of additional questions as it reviews the plans, including whether each individual energy efficiency program will be operated in a cost-effective manner, whether each program will perform in a meaningful way with measurable results, and whether any program-related rate increases will be recovered in ways consistent with the law.

Addressing electric reliability in state and federal venues

The reliability of the electric grid, on the statewide, regional, and national levels, is crucial to Indiana's economy and to Hoosiers' quality of life. OUCC staff is closely engaged in proceedings before federal and state regulators aimed at ensuring the grid's future health with necessary improvements made. Interstate transmission lines throughout North America will need expansions and upgrades in the years to come to help ensure consumers will have access to the electricity they expect.

The OUCC's federal caseload focuses heavily on regional transmission operators (RTOs) that are responsible for managing the grid across multiple states. Four of Indiana's five investor-owned electric utilities belong to the Carmel, Ind.-based Midcontinent Independent System Operator (MISO), which controls the grid in portions of 15 states and Canada. The fifth Indiana utility, Indiana Michigan Power, belongs to the Pennsylvania-based PJM Interconnection, which manages the grid in parts of 13 states.

In multiple cases before the Federal Energy Regulatory Commission (FERC) and the IURC, the OUCC is committed to helping ensure safe, reliable power transmission while making sure utilities recover costs for RTO operations, maintenance, and management in a responsible and prudent manner.

At the state level, the OUCC reviews integrated resource plans (IRPs) and provides input to the utilities, the IURC, and additional stakeholders. IRPs, detailed plans filed by the state's electric utilities every two years, describe the utilities' long-term plans for meeting their generation needs and ensuring that they have adequate power supplies to meet customer needs over the short and long term.

Indiana utilities that filed IRPs most recently are IPL, NIPSCO and Vectren, having done so in November 2014.



Finding solutions for customers of troubled utilities

Utilities range in size from the very large to the very small. Regardless of size, though, each consumer depends on his or her utility for reliable service. While many small utilities are well-managed, issues involving small, troubled utilities throughout the state continue to be a key focus for the OUCC. Cases involving troubled utilities, including IURC investigations, are very challenging and time-consuming. However, they offer unique opportunities for creative problem solving.

While the majority of IURC investigations involve small water and wastewater utilities, a notable exception in the past fiscal year was Snow & Ogden Gas Company. Snow & Ogden, a natural gas utility serving 23 customers in Henry County, faced an IURC investigation due to deteriorating infrastructure and failure to meet the state's pipeline safety compliance actions. After speaking with customers and learning that they had lost service during the previous winter due to frozen meters and other infrastructure issues, the OUCC worked collaboratively with IURC Pipeline Safety Division staff and Vectren Energy Delivery to find a solution. Because it owns and operates a transmission main near the Snow & Ogden service territory, Vectren was able to enter into discussions to provide safe and reliable service to Snow & Ogden's customers. The transfer of these customers to Vectren received IURC approval in December 2014.



Harbor Town Sanitary Sewage Corp. will be placed in receivership following an IURC investigation.

In Posey County, the IURC ordered the Harbor Town Sanitary Sewage Corporation to be placed into receivership following a Commission investigation; a motion to do so is now pending in court. OUCC staff traveled to southwestern Indiana to inspect Harbor Town's facilities and requested the investigation based on numerous violations of Indiana Department of Environmental Management (IDEM) rules. Violations included non-compliance with the utility's IDEM NPDES discharge permit and failure to properly operate and maintain its treatment facility.

In northwest Indiana, the OUCC's efforts helped lead to a permanent solution for sewage service provided to the Fox Chase Farms subdivision in Porter County. The sewer utility serving Fox Chase Farms has faced numerous problems for more than 15 years, and was placed into receivership after proceedings before the IURC and in Porter Superior Court. Following substantial work by OUCC staff and other parties, the Town of Chesterton will extend sewer service to the subdivision and build new infrastructure eliminating the ongoing environmental concerns.

Negotiating a fair rate agreement with Indiana American Water Company

A general base rate request from the state's largest investor-owned water utility provided another opportunity for creative problem solving, with the OUCC negotiating a 2.55 percent increase for Indiana American Water Company (IAWC). By comparison, IAWC had requested a 9.8 percent increase in overall revenues when the case started. The OUCC, in its litigation position, had recommended a decrease in revenues. In addition to the much lower increase, the settlement agreement includes such benefits as a moratorium on any new general rate case filing until 2018.

More examples of creative problem solving

- Rate case settlement agreements with municipal utilities (including Michigan City Water, Anderson Water, and Auburn Electric) that provide the utilities with the revenues needed for safe and reliable service while including appropriate consumer protections.



Utility Analyst Hal Rees (L) discusses a rate case with a consumer in LaPorte.

- Participation in cases involving Prairie Utilities in Tipton County. This small, investor-owned sewer utility had been authorized to charge residential customers a monthly flat rate of \$105.25. With the City of Kokomo purchasing the utility's assets, those customers have seen their bills drop by more than half.
- Reaching a settlement agreement allowing Aqua Indiana to consolidate all of its regulated Indiana utilities into one entity. Aqua Indiana owns and operates seven water and sewer utilities that are under IURC jurisdiction, most of which are small systems.
- Negotiating a settlement agreement with I&M and industrial customers resolving issues with the utility's PJM tracker, which allows I&M to recover regional transmission costs. In a highly technical case that allowed I&M to expand the scope of the tracker, the OUCC contested nearly \$80 million in costs. The OUCC, industrial customers, and I&M ultimately agreed to terms with I&M not seeking rate recovery of the contested costs over a two-year period, while sharing costs between ratepayers and shareholders in an equitable manner for the following three years.
- Working with NIPSCO and numerous other consumer parties (including the Citizens Action Coalition and Sierra Club) to agree on terms of its feed-in tariff. NIPSCO is currently the only utility in Indiana that has a feed-in tariff, which allows consumers with windmills and other renewable technology to sell power to the grid. (Feed-in tariffs differ from net metering, which allows consumers with their own renewable generation to offset electric rates. All Indiana investor-owned electric utilities offer net metering.)
- Collaboration with electric utilities on renewable energy efforts, including voluntary green power billing initiatives for consumers and utility requests to expand solar and wind generation and power purchases. In the past fiscal year, the OUCC has particularly offered recommendations for strengthening solar proposals from Duke Energy and I&M.

Our Team

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