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Turning On Citizen Power

www.citact.org

State Legislators Push Utility Agenda Senate Bill 251 Rewards Utilities for Abusing Ratepayers!

Rather than incentivizing least cost investments, SB 251 incentivizes Extreme Cost Investments

Electric utilities do not like to invest in energy efficiency and wind because they are much cheaper than new coal or nuclear plants. Because they are State franchised monopolies, the more of your money the utilities spend, the more profit they make. The only way to get new coal and nuclear plants built is to shift the financial risks of these highly complex projects to captive ratepayers from beginning to end. And utilities want to continue our reliance on coal and nuclear power because they are the most expensive options.



This legislation defines coal and nuclear power as “clean” energy resources and provides higher profit margins and pay-as-you-go cost recovery mechanisms called “automatic rate adjustment mechanisms” or “trackers” for the design, construction, and operation of those resources. With this bill, utilities get to keep ANY money billed during ANY stage of the design or construction process even if the power plant is never finished (remember Marble Hill?).

SB 251 provides CWIP (construction work in-progress) for nuclear power plants. CWIP IS A POWER PLANT TAX - forcing you to pre-pay for a power plant before it's producing any electricity and even if it never does. This allows utilities to bill ratepayers during the construction of a power plant for financing costs plus profit on those costs. CWIP for coal plants allowed Duke Energy to begin construction on its coal gasification plant in Edwardsport, IN, which has seen massive cost overruns. Duke could not have gotten the project off the ground without charging CWIP to its customers. CWIP is an interest free loan from captive ratepayers.

Rather than Providing for Just and Reasonable Rates, SB 251 Will Result in Exorbitant Utility Bills

The legislation deregulates utility revenue over time through a mechanism known as a tracker. Any revenue charged to ratepayers for any federally mandated or potentially federally mandated investments and R&D (research & development) for those investments (such as for air pollution regulations) does not apply to their income (i.e., is off the books) for rate making purposes. This allows the utility to over-earn and realize excessive profit.

The legislation allows utilities to track many of its costs. Trackers are one-way rate making. Rates always go up without looking where costs go down. As such, the legislation allows the utilities to avoid filing rate cases where decreases in costs are balanced with increases in costs. Courts have ruled the only way to ensure that rates charged are just and reasonable are through a full review of the utilities rates, or a rate case.

Rather than Balancing the Interests of Ratepayers and Utilities, SB 251 Adds Insult to Injury

The legislation provides additional incentives for Duke's coal gasification plant that is just over 50% complete and mired in cost overruns and scandal. The Senators on the bill know this but decided to give the plant more incentives on the backs of ratepayers. They know that CAC and industrial customers, who intervened in the case, are urging the IURC to investigate Duke's gross mismanagement of the project, Duke's concealing information about potential cost overruns from the public and regulators, and fraud.

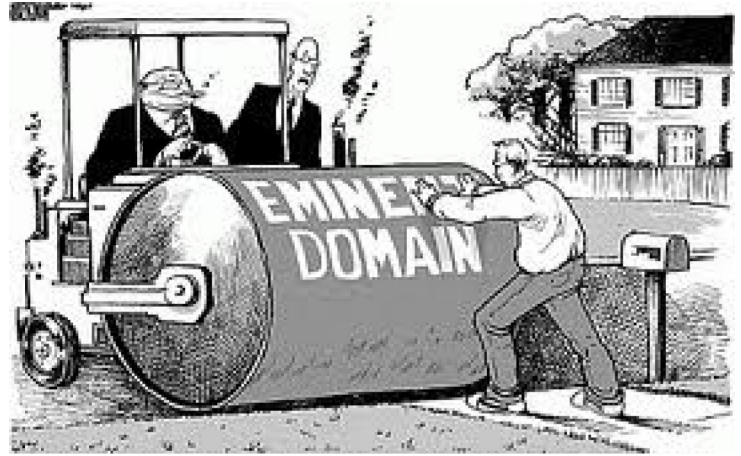


SB 251 Slams the Door On Ratepayer Protections!

Other Stupid Legislation

SB 72 would have given eminent domain to private corporations to build carbon dioxide pipelines. CAC worked with others to kill the legislation, 28 to 21, in the Senate. Congratulations goes to Senators Lonnie Randolph and Karen Tallian for a great job. Although this bill is dead, the language in the bill could still resurface in another bill. CAC will be keeping an eye in the House for this one.

SB 71 allows for the recovery of natural gas in coal formations through a new process called hydro-fracking. This natural gas extraction method has caused an enormous amount of water pollution and concern in Pennsylvania and New York. An amendment was defeated in the Indiana Senate that would have applied the Safe Drinking Water Act to hydro-fracking and force companies doing it to divulge the toxic chemicals they use in the process. CAC is still working to get that into the legislation.



TAKE ACTION: The priority now is to stop SB 251!

Call your State Representative today! Demand that s/he vote against this outrageous and detrimental piece of legislation! Tell Your State Representative:

- 1. SB 251 is bad for consumers and business;**
- 2. If utilities want to build more coal and nuclear plants, they have to construct them on their dime, not ours;**
- 3. To oppose all easy access to ratepayer wallets like CWIP and trackers;**
- 4. Utility monopolies should be mandated to provide least cost service, not encouraged to pursue risky investments on our backs.**

To look up and/or e-mail your legislators, visit <http://district.iga.in.gov/DistrictLookup/>

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