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NIPSCO electric rate case: State utility consumer advocate recommends denial of requested increase

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending that Northern Indiana Public Service Company's (NIPSCO's) pending request for an electric base rate increase be denied, based on its analysis of NIPSCO's request at this time. The OUCC filed formal testimony in Indiana Utility Regulatory Commission (IURC) Cause No. 43526 this afternoon.

NIPSCO is seeking an \$85.7 million increase in its annual base electric rate revenues in this case. In contrast, the OUCC is recommending a revenue reduction of \$135.2 million based on its review. However, this revenue reduction will be affected by two items: 1) The expiration of monthly residential rate credits totaling \$55 million per year as ordered in the IURC's 2002 investigation of NIPSCO's electric rates, and 2) The expiration of special contract rates for certain industrial customers. Due to these two factors, base electric rates paid by NIPSCO residential customers would remain at or near their current levels under the OUCC's recommendations.

"Our team of attorneys and technical experts has been working diligently in examining NIPSCO's request since the utility filed its case-in-chief last August," said Indiana Utility Consumer Counselor David Stippler. "We have been listening to the concerns voiced by numerous NIPSCO customers over the last eight months, and the case which we have filed before the IURC represents the culmination of what we have learned in conducting our review of NIPSCO's request on behalf of the rate paying public."

The OUCC's key recommendations include:

- Significant decreases in NIPSCO's requested cost recovery for depreciation, return on investment, aging workforce expenses and gasoline/diesel fuel.
- An authorized return on equity of 10 percent (as compared to NIPSCO's 12 percent request).
- The inclusion of emission allowance costs and revenues in base rates, offsetting part of the base rate impact on customers.
- Amortization of costs related to participation in the Midwest Independent Transmission System Operator (Midwest ISO) over four years rather than three years as proposed by NIPSCO.
- A six-year amortization of rate case expenses instead of the three-year amortization NIPSCO requests.

(Continued)

The OUCC's testimony in this case is focused on NIPSCO's overall revenue requirement for its electric utility. Specific billing impact will vary among residential, commercial and industrial rate classes.

The outcome of this case will only affect the base rates for NIPSCO's electric utility. Electric base rates typically cover a utility's infrastructure, operating and maintenance costs.

- Dollar-for-dollar pass-throughs of coal and other fuel costs are separately reviewed and approved on a quarterly basis through the IURC's Fuel Adjustment Clause (FAC) process. These costs, which comprise a significant portion of a typical electric bill, are generally increasing for all Indiana electric utilities due to higher coal costs on the competitive wholesale market.
- Additional tracking mechanisms for purchased power, environmental compliance and regional transmission costs will remain in effect and continue to be adjusted subject to state regulatory review and approval.
- NIPSCO's natural gas rates and charges are not at issue in this case.

An electronic copy of the OUCC's testimony is available online at www.in.gov/oucc/2457.htm.

Recommendations by the OUCC and other parties are pending before the IURC, which will ultimately issue the final order in this case.

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(IURC Cause No. 43526)

The Indiana Office of Utility Consumer Counselor (OUCC) is the state agency that represents residential and business consumer interests in cases before state and federal utility regulatory commissions.

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