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Turning On Citizen Power

www.citact.org

AEP (I&M) Demands Unjustifiable 20.5% Rate Increase on Residential Ratepayers in Indiana!

American Electric Power (Indiana Michigan Power) wants the Indiana Utility Regulatory Commission to let them raise base rates by an unwarranted \$47.5 million. CAC has intervened in the case.

AEP's Scheme for Excessive Rate Increase:

1. *Boosting Stockholder Value at Ratepayers' Expense*

Currently, AEP makes an extra \$96 million per year by selling extra electricity to other utilities. That electricity comes from power plants paid for by customers of Indiana Michigan Power ("I&M"). Rather than allowing all of those off-system sales to benefit the customers who are paying for the power plants, AEP wants to keep half, or \$48 million for its shareholders. That's more than the \$47.8 million increase in base rates it has requested!

2. *Enron-Style Accounting*

AEP artificially inflated its rate request by pretending its investments in currently operating power plants and other facilities cost more than they actually do. For example, I&M wants to:

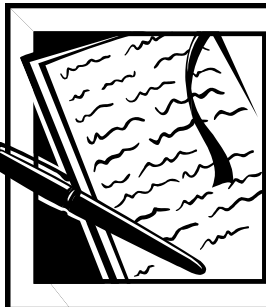
- ◆ Raise rates over 20% when its net investment in Indiana plant and facilities increased just \$41 million, or only 2.3% more than it was in 1991;
- ◆ Treat a prepayment of pension expenses as if it is a capital investment and include it in rate base — costing ratepayers over \$6 million per year;
- ◆ Charge ratepayers for environmental controls that have not been approved by the IURC as prudent or necessary;
- ◆ Force Indiana ratepayers to pay for transmission facilities that mostly benefit utilities and customers in other states; and,
- ◆ Make customers pay for "lost revenues" it predicts will result from energy efficiency programs that it has never tried in Indiana and has no Indiana data to support!



3. *Automatic Rate Increases*

AEP is requesting new automatic rate adjustments, or "trackers," for certain expenses, mostly left up to their discretion. Under traditional regulation, when a utility wants to raise rates they have to file for a rate increase, open up their books, and show both where their costs have gone up and where they have gone down. With trackers, the utility "tracks," or flows through, cost increases with less scrutiny and in between rate cases, allowing it to charge for increases in some areas without lower rates to reflect lower costs in other areas. The trackers account for nearly 32% of the proposed rate increase, and could lead to even more increases every six months.

Take Action: Write Letters!



If you are a resident of South Bend or Fort Wayne, write to your mayor!

The cities of South Bend and Fort Wayne have intervened in this rate case. Let them know that economic development starts with the ratepayers. Demand that they work not only to protect the city, but also to protect the residents of the city. If ratepayers are forced to pay 20% more for electricity, that's less money that can be spent in the local economy, which is the opposite of economic development!

Fort Wayne - Mayor Tom Henry

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South Bend - Mayor Steve Luecke

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Write to the Indiana Utility Regulatory Commission!

Tell them to Say NO to AEP's 20.5% rate increase and:

- Make AEP credit 100% of off-system sales to ratepayers;
- Deny AEP's request for additional trackers with less scrutiny of transmission and distribution system investments; and,
- Make AEP fund an independently managed and verified energy efficiency program.
- **Ask that your letter be included in the testimony for Cause #43306.**

Indiana Utility Regulatory Commission

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