

September 21, 2012

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 2014 and 2015

Dear Mr. Horst:

The Indiana Office of Utility Consumer Counselor (OUCC) has submitted its proposed operating budget for fiscal years 2014 and 2015. 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 request to augment 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.

The OUCC also represents Indiana ratepayers' interests before federal agencies, including matters before the Federal Energy Regulatory Commission (FERC) especially involving regional transmission operators, PJM Interconnection (PJM) and Midwest Independent Transmission System Operator (Midwest ISO) that maintain the multi-state power grid operations connecting with Indiana electric utilities. OUCC staff participates in other organizations promoting consumer interests such as the IDNR Water Shortage Taskforce and the Water Resources Task Force.

¹ Ind. Code 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.

I. Agency Organization and Operational Structure

The OUCC is currently staffed by fifty-four (54) professional, technical, legal and support personnel who address the diverse and complex issues the OUCC faces in various regulatory fora. To address the unique challenges of each specialized industry segment and to achieve the mission of the OUCC we allocate resources among seven divisions: Legal/State and Federal Affairs, Electric, Natural Gas, Resource Planning and Communications, Water/Wastewater, External Affairs and Business Office.

The division structure provides the agency with the technical and legal expertise to participate in all regulatory dockets. These divisions perform necessary reviews of utility petitions filed with the IURC addressing rates and charges; accounting, financial and operational records; depreciation and cost of service studies and other financial determinations; and inspection of facilities. When circumstances warrant, the OUCC may request IURC investigations of utility services or practices. Major and complex matters are addressed using a case team approach. The team may consist of accountants, engineers, environmental scientists, economists, and one or more legal counsel. The case teams propose and develop the appropriate litigation strategies based on the analysis of the petitioner's case-in-chief, and develop the OUCC's testimonial position which is guided by a litigation strategy approved by the Utility Consumer Counselor during formal critical case reviews.

The OUCC strives to develop in-house expertise and staff routinely files testimony on behalf of all Indiana consumers in varied regulatory and legal proceedings. In extraordinarily complex cases, the OUCC may hire outside consultants to assist with highly specialized matters. These outside experts work closely with OUCC staff to analyze the pertinent facts and data, to identify the relevant issues, to develop arguments and to prepare testimony supporting findings that promote the interests of Indiana consumers on these issues.

Divisions and Functions:

A. Legal Divisions. The two segments of the Legal Division provide all legal support to the agency for addressing both state and federal utility issues. Both federal and state regulatory issues are routinely complex and often involve far reaching policy implications.

1. State Affairs. Most agency attorneys are dedicated to an examination of state issues and support agency filings before the IURC and state appellate courts.

The issues that come before the IURC are complex and technical. The cases require legal analyses and the OUCC attorneys must work in tandem 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.

2. Federal Affairs. The Deputy Consumer Counselor for Federal Affairs is responsible for representing Indiana ratepayer interests before the FERC, the Federal Communications Commission (FCC) and other federal agencies in which the outcome of a pending proceeding will affect Indiana utility consumers. 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 Midwest ISO and PJM, this trend is expected to continue.

B. Technical Divisions

1. Electric Division - This Division addresses a range of matters including utility rate cases of large investor owned utilities, municipals and other jurisdictional energy companies. At any given time, this division may be addressing 35 or more pending petitions before the IURC including requests for special accounting treatment, capital and expense tracking, order compliance, implementation of federal mandates, and other complex issues. The Electric Division is engaged in major cases that will have significant, long term impacts for Indiana consumers. The following exemplify such types of cases:

- Indiana Michigan Power Company, one of the state's five large investor-owned electric utilities (IOU), is currently seeking a base electric rate increase for its services and other changes to its electric rate structure of nearly \$150 million.
- Duke Energy of Indiana continues to work toward operational completion of its Edwardsport Integrated Gasification Combined Cycle (IGCC) Generating Facility. The OUCC has joined Duke and other parties in proposing a Settlement saving ratepayers over \$700 million to complete the IGCC project. At least 6 associated sub-dockets are pending in this matter as well.
- Northern Indiana Public Service Company (NIPSCO) is seeking authority for up to \$400 million in new financing.
- AEP Transmission Company, Inc. is asking for authority in connection with a \$125 million financing program.
- Citizens Thermal Energy received IURC approval of a Settlement that resolved issues raised in its petition seeking all necessary regulatory relief to convert coal-fired and oil-fired boilers to steam generation fueled by natural gas.
- Jurisdictional Matters: Transmission companies are seeking authorization to site, finance build, and operate facilities outside IURC jurisdiction. The OUCC carefully reviews the public interest issues and rate impact associated with these matters.
- Tracker Proceedings: Billions of dollars are “tracked” for recovery by electric utilities of capital and operations expenses, including environmental cost recovery, demand-side program costs, and most frequently, fuel adjustment costs. At any given time, a dozen such cases are routinely under close Electric Division scrutiny and related audits.

2. Resource Planning and Communications (RPC) Division - Members of this Division analyze a variety of utility plans: Integrated Resource Plans (IRPs), Energy Efficiency (EE), and Demand Side Management (DSM) plans. OUCC staff performs an integral role in the Demand Side Management Coordination Committee (DSMCC) and its sub-committees overseeing energy efficiency initiatives in Indiana. The OUCC participates in the IURC’s ongoing investigatory DSM proceeding to determine program long-term feasibility and benefits for Indiana consumers.

Major projects for nuclear lifecycle management, installation of environmental controls, fuel conversion, transmission construction, critical infrastructure development, and other planned upgrades will add billions of dollars to the ratebase of Indiana utilities and be paid for by Indiana ratepayers. The RPC team evaluates the need for all such capital projects requested in Certificate of Public Convenience and Necessity (CPCN) proceedings, often participating on utility project management and oversight teams in these cases.

The RPC, Electric, and the Legal divisions share responsibility for federal agency matters affecting Indiana consumers, arising before the U.S. Environmental Protection Agency (EPA) and

the FERC, including operational matters of RTOs in the state of Indiana. These electric transmission operators oversee wholesale power markets among utilities, interconnection and the electric transmission grid. RPC and Legal also engage in utility matters under the jurisdiction of the FCC.

RPC staff further 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.

Examples of major projects engaging RPC Division efforts include:

- Indiana Michigan Power Company seeks approval for a CPCN for Life Cycle Management (LCM) projects at its D.C. Cook Nuclear Plant. The utility also seeks to recover on a timely basis, via a periodic rate adjustment mechanism (tracker), the costs and expenses associated with the LCM's 117 subprojects, including study, analysis and development costs, in addition to construction, financing, and other costs.
- NIPSCO seeks approval for a CPCN for construction of Clean Coal Technology Projects along with ratemaking and financial treatment, as well as depreciation and other favorable financial authorization.
- CPCN cases are underway at Duke Energy Indiana, IPL, and various other utilities which are addressing mandates from the EPA and the FERC.

3. Natural Gas Division – This Division analyzes petitions submitted by local gas distribution companies, both large and small, implicating billions of dollars in this industry.

The Natural Gas Division protects consumer interests by ensuring 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 continues to refine the standardized Gas Cost Adjustment (GCA) process for Indiana's regulated natural gas utilities, allowing for more efficient and thorough regular reviews and recurring audits of gas fuel supplies for Indiana consumers.

Many Gas Division members also support major casework in other OUCC Technical Divisions. The team's strength in accounting, economic analysis, and finance is frequently in demand in high profile casework.

4. Water/Wastewater Division - The Water/Wastewater Division is involved in diverse matters currently pending before the IURC, including currently 11 base rate and financing cases. This division also participates in other unique proceedings such as special accounting matters associated with acquisitions, as well as contracts, complaints, and tariff matters. This division is called upon to work on 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. The OUCC works closely with the Indiana Department of Environmental Management (IDEM) to ensure the maintenance of water quality comes at an affordable rate for consumers. As consolidation continues in the water utility industry, the OUCC helps ensure customers receive fair value for provided services, particularly as the acquiring utility makes major infrastructure improvements.

The water and wastewater division caseload includes the recently completed, contested base rate case petition of Indiana-American Water Company, Inc., seeking authority to increase its rates and charges for both water and sewer utility service. The diligence of the division resulted in

IURC findings that rates should increase by just 1%, saving consumers approximately \$18 million. In another case, a small municipal utility rate case, Columbia City sought a new schedule of rates and charges. In this time bound case, the utility received approval to increase rates by nearly \$455,000 per year and was granted authority to issue waterworks revenue bonds in an aggregate principal amount of up to \$2 million. These examples demonstrate that the OUCC is conscientious in advocating positions that address the provision of quality utility service that is both reliable and affordable.

5. External Affairs Division - Recognizing that consumer education is a key component of the agency's mission, the OUCC's External Affairs Division maximizes consumer educational opportunities, informing consumers and helping them to understand the rates charged for utility services. The Division also promotes the efficient use of energy and water resources, particularly at outreach events.

Collaboration with other state agencies is beneficial as well to the OUCC's consumer education efforts. For example, the OUCC shares exhibit space with other agencies at the Indiana State Fair where staff distributes energy, water and other information resources to a wide audience. At the recent Indiana Black Expo booth, the team distributed over 5,900 publications and answered questions from Expo attendees on utility matters. Similar community engagement events and outreach occur monthly. Public Field Hearings, thirteen to date in calendar year 2012, are held in conjunction with proposed utility rate increase requests. The External Affairs Division also promotes consumer outreach by working with utilities withdrawn from IURC jurisdiction to stay linked to their customers for consumer education purposes. This Division constantly explores new ways to inform consumers about utility issues facing them now and in the future.

6. 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.

II. Accomplishments and Challenges

Accomplishments:

A. Dedicated Advocacy – In fiscal year 2011, the OUCC participated in almost 300 cases. In fiscal year 2012 cases increased 8.4% to 322 cases. While the number of cases is significant, it is important to note the increasing complexity of many of these cases, addressing novel and emerging issues raised by and affecting the utility industry today. Principal examples:

- a. Settlements of Northern Indiana Public Service Company base electric and natural gas rate cases (first such filings made by NIPSCO in over 20 years): were achieved among all parties, resulting in a rate decrease for residential ratepayers in the gas proceeding, and resolving years of litigation in the electric case, resulting in an annual savings for ratepayers of \$68 million.
- b. Duke Energy's IGCC case was recently resolved in April, 2012 by a settlement reached among less than all parties, including the OUCC, as to major cost overruns on the project. That settlement, if approved by the IURC, would, among other things, shift over \$700 million in cost overruns to Duke Energy shareholders that will save Duke ratepayers over \$2 billion over the life of the plant.
- c. Indiana American Water Company base rate case. (See note in Water Division above)

d. Participation in various IURC investigations, rule makings, and other proceedings related to fundamental energy delivery transformation: energy efficiency; integrated resource planning; demand side management; and renewable energy. The OUCC has taken on the lead role in the demand side management coordination committee, with one of its attorneys serving as its chairman, addressing energy efficiency initiatives statewide.

B. Creative Problem Solving - Members of the OUCC engage utilities in planning for extensive upgrades and changes, most of which are driven by federal mandates, including EPA regulations. In a recent case, the OUCC sought agreement of an investor-owned electric utility to use a competitive bid process to seek alternatives to an in-place environmental upgrade. After analyzing the results of the request for proposal (RFP), the OUCC made recommendations for the appropriate outcome. While concurring with the utility's proposed solution, the agency helped advance the cause to analyze all viable options before that solution was identified. Staff is working with other utilities in planning for RFPs for similar upgrades to generation facilities.

In several CPCN cases, staff expressed major concerns about final cost for upgrades dramatically exceeding initial cost estimates. The OUCC continues to work with utilities to improve the accuracy of project estimates to an acceptable range of +/- 25%, thereby giving the IURC a more accurate assessment of the costs of major improvements. The agency notes recent improvements in utility project management, engineering, and design practices bringing more value to consumers.

The OUCC's decision to shift resources to include environmental science talent and expanded engineering support has been beneficial for analyzing pending cases and improving the quality of our work product.

C. Consumer Education – The OUCC issued 44 news releases to educate consumers on pending cases and efficient use of utility services in FY 2012. Other actions include:

- a. OUCC web services were optimized to include timely status on crucial proceedings and to inform of the availability of 45 OUCC consumer publications for their benefit (29 of the publications are available in both English and Spanish).
- b. 44 news releases were issued to educate consumers on pending cases and efficient use of utility services in FY 2012.
- c. 15 public field hearings were conducted during the fiscal year. The hearings allow direct consumer input into the case record.
- d. Federal information was added to the OUCC Website. For example, new U.S. EPA content was added regarding the implementation of new rules and cost/reliability concerns. New pages were added profiling major in-state cases including base rate cases. Also added was a new publication for customers of rural electric membership cooperatives (REMCs), focusing on their rights and responsibilities as customer-owners of utilities outside IURC jurisdiction.

D. Measurable Economic Savings - As a result of OUCC's advocacy, the agency achieved measurable economic savings for consumers. In fiscal year 2011, OUCC's work directly contributed to over \$112 million in savings for Indiana utility consumers. In fiscal year 2012, those efforts gave way to over \$153 million, or a 37% increase over FY11, in savings for Indiana utility consumers.

Operational Cost Savings - The OUCC likewise took action on cost saving measures to drive efficiencies in its operations and attained over \$133,000 in annual agency budget savings in the first year of the current biennium.

E. Creative Collaborations on Energy Issues - The OUCC collaborates with stakeholders, implementing novel, creative ways of conserving energy through innovative energy efficiency programs. “Energizing Indiana” is a united effort by participating utilities and residents to promote energy efficiency and bring savings to communities across the state. Programs being heavily promoted through Energizing Indiana include residential home energy assessments, residential lighting, income qualified weatherization, school promotions, and commercial and industrial rebates. “This innovative multi-utility, multi-year energy efficiency initiative has the potential to reach over 2 million Indiana residences and thousands of businesses. In the initial years of the initiative, it can save enough energy to power over 100,000 homes for a year! These energy savings will put money back in your pocket, while creating jobs and improving the economy and environment for all Indiana residents.” (www.energizingindiana.com). The program partners include the OUCC and Citizens Action Coalition (CAC); the program is sponsored by IPL, Duke Energy Indiana, Indiana Michigan Power, NIPSCO, Vectren, and the Indiana Municipal Power Agency.

Another important area of collaboration is through settlement of contested issues in utility proceedings which are seen as “wins” for the settling parties. Using a tightly controlled Executive engagement and review process, the OUCC assesses the strength of its evidence and the need to ensure that high quality, reliable utility service is delivered at the most reasonable prices. Where it makes good sense considering the interests of the ratepayer, this agency will engage in “settlement” discussions without sacrificing value for the consumer. The agency firmly believes that when it is likely to achieve a better outcome overall, a thoroughly negotiated outcome trumps a risky, costly prolonged legal battle. The OUCC is committed to continuous learning and on-going educational enrichment to gain negotiating power through expert knowledge of contemporaneous issues and traditional regulatory mandates. The OUCC’s mission and own internal programs promote efficient use of skilled resources, effective training to improve all forms of testimony, and emphasis on achieving high marks on Key Performance Indicators and performance measures as seen on the Governor’s Dashboard. Continuous process improvement helps the OUCC to achieve continuous improvements in the quality of its work product, the quantity of work with fewer budget resources and a fixed headcount, and timely filed testimony. Each of these objectives supports its ability to drive reasonable outcomes for Indiana consumers in the settlement process.

F. Training: Developing Expertise in Emerging Policy and Technology Issues - The OUCC recognizes the need to be at the forefront of emerging policy and technology project management issues, nuclear life cycle management issues, and federal mandates. 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. The agency works diligently to find relevant courses, web seminars and other means to train analysts on these emerging and complex issues.

G. Attracting, Developing, Retaining and Optimizing Staff - The agency, through its Leadership Team, continues to place special emphasis on attracting and retaining staff by conscientiously applying the state’s Performance Management Plan. In particular, each person’s developmental needs are identified in Section C of the annual Employee Work Profile and Performance Appraisal Report (SF 52403) and progress is tracked by the Executive Team three times per year. Our Performance Management Program is supported by a committed part of the budget for training, both internally and externally, and a dedicated agency technical trainer. Given the challenges attendant to state and federal utility regulation, this agency makes Staff Optimization a priority. The OUCC also recognizes that some turnover is inevitable. By working through our designated State Personnel Field HRD specialist, the agency has recruited top talent with industry experience, albeit at a pay level requiring personal dedication to public service. The agency has lost talented personnel after an initial training period due to the attraction of higher salaries in the private sector.

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

A. Increasingly Complex Caseload - The OUCC's main concerns are increased caseloads and the likelihood of numerous base rate case filings, water utility acquisitions, environmental compliance proceedings, and attendant resource utilization in 2014-2015. 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. We expect this trend to continue for new cases to be filed in the 2014-2015 biennium.

The OUCC is planning ahead for work distribution and streamlining processes to handle a caseload of increasing complexity, driven heavily by environmental mandates of the U.S. EPA. Indiana's utilities must comply with those aggressive mandates and therefore agency goals are designed to support process improvement (quality and timeliness improvements) and knowledge development (needed for quality testimonial improvements). The OUCC continues to utilize staff in a flexible manner based on skill level, expertise, and time availability to handle the caseload.

Utility cases are becoming increasingly complex and require higher levels of expertise in the areas of environmental compliance; electric generation resource planning; nuclear generation; transmission system development; fuel costs and hedging; natural gas storage and distribution systems; commodity pricing; water/wastewater pumping, storage, purification and rate setting; ubiquitous broadband access to the Internet; telephone number conservation; delegated federal functions (interconnection and certification of eligible carriers); and telecommunications universal service funding.

B. Changes to Traditional Ratemaking Principles - The OUCC anticipates emerging issues affecting traditional forms of ratemaking, including the consideration of alternative approaches to utility rate recovery and the expansion of tracker mechanisms for recovery of capital expenditures, and the promotion of other novel regulatory processes.

C. 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 opportunities to comment on specific regulatory cases and to gain a better understanding of energy efficiency and factors that affect their utility bills. The agency is implementing multi-channel outreach including Twitter, Facebook, and developing a web presence via the state of Indiana's www.in.gov/oucc website, and promoting outreach at public events such as the Indiana State Fair and the Indiana Black Expo. On an experimental basis, the OUCC team is working with Community Action of Greater Indianapolis (CAGI) this Fall in direct, face-to-face contact with consumers to aid consumer enrollment in the Energy Assistance Program for the winter months.

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 on behalf of utility consumers' interests will only intensify in the next two years, with significant changes continually occurring in utility regulation, particularly in the energy industries relative to dealing with federal environmental mandates. Base rate cases, ongoing energy cost

reviews, the need for additional electricity generation, environmental issues and regional and national transmission infrastructure concerns 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. 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.

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

1. Execute in a manner consistent with the OUCC's mission.
2. Develop and intelligently apply its 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 Indicator (KPI)

1. Contested Cases: Cases in which the OUCC raised an issue affecting the public interest and an IURC order addressed that issue.
2. Settlements: Resolution of contested cases through settlement between the OUCC and utility and approved by the IURC.

Program Measures

1. Percentage of cases OUCC reviews and monitors for post-order compliance.
2. Percentage of major and complex cases in which initial "Critical Case Reviews" are held within 30 calendar days after Petitioner files its Case-in-Chief.
3. FAC and GCA tracker testimony filed with the IURC within the prescribed time limit.
4. Percentage of cases with Lead Attorney and Case Team Leader assignments completed within 8 calendar days after Petition is filed with the IURC.
5. Outreach Connections established by the OUCC to inform the public of case-specific IURC Public Field hearings.

IV. OUCC Organizational Chart

See Attachment A.

V. Change Package Request:

Electric Division Position. The OUCC respectfully requests approval to add a Utility Analyst Finance and Accounting position to the Electric Division in the Office of the Utility Consumer Counselor (OUCC). This headcount augmentation will ensure the OUCC meets the challenges of representing all consumers in financially complex cases, filed and litigated at the IURC. These utility cases involve billions of dollars of investment and regulated utility revenue requirements. The new finance and accounting analyst will be critical to OUCC's response to the expansion of special purpose tracker cases, including those triggered by new remedies afforded to utilities by Senate Enrolled Act 251 (SEA 251) in order to achieve compliance with mounting federal mandates.

Simply stated, after three years of making do; increasing analyst efficiency by sharing personnel across utility divisions; using consultants where possible; and increasing the competency of the incumbents, the OUCC can no longer capably fulfill its statutory mandate without an additional analyst for this Division.

The Electric Division addresses a wide range of matters including utility rate cases of large investor owned utilities (IOUs), municipally-owned utilities, and other jurisdictional energy companies. The electric industry is a rising average cost industry. Rising average costs have and will continue to result in numerous requests for rate relief by such electric utilities. OUCC electric utility analysts review all of those requests for rate relief. Besides general rate cases, utility petitions include requests for special accounting treatment, capital and expense tracking, order compliance, implementation of federal mandates, and other complex matters.

Burgeoning tracker proceedings are extremely challenging, limited by the short time OUCC utility analysts have to complete analyses and file reports with the IURC. Trackers usually involve a surcharge allowing a utility to separately charge customers for costs that would have otherwise been part of the utility's standard base rates. The utility analysts review billions of "tracked" dollars for recovery of capital and cost expenses, including fuel, environmental investment and expenses, RTO costs, capacity/reliability, off-system sales, and Demand Side Management.

The Electric Division is small given the relative size, complexity, and financial power of the vertically integrated electric industry. Utility accounting departments, and their consultants, at any of the 5 electric IOUs far exceed the resources of the entire OUCC which litigates over 200 cases per year. Despite the resource imbalance, the OUCC and this Division are extraordinarily effective at efficiently handling the accounting and financial aspects of electric regulation. Unfortunately, the work load has grown exponentially to the point where seeking an additional finance and accounting utility analyst is necessary. At any given time, a dozen such cases are under close scrutiny by the Electric Division, and when combined with major rate cases, impose demands of our accountants and consultants that are now reaching beyond present capability.

The typical responsibilities of a Utility Professional Finance and Accounting Analyst include analyzing utility petitions, auditing, preparing and filing testimony, and frequently testifying at hearings. With a constant average assignment of 35 active cases, this is a substantial workload.

The number of tracker proceedings will further increase based on recently enacted SEA 251, which allows for an expansion of rate tracking proceedings for utility recovery of federally mandated costs. This next wave of trackers will involve revenue requirements and rates, and our finance and accounting utility analysts will necessarily assume a leadership role in the examination of these cases. SEA 251 has already spawned a number of new matters into the existing work load premised on that law's remedies.

The agency seeks for this additional accountant position a candidate with a degree in accounting who is also a certified public accountant (CPA). The salary range for this position is \$52,102 to \$56,188. We will make every effort to find the best qualified candidate to be hired in the lower salary range; however, we are seeking approval to hire at the higher salary level in anticipation of market demands.

RPC Division Position. In addition, the OUCC seeks approval to add a Utility Analyst position to the Resource Planning and Communications Division in the Office of the Utility Consumer Counselor (OUCC). This lead technical analyst will be primarily responsible for all matters relating to Integrated Resource Plans (IRPs) submitted by electric utilities to the IURC and will have secondary responsibility for job assignments related to utility Demand Side Management (DSM) programs and Certificates of Public Convenience and Necessity (CPCNs) proceedings.

This Utility Analyst position is required to fulfill the OUCC's new responsibilities specified in the IURC's revisions to its IRP rules (170 IAC 4-7). In particular, the rule requires eight electric utilities to submit biennial IRPs to the IURC for analysis of their long range needs for expansion of facilities for the generation of electricity and plan for meeting future requirements of electricity. Other utilities will be required to also provide IRPs before and after constructing, purchasing, or leasing a generating facility to provide electric service within the state of Indiana.

An important new element is introduced in the revised IRP rules, the "public advisory process", which must be conducted by each utility prior to filing its respective biennial IRP. This advisory process requires that a minimum of two meetings be convened by each utility to gather input in regard to the development of its IRP, although interested parties may submit additional items for consideration and inclusion with the proposed IRP. Topics to be covered at such meetings may include technical matters such as environmental concerns, the impact of EPA rules, the fuel selection for new power generating plants, or other contemporary issues. In prior years, the OUCC merely reviewed IRPs submitted to the IURC. Under the new process, a more expansive review of these IRPs must occur, coupled with participation by the OUCC in numerous public advisory meetings. In addition, contested evidentiary hearings may likely result as an outgrowth from the implementation of this new process, requiring this analyst position to testify in such proceedings.

The OUCC statutorily may appear on behalf of ratepayers in all matters before the IURC. To adequately prepare and represent ratepayers, an analyst must attend and participate in each utility's advisory process meetings and provide input into the IRP development process including: utility's load forecast, evaluation of existing resources, evaluation of supply and demand side resource alternatives, modeling methods, modeling inputs, treatment of risk and uncertainty, and rationale for determining the preferred resource portfolio. IRPs further implicate other important types of IURC proceedings addressing DSM mandates and CPCN requests.

The new analyst position will also be responsible for evaluating the interplay of both the mandated DSM and the replacement supply-side resources in CPCNs. This new position will necessarily supplement the staff resources assigned to the increasing number of DSM and CPCN cases attributed to new federal and state regulations and may also serve as an expert witness in such IURC proceedings.

The agency would seek a candidate to fill this new position with a degree in engineering, economics, public policy, or related field. This person would provide technical advice and expertise in energy, regulatory and environmental policy, evaluation of impact of environmental or energy laws, rules or regulations, evaluation of forecasting assumptions and analysis of economic models. The projected salary range for this position is \$52,102 to \$56,188. The OUCC will make every effort to find the best qualified candidate to be hired in the lower salary range; however, the OUCC seeks approval to hire at the higher salary level in anticipation of market demands.

Change Package Request. The complexity of docketed utility cases coming before the IURC is increasing. Actions by federal regulatory bodies and state legislative responses to these actions are resulting in such growth of complex regulatory proceedings, demanding exacting review and analysis that challenge the limited resources of the OUCC in participating in these proceedings. 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 outside consultants, creating staff working groups to develop specific areas of expertise, and adopting creative approaches such as sharing personnel with specific skill sets across utility divisions when handling cases.

During the coming biennial period, however, the OUCC will be faced with increasingly complex utility cases and additional responsibilities which will necessitate adding several highly educated technical staff with specialized skill sets which are described immediately above. **For the 2014-2015 biennium, I am requesting a change package increase of the base budget for personnel costs for two additional positions as well as to account for an increase in operating funds.** This increase in the number of positions would provide for a total agency head count of 56 positions. The agency's goal will be to recruit candidates with strong technical backgrounds, ideally with capabilities and experience in the utility-related areas where needed. The OUCC 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.

It is critical to the success of the OUCC that it retains as well as attracts qualified professionals to carry out its mission of representing all utility consumers' interests. 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 sufficiently 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 address the complex issues that are presented in the utility regulatory arena. Moreover, the OUCC must be capable of providing credible input on the issues at hand in order to enable the IURC to receive necessary information and analysis 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 budget augmentation would ensure that the OUCC is capable of fully discharging its statutory responsibilities as the consumer advocate for Indiana utility ratepayers.

Thank you for your thoughtful consideration of these funding requests.

Respectfully submitted,

A. David Stippler
Utility Consumer Counselor

cc: Joseph Habig, State Budget Agency

Attachment