



Annual Meeting

Saturday, December 7, 2013

2013 Annual Report

Citizens Action Coalition of Indiana

www.citact.org

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December 7, 2013

Table of Contents

Special Thanks.....	3
The Board and Staff of Citizens Action Coalition.....	4
Our Mission.....	5
Letter from the Executive Director.....	5
Reports from the Canvasses.....	6
Financial Outlook.....	8
Technology Update.....	9
Proceedings Before the Indiana Utility Regulatory Commission.....	10
Results of the 2013 Indiana General Assembly.....	17
CAC Education Fund Organizing.....	20
Hospital Accountability Project.....	20
Downstream Project.....	21
Prairie State Energy Campus.....	22
2013 CAC in the Press Highlights.....	23

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for their continued support**

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Mullett & Associates**

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Polk & Associates**

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SIREN

NC WARN

Consumers against CWIP

The Board and Staff of Citizens Action Coalition of Indiana

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Assistant Counsel

Jennifer Washburn

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Lindsay Shipps, CAC/CACEF
Julia Vaughn, CACEF
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Database Manager
Lisa Smith, IT Manager

Canvass Staff

Laura Sucec, Senior Canvass Director

Field Canvass

Bryce Gustafson, Canvass Director
Sheila Plank, Senior Field Manager
Kelly Hamman, Field Manager
Anne Freeman, Trainer
Alexandra Gillum
Diana Reynolds
Stewart Sparks
Chris Williams

Phone Canvass

Corey Jefferson, Canvass Director
Jeff Goldstein, Crew Manager
Bev Myers, Crew Manager
Steve Peckinpugh, Crew Manager
Jim Baker
Aunye Boyd
Brett Chosney
Mary Kate Dugan
Zohaib Farooqi
Lynn Ferguson
Bob Gordon
Mallory Holmes
William Love
Lindsay Shipps
Lisa Smith
Shawna Vertrees

Our Mission

To initiate, facilitate and coordinate citizen action directed to improving the quality of life of all inhabitants of the State of Indiana through principled advocacy of public policies to preserve democracy, conserve natural resources, protect the environment, and provide affordable access to essential human services.

Letter from the Executive Director

Kerwin Olson, Executive Director

It was a fast and furious year at CAC, but one that leaves me with excitement and optimism about the future of the organization. We reconnected with old friends, made new ones, and strengthened existing relationships. Cooperation and collaboration was at the forefront and has paved a path that promises to be fulfilling and rewarding.

We worked at the Statehouse with a large and diverse coalition including environmental groups, civic organizations, utility companies and others to pass legislation to protect consumers from being gouged by the Enron like scheme of Leucadia National Corporation to construct a fool hardy Substitute Natural Gas plant in Rockport, IN.

We continued our collaboration with Sierra Club, Save the Valley, and Valley Watch to oppose the economic and environmental injustice known as the Edwardsport IGCC power plant, and brought new allies into the struggle with Earthjustice, Greenpeace, the American Civil Liberties Union of Indiana, and others offering their assistance and generous support in the struggle.

Throughout Indiana, we joined with landowners, environmental groups, consumer groups, the faith community, academics, citizen groups and many others. On the national front our list of allies and friends continues to grow as we cooperated and collaborated with folks from the Great Plains to the Rockies to the Appalachian Valley to the hustle and bustle of NYC; all with the common goal of good governance, economic and environmental justice, and bringing hope and lending a voice to the voiceless.

We ramped up our efforts to increase investments in energy efficiency and renewable energy, protect vulnerable populations from unreasonable utility rates, safeguard rural communities from the impacts of factory farming, and bring help to those with excessive and unreasonable medical debt.

The staff at CAC continues to amaze and impress with their dedication, determination, and passion to carry out the mission of the organization, working selflessly to achieve this end.

Lastly, the members of CAC remain committed with their incredible support which affords CAC the luxury of lending an uncompromising voice and a strident message.

Immense gratitude and thanks to all. Let's roll.

Kerwin Olson
Executive Director

Reports from the Canvasses

Laura Sucec, Senior Canvass Director

Another year gone by! The field canvass is doing well by many metrics. We have had some changes in our core staff over the last year, but through it all our Canvass Director, Bryce, our Senior Field Manager, Sheila, and our Trainer, Anne, have all remained as solid as a rock. We have also recently added a new Field Manager, Kelly, who is incredibly intelligent and intuitive, and has a quiet spunk that is admired by all.

The management team of the field canvass is superb at many things. They are welcoming and inclusive with new canvassers. They do an amazing job at pouring their time, energy, and dedication into every new canvasser that we hire. As a result, our canvass staff is well educated regarding the issues they discuss and the organization that they represent. They are truly canvassers and not just fundraisers, which has not always been the case in years past. They have a strong sense of social justice, and they are out there knocking on doors because they care about the work they are doing, and because they want to help empower the people they are talking to.

However, despite all of our best efforts and changes to improve the training over the last couple of years, we are still struggling with our fundraising, with our turnover rate, and with our ability to use the canvass effectively as a tool to put grassroots pressure on public officials. (That's not to say they are not generating grassroots pressure, just that we could be doing better.) Regarding the fundraising aspect, it turns out that the Great Recession of 2008 had a much larger, and much longer lasting impact on our ability to raise money in the field than any of us could have anticipated. Regarding our turnover rate and our ability to generate grassroots pressure, we have begun an internal dialogue to discuss how we can restructure the canvass in a way that will both better compensate our field canvassers for their hard work in the field, as well as maximize the potential to generate the grassroots support that our canvassers represent. Times are changing, and we have to change with them. It may take some time, but we will figure this out!

The phone canvass has seen some turnover this year, which is not always a bad thing. We have lost several of our senior canvassers – some to full-time positions within the organization, and some to other interests outside of the organization. Corey had done a great job of replacing those canvassers with new canvassers who have lots of fresh energy. He, along with his very senior group of committed crew managers, Bev, Jeff, and Steve, are doing a great job of bringing the newer canvassers up to speed.

This is the second time in the past year that the phone canvass has gone through a hiring phase. Earlier in the year we also saw some turnover in the phone canvass. All of this is perfectly natural. Over time we will see some of the canvassers stick around long-term, and then the hiring will get slower. But hiring new canvassers always infuses fresh energy into the canvass bay, and helps the more senior canvassers to stay sharp with their canvassing skills, as they help the newer canvassers through their training.

Corey continues to work to keep the energy positive in the phone canvass bay. Positive energy is crucial for phone canvassers to be successful, and in today's polarized and somewhat depressing political climate, it can be difficult to maintain. Doing so requires constant vigilance.

Because of the loss of some of our senior canvassers this year, we have seen our phone canvass fundraising dip a little bit. We are now experiencing ups and downs in our fundraising where before there was consistency. This will all stabilize as our newer canvassers become senior canvassers, but it will take some time.

We have also experienced a shift in how our members are choosing to contribute to the organization. In general, people have become way more comfortable in giving on credit cards over the phone, and much less likely to contribute with checks via postal mail.

One constraint on the phone canvass that we have had as long as I can remember is that our database is ancient – and by ancient, I mean that it was created in 1982 and does not even have the ability to point-and-click! (Those of you who remember DOS-based programs with numbered menus will know what I am talking about!) We have finally begun the process of bringing our database into the 21st century! We have been through the process of selecting and signing a contract with a company, and we are working through the transition to a new, up-to-date database – for real this time! (We’ve had a few false starts in the past.) Because of the inflexibility in our old database, there is a lot of information about our members that we don’t know or don’t have access to. Once we’ve transitioned over to our new database, we are expecting to be able to find out a lot about our membership, and what we learn will help to inform us on how better to maintain our relationships with our members going forward. We’re all very excited about the possibilities that this new database represents!

In all, we are finally at the point where we have our i’s dotted and our t’s crossed, so we know we’ve done everything we can within our traditional canvassing framework to make things as efficient as possible. Seeing that there are still shortcomings that we need to address, we are beginning to get more creative and think outside the box. It is a huge challenge, frustrating and daunting at times, but one I think we all have some excitement in undertaking. In the end we all want the same thing – success in our constant battle to protect the Ratepayers of Indiana. And when we all put our minds together and pull in the same direction, everybody wins!

Bryce Gustafson, Field Canvass Director

Greetings from the field canvass! Much can be said about 2013, but I will settle on declaring this year a challenging, yet fulfilling one for the field canvass. Our core crew has persevered through it all, gaining another year of valuable experience. Lead by our fantastic Senior Field Manager Sheila Plank (2 years canvassing), super dependable Trainer Anne Freeman (close to 5 years), and rock steady Senior Canvasser Diana Reynolds (just over 1 year), that core has steadily kept excelling with their canvassing and mentoring of new canvassers. One of those canvassers is our newest field manager Kelly Hamman, a recent graduate of Butler University whose passion for the issues and energy for the cause will lead her to a very bright future with CAC! Rounding out the crew are our new people in training Chris Williams, Alexandra Gillum, and Stewart Sparks, with more folks coming in to start every week. I can never give them enough praise for the hard work they do for the organization.

As has been the case for several years, the challenges on the field are many. We are going to continue to focus on what we can do to overcome those challenges. With the talent we have in the field canvass and at CAC in general, I’m very confident that we will head into 2014 in position to build the crew up stronger than ever!

Corey Jefferson, Phone Canvass Director

This has been a great year for the phone canvass. We have a great core of senior canvassers and I have the best crew managers I could ask for. Despite having a bit of a smaller crew at times this year, our deposits are just a bit below projections and our canvassers are doing really well. I'm excited about the direction of the phone canvass right now.

It has also been a year of transition. Throughout my time as Canvass Director, we have had a really solid core of senior canvassers. As this year progressed, the size of that core began to shrink a bit. At the same time, the work that Bryce and Laura have been doing with the field canvass began to yield substantial results. With a smaller crew and an increased number of members available to call, much of this year has involved interviewing, hiring, and training people at a rate the phone canvass has not seen for a long time. My crew managers and I have learned a lot about the process of bringing on and investing in new canvassers this year. We have a great new batch of really sharp canvassers, who have infused a new energy into the canvass. I'm excited to continue growing and building on top of everything we're creating right now!

Financial Outlook

Mark Bailey, Financial Director

Financial Outlook in General

I have to start my report with a tip of the cap to the fact that CAC's been a viable not-for-profit for over 36 years. When I started as a door-to-door canvasser nearly 30 years ago, I would have bet we'd be lucky to last 6 months. At that time Ronald Reagan was President and Robert Orr was Governor. Indiana Bell was the dominate telephone company and only offered land line service. Public Service Indiana was the electric service monopoly in central Indiana. We were fighting Bell over local measured phone service and PSI over completion of the Marble Hill nuclear power plant. Back then we had 3 door canvass offices, but the phone canvass was maybe 6 months old. Smart phones weren't even a twinkling in Steve Job's eye, the Commodore 64 was the cutting edge of personal computing of the time and Duke Energy was a North Carolina electric utility. Times have changed, but we're still here! Our finances have changed dramatically as well. We now have only the Indianapolis door canvass and the phone canvass. Marble Hill's abandonment resulted in the establishment of the CAC Endowment Fund which now provides around \$100,000 annually to underwrite the program staff. Lastly, nationally known grant making agencies have rediscovered the value of funding state-based citizens groups again. I'll speak to each of these components separately.

Field & Phone Canvass

The Indianapolis door canvass is projected to end up about \$60,000 behind where they were in 2012. There are a number of factors that have created this situation. I'll let Laura & Bryce provide their expertise in evaluating our current status and future potential. We're beginning to compile data for the 2014 budget and the door canvass will be a major point of discussion because of its pivotal role in CAC public advocacy strategy.

The phone canvass income should be nearly identical to last year at about \$260,000. The net should also be fairly close to the \$50,000 mark from 2012. Finally we are beginning the database upgrade to bring us into the 21st Century, though its completion is still months away. I'll leave it to Kerwin, Laura & Lisa Smith to update you on its progress so far.

Foundation Grants

CAC's grant involvement is primarily to provide staffing. The grants themselves are generated by proposals made through the Education Fund. Grant making organizations rarely give money to 501(c)(4) organizations like CAC because of our political activities. The CAC Education Fund's 501(c)(3) status provides grantors the protection of not jeopardizing their tax status. This year the Energy Foundation directly and the Sierra Club indirectly are both working with us on campaigns to reduce Indiana's dependence on coal for electric generation. The Energy Foundation grants have amounted to over \$100,000. Most of their funding has been based upon a matching grant formula. The Civil Society Institute has also continued to support our efforts. In 2013 we received \$100,000 from them and have recently been reapproved for at least \$75,000 in 2014. Other grants included the Downstream Project for work opposing factory farming, and funding to oppose the Prairie State Energy Campus power plant in Illinois. Another funding stream has come from Energizing Indiana. CAC is being paid for referring supporters to have energy audits done to their homes. Combined the grant funding has amounted to nearly \$200,000. That is over \$75,000 more than in 2012.

CAC Endowment Fund

This has been another solid year for the Endowment. Larry Pitts, our fund manager at Trust Investment Advisors has continued to generate strong returns so far this year. We started the year with \$1,184,698 and as of October the fund was up to \$1,258,951, which is an increase of nearly \$75,000. That amount does not include the annual transfers to CAC of \$72,000 as well as the Cover Call funds of \$18,000. Additionally the fund has paid \$17,095 to SofterWare Inc. toward the database upgrade. Added together, the funds generated have totaled over \$181,000 so far. As a cautionary note I can't leave this section without reminding you that the stock market is at an all-time high and that "past performance is no indicator of future results". On that note, Happy Holidays!

Technology Update

Lisa Smith, IT Manager

One of the primary goals I have as IT manager is to upgrade as much of our technology as possible to bring our systems and methodology into the 21st century.

Now that our website is cleaned up and looking great, the next big project to tackle is our member database. After talking with several different companies to find the best database to work with our needs, we finally found one that will work with us to customize the functionality for our needs, and give our staff the best training to make the transition smoothly.

Updating our database to a more functional and adaptable software will help us make sure we are tracking our information in a much more well-organized fashion, that also will work with other recordkeeping software to streamline processes. This will not only help our canvasses run much more smoothly, but will make all of our recordkeeping much more efficient and less time-consuming, saving money and resources in the long run.

Proceedings before the Indiana Utility Regulatory Commission

Kerwin Olson, Executive Director

Jennifer Washburn, Assistant Counsel

43976 (Rockport Leucadia)

This case regarding the proposed \$2.8 billion coal-to-natural-gas plant is now before the Indiana Supreme Court (Case No. 93S02-1306-EX-407). The IURC approved a 30-year contract between the Indiana Finance Authority and Indiana Gasification, LLC for the purchase and resale of substitute natural gas back in 2011. In 2012, the Indiana Court of Appeals reversed that approval based on a clause in the contract that is contrary to state law and struck 37 words from the original contract. The IFA and the developers agreed to drop the clause from the contract. But then the Indiana General Assembly passed SB 494, which restored some regulatory oversight by defining what is meant by a “guarantee of savings” to ratepayers and requiring the Commission to ensure that ratepayers are provided an actual guarantee of savings from this project. This legislative effort was spearheaded by Vectren, with CAC, other environmental groups, and a coalition of small gas companies lending significant support.

Oral arguments were held on September 5, 2013. Citizens Action Coalition, Sierra Club, Spencer County Citizens for Quality of Life and Valley Watch (“Joint Intervenors”) filed a request for Justice Mark Massa to recuse himself from participation in oral arguments. Joint Intervenors cited Justice Massa’s personal friendship with Mark Lubbers, the Indiana project director for the group seeking to build the plant, as well as his work as General Counsel for former Governor Mitch Daniels who was a strong supporter of the plant. However, Justice Massa denied the request. Attorneys for Indiana Gasification argued that problems identified by the appeals court were small and have been fixed with an amended contract between the company and the IFA. The company asked the Supreme Court to find the amended contract acceptable. Attorneys for Vectren and other opponents of the deal including CAC argued that any changes to the contract need to go back to the Regulatory Commission for review, especially under the principle of separation of powers. We expect an order sometime soon since the Supreme Court has released other opinions of arguments earlier this month that were heard that very same day the Rockport oral arguments were heard.

42693-S1 and 42693-S2

These are the ongoing cases in which the statewide Demand Side Management Coordination Committee (DSMCC) oversees the Energizing Indiana program, which is also known as the “core” DSM programs that resulted from the landmark Commission order of December 2009 that established Statewide energy savings goals for the utilities. Good Cents currently runs the Energizing Indiana program and has a contract through the end of 2014. The S2 docket is for the next round of Requests for Proposals for Third Party Administrator and Evaluation Measurement and Verification vendors to run the Energizing Indiana programs from 2015-2017. CAC has been actively involved in the formation of the DSM programs, review of the programs, and review of the next round of bids, although we are only one vote out of 9. Recently, the other members of the DSMCC wanted to extend the current contracts for one more year through 2015, rather than moving forward with identifying a vendor to run the next three years of the programs. This approach would not provide the needed energy savings to achieve the Commission targets and would have unnecessarily delayed the process, potentially allowing the utilities and the Industrials yet another opportunity to kill the program. CAC opposed this and won! On November 27, the

Commission denied the Majority's motion and ordered that we all participate in a technical conference in January 2014 to explore deficiencies in the bid and improve our statewide plan for success.

43114 IGCC-10

This was the 10th tracker proceeding for the Duke Energy Edwardsport IGCC power plant. The hearing was held on June 4, 2013. One major event in this tracker proceeding was a significant technical mishap known as "the water hammer event", which further delayed testing and commissioning. Like previous IGCC proceedings, the Company explained that the quantities increase of some commodities impacted the testing and start-up durations. CAC and our fellow intervenors (Sierra Club, Save the Valley, and Valley Watch) argued that the events of the review period have driven project schedule delays which have added costs and as such, we requested disallowance of the financing costs due to delays. However, the Commission again rubber stamped Duke's request and decided that this did not rise to the level of imprudence, allowing the Company to continue to gouge ratepayers. The Commission also denied Joint Intervenors' request for an independent investigation to assess the future reliability of the plant. Consequently, the monthly bill of a residential customer using 1,000 kWh (kilowatt hours) will increase by \$4.55 with implementation of this factor.

One surprise in this ruling was that the Commission granted our request to require Duke to credit its customers for money they were overcharged. We thought they would deal with this issue in IGCC-12, but the Commission ordered that this had to be addressed in IGCC-11 instead.

43114 IGCC-11

This is the 11th tracker proceeding for Edwardsport IGCC. We filed testimony on October 31st, 2013. Our expert, Ralph Smith, addressed accounting, tax and ratemaking issues associated with a refund to customers ordered by the Commission in its 4S1 Order, which the Company collected from its customers from August 2010 through December 2012.

As a result of the coal-gasification tax credit law that Duke lobbied for and helped to pass back in 2002, the Commission gave Duke a deferred tax incentive on the Edwardsport plant. This deferred tax incentive allowed Duke a higher rate of return on equity as long as they kept the cost of the plant contained within its original cost estimate of \$1.985 billion. In May 2008 it became known that they exceeded the \$1.985 billion cost of the plant. Duke continued charging ratepayers with the factored in higher rate of return even though they had failed to keep costs contained. In December 2012 the Commission retroactively took away the deferred tax incentive and ordered that Duke had to credit the money they had overcharged back to their customers. IGCC-11 is about how much money will get credited to customers, how much interest, if any, will be tacked on, and how that money will be credited. We are asserting that Duke owes customers approximately \$28 million plus interest, and we are advocating that the Commission order Duke to pay 8% interest on the money they overcharged. The hearing is scheduled for December 17th.

43827-DSM-3 (I&M 2014 DSM Extension); 43855-DSM-1 (Duke 2014 DSM Extension); 44328 (IPL 2014 DSM Extension); 44318 (Vectren 2014 DSM Extension)

In addition to Energizing Indiana (the "core" programs), each utility also has what is known as "core plus" programs which are run by the individual utility. This is because the core programs by themselves will not provide the necessary savings to meet the energy saving targets established by the Commission. The utilities were currently offering their core plus programs for a two-year period, but their approvals were set to expire on Dec. 31, 2013. Their Current DSM Core Plus Plans

were initially filed and approved as 3-year plans and was intended to be in sync with the initial three years of Energizing Indiana, or the “Core Programs”. Because of litigation, Energizing Indiana did not begin until January 2012, one year after it was originally contemplated. Thus, the utilities had to file a one-year extension plan to keep their core plus programs in sync with Energizing Indiana. We participated in the above dockets at various levels of participation. In Vectren’s case, we were able to secure a spot on their Oversight Board, which means CAC is now a member on all of the electric DSM oversight boards. In I&M’s case, we monitored the case and supported the OUCC’s opposition to VoltVar counting as a DSM program, when it is really a demand response program and does not really influence customer behavior which is required of DSM. In the IPL case, CAC filed testimony supporting IPL’s ask to include incentives for residential and commercial/industrial customers to install renewable, distributed generation at their properties. We also challenged the fact that IPL wanted shareholder incentives for their DSM programs. Through cross-examination, we were successful in establishing facts that we thought the Commission should be aware of, such as the structure of DSM management and the fact the utilities make decisions with respect to Energizing Indiana without including the consumer parties. In Duke’s DSM case, we will be challenging a settlement with the OUCC in which the OUCC agreed to allow Duke to calculate the measures for the purposes of lost revenues at the entire life of the measure rather than the shorter of three years or the life of the measure. We will be challenging this in cross-examination. We did not intervene in NIPSCO DSM case, because they reached a fair settlement with the OUCC before they even filed their testimony, so we decided to conserve those resources.

44242 (IPL MATS Compliance)

In this case, IPL asked for \$511 million to cover retrofit technology necessary for their aging coal-fired units at its Petersburg and Harding Street Plants to comply with new EPA regulatory standards intended to reduce harmful pollution and protect public health. They used an insulting back of the envelope type of calculation in their testimony. We partnered with Sierra Club and Earthjustice and cited multiple failures of IPL to investigate viable and more cost-effective alternatives (including renewable energy, energy efficiency and long-term contracts to purchase electricity on the market) to comply with the new federal mercury and air toxics standards. We pointed out that IPL was more interested in selling excess power on the open wholesale market in which 100% of the net profits benefit AES shareholders, with no benefits to its ratepayers. Yet, IPL’s analysis presented made it appear that the ratepayers would benefit when that was not the case. IPL also ignored future costs of federal greenhouse gas regulations by using a zero carbon cost base case assumption through 2046. Unfortunately, the Commission largely rubber stamped IPL’s request. The Commission did not explicitly say this but they upheld as reasonable IPL’s decision to have no carbon costs in its base case. So, we lost on the underlying retrofits, but the Commission clearly did not like IPL’s inferior analysis and penalized IPL \$10 million for how it presented itself at the proceeding. The Commission was highly critical of the simplified spreadsheet analysis that IPL initially presented. They even said IPL’s presentation was “disappointing” and a “poor management decision” that “demonstrated a lack of due regard for the regulatory process.” The Commission also acknowledged the future regulatory and economic risks facing Harding Street Station 7 (HSS7) and shifted some of that risk to IPL. The Commission found that HSS7 should be retired if future environmental regulations cost more than IPL anticipated and provided that if HSS7 is retired early, undepreciated expenses from MATS compliance projects approved in 44242 would not be recoverable from ratepayers. So, we felt like we made progress in this proceeding.

44217 (Duke Environmental Compliance Phase II, aka MATS Compliance)

In this case, Duke asked to charge its ratepayers \$395 million for the first phase of the Company's more than \$1.3 billion plan to retrofit the Cayuga plant and other coal-fired electric generating units in order to comply with new EPA regulations. In an effort to demonstrate compliance with Indiana's least-cost planning standards, Duke submitted economic modeling purporting to find that retrofitting those units would be narrowly more cost effective than replacing the Cayuga units with a new natural gas combined-cycle plant. The Commission sided with the Company, essentially concluding that even if Joint Intervenor (CAC, Sierra Club, Valley Watch, and Save the Valley) were right about the use of different CO2 and DSM assumptions leading to a different outcome, we didn't demonstrate that Duke's assumptions were unreasonable. The Commission also ignored the change in natural gas prices since Duke originally filed. However, we did have a small victory in the sense that we effectively pointed out flaws in Duke's modeling of the Gallagher projects, which Duke withdrew from the case.

44310 (DSM Self-Direct Investigation)

The Commission called for an investigation into a structured self-direct demand side management (DSM) program for certain large customers. Rather than participate in the Core and Core Plus programs, some large customers prefer to do their own program. The DSM expense allocated to them for Core and Core Plus programs would be utilized to fund a self-direct DSM program whereby these qualifying customers may access the funds or receive credits to complete defined energy efficiency projects that are subject to evaluation, measurement and verification. CAC intervened as we were concerned about the impact to residential and low income residential ratepayers, as well as maintaining the integrity of the current DSM program structure. We took a position modeling a study of the nation's best practices of such programs, whereby residential customers are more protected from increased charges and the self-direct program generates greater levels of efficiency investments and bring a greater level of shared energy efficiency benefits to all customers. We expect an order at the beginning of the year in 2014.

44339 (IPL Gas Plant and HSS 5 and 6 Refueling)

IPL requested that the Commission grant IPL a Certificate of Public Convenience and Necessity ("CPCN") to construct a 550-725 MW Combined-Cycle Gas Turbine (CCGT) plant at its Eagle Valley Generating Station in Martinsville. They also proposed changing over their coal-burning Harding Street Stations 5 & 6 units from coal to natural gas, which we did not oppose. Kerwin Olson, our Executive Directive, and two technical experts pointed out many problems, including IPL's reliance on their 2011 Integrated Resource Plan (IRP) for modeling options, internally inconsistent load assumptions within the CPCN, that their energy efficiency forecasts were inconsistent and below the Commission's established targets, that they underestimated DSM contributions to peak reductions, that the Company required capacity not energy, inconsistencies with their 44242 case, that they ignored carbon risks, that they haven't had a rate case in almost two decades, that 25% of IPL's monthly bill comes from trackers which is higher than all utilities except for Duke, that IPL eliminated their FIT program and has very low net metering participation, that natural gas is not the best choice either, and that the Company's modeling treats off-system sales profits as if they were passed on to ratepayers when in reality profits all go to shareholders. We ultimately recommended that the Company delay building a new natural gas plant until 2020 when more information about the changing dynamics nationwide and within the Midwest Independent System Operator (MISO) is known.

An intriguing twist in this case occurred when one of the bidders to build the CCGT intervened. The bidder cried foul in the way that IPL handled its bidding process in which IPL ultimately selected itself to build the plant.

44344 (Morton Solar Net Metering Complaint)

A renewable energy installer, Brad Morton of Evansville-based Morton Solar & Wind, filed a complaint with the IURC, alleging that Vectren has violated state code the past eight years to stop or slow a number of renewable projects on which he has worked. The complaint and testimony alleges Vectren failed to meet state deadlines on some projects, required unnecessary and expensive equipment upgrades on some projects and generally delayed projects beyond state deadlines. Customers include the Town of Chrisney, Haubstadt Community School, Ohio Township Public Library, and other customers. CAC is requesting the Commission to view this proceeding as an opportunity to decide whether to conduct an investigation into how utilities handle interconnection of customer generation, including net metering facilities, and/or a rulemaking to revise the customer generation interconnection rules so that the rules can get tweaked to better allow for customer generation. Currently, Indiana lags significantly behind most of the country with less than 400 customers currently enrolled through net metering and generating their own electricity with renewable energy systems.

Senate Bill 560/TDSIC Filings

The new law, which CAC adamantly opposed during the 2013 Session of the Indiana General Assembly, allows an investor-owned electric or natural gas utility to seek IURC approval of a seven-year infrastructure improvement plan. If the plan is approved, the utility receives a tracker and may adjust rates every 6 months, subject to IURC and OUCC review, to recover project costs as they are incurred. The rate adjustments—under a new Transmission, Distribution, and Storage System Improvement Charge (TDSIC) mechanism—may not exceed two percent of the utility's total retail revenues each year. Twenty percent of the costs must be deferred until the utility's next base rate case, which must be filed before the end of the seven-year period.

44370/44371 (NIPSCO TDSIC Electric)

This is the first set of cases utilizing the tracker established by Senate Bill 560, which was passed earlier this year. NIPSCO asked for \$1.07 billion in its electric infrastructure replacement plan. In 44370, NIPSCO seeks approval of its proposed seven-year plan, so projects would be built from 2014-2020. Projects would include new transmission and distribution lines, new substations, upgrades to existing lines and substations, and replacement of aging poles, transformers, line equipment and other infrastructure. In IURC Cause No. 44371, NIPSCO is seeking establishment of the methodology for calculating rate recovery for future costs. The total cost for capital improvement projects in the seven-year plan is approximately \$1.07 billion. According to NIPSCO's testimony, annual rate increases through the TDSIC mechanism would average 0.9 percent each year over the seven-year term. The first increase of 0.4 percent would take effect in 2015. Also according to NIPSCO, increases would grow each year, reaching 1.7 percent in 2020. A hearing was held in November 2013. Under the new law's timing requirements, the IURC must issue a final order no later than February 14, 2014.

44403 (NIPSCO TDSIC Gas)

This is NIPSCO's 7-year natural gas system improvement plan, which was filed on October 3, 2013. According to NIPSCO's testimony and exhibits, the 7-year plan includes about \$713.1 million in capital improvement projects. Projects throughout NIPSCO's natural gas service

territory include replacement of aging infrastructure, new transmission mains, the installation of automated valves, and expansion into rural areas that currently do not have natural gas service. If approved by the Commission, the construction would start in 2014. The first rate increase, which according to NIPSCO would be approximately 1%, would take effect in 2015. The annual rate increase amounts from 2016 through 2020 would vary by year, ranging from 1.5% to 1.9% each year, according to NIPSCO. NIPSCO plans to file its first TDSIC natural gas rate adjustment request in September 2014.

44429/44430 (Vectren North and South TDSIC)

These filings occurred on October 25th, 2013. In the Vectren North filing, Vectren claims customers would pay roughly \$1 more per month starting in 2015, which would increase over seven years until it reaches about \$8 to \$9 more per month. The \$650 million is for upgrades to part of its 13,000-mile network of distribution mains and transmission pipelines that serve 48 counties. The work will primarily replace 800 miles of bare steel and cast iron distribution mains with new mains, most of which made of plastic, as well as inspecting and upgrading Vectren's transmission pipelines.

In Vectren South, Vectren claims customers would pay \$1 to \$1.50 more per month in 2015. That would increase to \$13 to \$14 more per month by 2022. The proposed rate increase in Vectren South is higher, according to Vectren, because of its smaller customer base and that the Company's pipeline replacement efforts are not as far along in that territory. The \$215 million is for upgrades over seven years to the territory's 3,200-mile network of distribution mains and transmission pipelines.

We will be intervening in these cases shortly.

44393 (NIPSCO FIT 2.0)

NIPSCO has filed a petition to approve modifications and an extension of its current Feed-in-Tariff (FIT). CAC is currently participating in settlement discussions with NIPSCO and other intervenors (including the Office of Utility Consumer Counselor, Sierra Club, BioTown Ag, and IndianaDG). CAC is advocating to maintain the current FIT because it was a success, except for the participation in the small wind projects.

44418 (DEI Phase 3)

Duke filed this on November 7, 2013, and a prehearing conference is set for Dec. 12th at 9:30am. We will be filing an intervention shortly. Duke is seeking permission from the Commission for approval of a Phase 3 Plan, primarily for construction needed to come into environmental compliance with the EPA's new Utility Mercury and Air Toxics Standard (MATS). The projects listed in the petition will cost approximately \$116 million to construct. They include: (1) Refurbishment of the precipitators at Gibson Station Units 3, 4, and 5 in order to ensure future compliance with the MATS filterable particulate matter limits; (2) Installation of calcium bromide systems at Gibson Station Units 1-5 and Cayuga Station Units 1-2 for purposes of mercury trim control; (3) Installation of particulate matter continuous emission monitoring systems at Gibson Station Units 1-5 and Cayuga Station Units 1-2 to demonstrate compliance with MATS limits; (4) Installation of mercury sorbent traps at Edwardsport Station and ongoing maintenance of other Company owned and operated sorbent traps in order to demonstrate compliance with MATS limits; (5) Improvements to the stacks at Gibson Station Units 4 and 5 to ensure safe and reliable access for certain stack testing and monitoring in order to demonstrate compliance with MATS; (6) Installation of relief duct dampers on the Gibson Station Unit 5 flue gas desulfurization equipment to help ensure compliance with acid gas limits under MATS; and (7) Operating and maintenance expenses associated with

associated with quarterly stack testing and Organics Work Practice Standards testing required by MATS. CAC is particularly concerned with the proposed installation of a “calcium bromide” system at Gibson and Cayuga as well as the absence of the Gallagher coal-fired units which Duke is opining already are in compliance with the new MATS standards

44182 (DC Cook LCM) and Trackers

I&M received Commission approval on July 17, 2013, for its Life Cycle Management project at its D.C. Cook Nuclear Plant in Michigan. This included rate recovery of approximately \$1.146 billion over the long term. I&M is allowed to recover these costs through a new “tracker,” with the first recovery request now pending.

Edwardsport Appeal

43114 IGCC 4, 4S1, 5, 6, 7 and 8 are currently being argued at the Court of Appeals. We filed for a continuance of IGCC 9 and IGCC 10 until after the resolution of those cases. CAC, Sierra Club, Save the Valley and Valley Watch just filed their briefs on September 6, 2013. Briefly, here is a summary of our arguments:

1. Due process issues (misconduct in the regulatory process and due process violations; Commission’s refusal to disclose information obtained ex parte from third party (Black & Veatch));
2. Issues relating to standard of review (settling parties’ failure to submit evidence on – and Commission’s failure to review reasonableness of – \$12.7 million in settlement attorneys’ fees and \$900,000 in expenses; Commission’s failure to make findings of fact, based on substantial evidence, on specific allegations of fraud, concealment, and gross mismanagement; Commission’s failure to make any findings of fact or conclusions of law, whatsoever, regarding mitigation of carbon dioxide emissions); and
3. Issues relating to cost recovery (the Commission found that some of Duke’s costs incurred prior to September 2010 were not “prudent,” yet approved Duke’s recovery of 100% of these costs; the Commission allowed Duke to earn a return on customer-contributed capital by accepting Duke’s calculation of AFUDC without accounting for deferred taxes; the Commission approved the settlement without specific finding that amount of cost recovery was proper).

Joint Intervenors just filed their reply briefs and are requesting the opportunity for oral arguments.

Yorktown/ACLU

CAC sought assistance from ACLU to represent it in a challenge against a town with an ordinance restricting CAC’s first amendment rights. On March 14, 2013, CAC filed its Complaint for Declaratory and Injunctive Relief, in which it challenged several provisions of the defendant’s (“Town’s”) Ordinance No. 688. CAC challenged (a) the requirement that it obtain a license and disclose certain information in order to engage in door-to-door canvassing within the Town and (b) the prohibition on CAC’s ability to engage in door-to-door canvassing “before the hour of 9:00 a.m. of any day or after the hour of 8:00 p.m. (or dusk, whichever is earlier) of any day without the specific prior consent of the prospective buyer.” The Town amended its ordinance, so now the only remaining issue is the hourly restriction. CAC and its counsel believe that we should be successful in this case and it will help to create precedent upon which we can rely in the future. A settlement conference was held in the beginning of December, but neither party was willing to budge. A hearing will happen sometime in 2014.

Integrated Resource Planning (IRP)

Jurisdictional electric utilities are required to submit Integrated Resource Plans (IRPs) every two years. IRPs describe how the utility plans to deliver safe, reliable, and efficient electricity at just and reasonable rates for the next 20 years. Further, these plans must be in the public interest and consistent with state energy and environmental policies.

Each utility's IRP explains how it will use existing and future resources to meet customer demand. When selecting these resources, the utility must consider a broad range of potential future conditions and variables and select a combination that would result in the lowest overall long-term cost for its customers.

IRP Contemporary Issues Conference

CAC helped sponsor, along with Sierra Club and Hoosier Environmental Council, two speakers for the 2013 IRP Contemporary Issues meeting. Jeremy Fisher with Synapse Energy Economics and Ethan Rogers with American Council for an Energy-Efficient Economy spoke and provided presentations. This is important, because any documents posted on the Commission's website, which includes these presentations, can be fair game for the Commission to take "Administrative Notice" of during a proceeding.

Duke's IRP and I&M's IRP (Filed on November 1, 2013)

CAC is working with Sierra Club and Earthjustice to provide comments to their IRPs for consideration by the Commission. They are due in February 2014.

Results of the 2013 Indiana General Assembly

Kerwin Olson, Executive Director

Lindsay Shipps, Organizer

The 2013 Session of the Indiana General Assembly presented consumers with many issues: one winner and a whole slew of losers. The work to enhance consumer friendly policies continued well into the night of the legislature's final day of April 26th, adjourning sine die around 1:30 a.m. CAC worked aggressively to safeguard Hoosiers from aggressive, profit-driven legislation that flies in the face of the common good and common economic sense.

This year Indiana continued its trajectory as a regulatory haven for investor-owned utilities with the passage of Senate Bill 560. SB560 is easily the most troubling utility legislation passed since 2011 and stands to be one of the worst bills ever, further enabling the monopoly utility agenda that disproportionately affects Hoosier families. While CAC worked to improve the legislation from its introduced version, the bill, as enacted, pads utilities' pockets at our expense. SB560 dismantles consumer protections and will lead to frequent and significant utility bill increases that will inordinately impact vulnerable populations on low or fixed incomes.

Despite significant increases in the costs of home energy and massive utility profits, the Indiana legislature gave monopoly utility companies a raise. Over the last ten years, the average monthly electric bill of a regulated utility in Indiana has increased over 49% while the average monthly gas bill has increased as high as 33%. Much of the increase in monthly bills is attributable to trackers, or automatic rate adjustments. Trackers allow utilities to raise rates when costs go up in some areas while never having to lower rates when costs go down in other areas. SB560 gives the

utilities a tracker for transmission and distribution. This gives them excessive profit to do something they are supposed to be doing anyway: provide reliable electric and gas service.

Maintaining transmission and distribution wires and pipelines is something the utilities are required by law to do. These costs are well understood, can easily be determined, and do not fluctuate (like fuel costs do). Traditionally, trackers have been allowed only for costs that are largely outside the control of the utility and experience significant price volatility. Transmission and distribution costs should not be tracked. Instead, the utilities should be required to go to the Indiana Utility Regulatory Commission (IURC) and file a rate case. This way they will have to open up their books and show not only where their costs have gone up, but also where their costs have gone down. Under current regulations, it is well established that the utility's investors, not its customers, must put up the capital necessary for the utility to fulfill its legal obligation to provide reliable service. Trackers shift the burden of cost and risk of running a monopoly utility company from voluntary investors to captive ratepayers.

SB560 also contains "self-implemented rate-making," the ability for the utilities to raise base rates virtually automatically. This is something long-sought by the utilities. After utilities file for an increase in base rates (a rate case), they are required to wait until the IURC issues a final order indicating to what level the utilities are allowed to raise their rates. This can take as long as a year or two because of the large amount of information involved in a rate case and the overwhelming workload of the IURC. SB560 will allow the utilities to increase rates up to 50% of the rate hike they are asking for if the IURC has not issued an order after 300 days, less than a year.

On the other hand, one of the most pressing issues the legislature addressed in their final minutes of session was legislation aimed at safeguarding consumers from excessive costs due to a proposed substitute natural gas plant in Rockport, IN. Throughout the past seven years, Leucadia National Corporation's LLC, Indiana Gasification, has beefed up their lobbying team, spending a lot of time at the Statehouse securing special protections in state law to enhance profits for their plant while undercutting consumers. After the Indiana Finance Authority and Indiana Gasification signed a contract which forces consumers to pay a higher than market price for natural gas, litigation commenced and the issue was torqued in the judicial system. Courts deemed thirty-seven words of the contract null and void, jeopardizing the validity of the contract in its entirety. CAC was joined by environmental and social justice groups, natural gas utilities, the Chamber of Commerce and other stakeholders in fighting to restore language in law that "guaranteed savings" for consumers. While the original language to protect consumers from was contained in Senate Bill 510, passing the Senate with bipartisan support, the bill died in the House due to a coal industry protectionism amendment inserted by Peabody Coal executive Rep. Matt Ubelhor. Despite a wild ethics outcry, Rep. Ubelhor gave no apologies for presenting his amendment. The coal-friendly bill was not entertained further (see description below). Ultimately, the "guaranteed savings" language was inserted into Senate Bill 494, passing with wide support. Governor Pence signed SEA494 on May 11th.

In November 2011 the IURC approved a 30-year contract between the Indiana Finance Authority (IFA) and Indiana Gasification, LLC, a subsidiary of Leucadia National Corporation (an out-of-state hedge fund corporation). This contract forces Indiana ratepayers to pay \$7.8 billion over the next thirty years for the syngas generated by the proposed Rockport/Spencer County coal-to-gas plant. The contract was signed as a result of the passage of SB423 in 2009.

SB423 removed all regulatory oversight of the charges for the syngas coming from the proposed Rockport plant. It also stipulated that the contract must include a guarantee of savings for ratepayers. However, according to the approved contract, ratepayers will have to wait thirty years to learn whether or not this was a good deal.

SB510 promised to protect consumers from unreasonable and excessive charges for substitute natural gas (SNG) from the proposed Indiana Gasification/Leucadia coal-to-gas plant in Rockport, IN. On April 10, 2013, SB510 was amended in such a way that made it completely ineffective at protecting ratepayers. On April 26, 2013, on the last day of the session, SB494 was amended with what is known as a “strip and insert”. The original language in SB494 was stripped out and the good consumer protection language that we wanted from SB510 (as it passed out of the House Utility Committee and before it was amended in the House) was inserted into SB494.

SB494 restores some regulatory oversight by defining what is meant by a “guarantee of savings” to ratepayers and requiring the IURC to ensure that ratepayers are provided an actual guarantee of savings from this project.

One of the most disturbing outcomes of the legislature was the failure to address Medicaid expansion. The burden of this failure is sadly carried by Indiana's low-income single parents and families with incomes between 24% and 100% of poverty. Many legislators on both sides of the aisle worked hand in hand with CAC, the Indiana Coalition for Human Services and other stakeholder to address affordable options for comprehensive healthcare coverage. CAC supports expansion of Medicaid as allowed under the Affordable Care Act and will continue encouragement of the administration to make responsible decisions when it comes to Hoosiers' health care.

Other failures were the quick deaths of HB1202 and SB546, companion bills that sought to lower the amount of phosphorus in lawn fertilizer in order to curb pollution in Indiana waterways; HB1209, a bill aimed at providing Indiana's citizens with important consumer right-to-know information regarding hydraulic fracturing; HB1210, which allows the IURC to fine a utility for not following the law; HB1211, a bill giving the IURC the ability to review and adjust utility rates; and HB1407, a bill increasing transparency in allowing the public to vote for Indiana's utility commissioners.

This year's session was not all bad, but it was certainly close. There remains much work to be done and our fight is not over. Our work was aided thanks to many legislators and staff on both sides of the aisle. Between legislative sessions, we have continued to be part of conversations at the legislature's summer study committees where we discuss ways to improve laws that are already on the books and influence policy that has yet to be shaped. We continue our fight to provide Indiana with a friendlier consumer environment.

Wind Energy in Tipton & Beyond

Lindsay Shipp, Organizer

In its legacy of supporting renewable energy initiatives, CAC has always taken note of the timbre of legislation, (specifically nonbinding resolutions that foreshadow future, binding legislative initiatives) dealing with wind energy, both commercial and residential. During this year's legislative session there were six nonbinding resolutions condemning and/or discouraging wind energy conversion systems (commercial wind).

In recent months Indiana has seen four of its counties attempt to ban wind energy conversion systems outright: Clinton, Delaware, Marshall, and Tipton.

In Tipton County, wind farms are currently in development with the possibility of expansion. The County is undergoing the development of a Comprehensive Plan, a guiding document to determine the county's future land use in terms of economic development and other municipal priorities.

CAC is involved, and continues to develop input on the Comprehensive Plan to cull equitable treatment of wind energy, both commercial and residential.

Because the local planning and zoning officials comprise unelected, citizen appointees, CAC focused constituent input to the County Commissioners, the ultimate decision makers regarding the Comprehensive Plan.

The conversation continues in Tipton, having staved off an all-out ban of wind energy. In Clinton County, CAC continues its work organizing to advance wind energy hand-in-hand with community partners and members.

CAC Education Fund Organizing

Hospital Accountability Project (HAP)

Lindsay Helmbock, Project Director

The Hospital Accountability Project (HAP) is a joint effort of the Citizens Action Coalition Education Fund (CACEF) and Indiana Legal Services (ILS). HAP was originally launched in 2008 with an 18 month grant from Community Catalyst, a national consumer health advocacy organization. The project received local funding in May 2012 from the Nina Mason Pulliam Charitable Trust to continue for another year. HAP has worked to address the significant medical debt problem in Marion County by educating and empowering citizens on their rights and responsibilities as medical consumers and negotiating with non-profit hospitals to improve their charity care and financial assistance policies.

During the first round of the project, one of the initial activities undertaken by HAP was the development of a survey to better understand the experiences and situations of individuals with medical debt. 547 surveys were collected in a 10 month time frame and a report, called Medical Debt in Indianapolis was published detailing the findings. The crux of the report challenged the non-profit hospitals to do a better job of notifying patients about their financial assistance programs and making these programs easier to access and more consumer-friendly.

To address this problem, HAP engaged in ongoing and successful negotiations with key hospital leaders to discuss their financial assistance policies and practices in detail and to offer suggestions for improvement. IU Health began including information on financial assistance with bills, Community Hospital made changes to the size and placement of signage, and St. Francis updated significant parts of their financial assistance policy and created new signage and brochures for placement in the hospitals.

HAP continued to collect surveys from 2012-2013 in order to support our negotiations with the hospitals and to monitor whether further changes were taking place with regard to notification, increased awareness, and accessibility to non-profit hospitals' financial assistance programs. 442 surveys were collected via door-to-door canvassing, tabling at events, online submissions, and community meetings.

Survey respondents were asked if they had been told about any help or financial assistance programs while they were at the hospital. We were hopeful that our data would indicate greater public awareness of charity care and financial assistance programs to reflect modest improvements initiated by area hospitals based on our discussions with them. Unfortunately, the data remained consistent with HAP's previous report, indicating that hospitals have much more work to do. Specifically, we asked respondents if they were told about payment plans, how to apply for Medicaid/Medicare or other government programs, reduced cost for the uninsured/underinsured, financial assistance, or not told about any help or programs. Most troubling is that only 73 people were notified of financial assistance and over half the people surveyed were not told about any programs or help while at the hospital.

Over the past year, additional activities undertaken by HAP included community meetings throughout the city with the aid of Indiana Legal Services, which provided an opportunity for people to learn about non-profit hospitals' financial assistance programs, how to negotiate their bill, how to re-build bad credit, and ways to avoid bankruptcy. Finally, a train-the-trainer luncheon was held for community organizations and direct service providers to help them provide better assistance to their members/clients with medical debt.

The Downstream Project

Julia Vaughn, Project Director

The Downstream Project is funded through a grant from the GRACE Communications Foundation. Julia Vaughn is the Project Director and Dave Menzer and Steve Peckinpugh are organizers for the Project, with Dave working in metropolitan Indianapolis and Steve in east central Indiana. All of the staff members are part-time, and this is the Project's fifth year of funding.

One of the most important Downstream Project activities this year was helping to educate the public about the ag-gag legislation that almost passed the Indiana General Assembly. As part of a large coalition of groups that worked together to prevent this legislation from becoming law, we executed a media and grassroots lobbying strategy in conjunction with sister organization CAC to generate massive amounts of public pressure against this bill. We also held a public forum in Indianapolis to educate consumers about the dangers posed by ag-gag. Over the summer this legislation was discussed in a summer study committee and the Project convened the initial strategy session where opponents planned our line of attack. Throughout the summer we continued to lead opposition efforts. Our work was ultimately successful, as the summer study committee did not include ag-gag as part of its recommendation, although we know the issue will once again be raised in 2014.

Most recently the Project was a co-sponsor with the Indy Action Network of the Moms Against Monsanto rally and march in Indianapolis. We had a table at the event to distribute information and collect signatures on petitions and Dave Menzer was a featured speaker at the rally. We have

also worked with Indiana Certified Organic to develop a grassroots strategy to advance the issue of GMO labeling in Indiana through public education and pressure on food retailers.

Project staff also worked in 2013 to broaden our reach by doing outreach at farmer's markets and other events that featured local food and or sustainable agriculture.

Another important Project activity is participation in the state rule-making process for satellite manure storage facilities. We have worked with other environmental and consumer groups to speak with one voice on the proposed rules. This issue is increasingly important because neighboring states Ohio and Michigan are both encouraging their operators to transport manure out of state, since so many of their waterways have been negatively impacted by run-off. Indiana is becoming the dumping ground, so it's important to have strong rules in place to protect our ground and surface water and rural communities.

While working at the state level on policy and rule-making, the Project also assists local communities in fighting back against the siting of CFOs and to help them get strong local ordinances passed to protect rural citizens and the environment. Our highest level of activity has been in Henry County, where Steve Peckinpugh is leading an effort to form a committee of community stakeholders to craft a new comprehensive CFO ordinance.

Julia Vaughn worked with local groups in Kosciusko, Decatur, White, Tippecanoe, Carroll, Steuben, Bartholomew, LaPorte, and Adams counties in 2013, helping them develop and implement media and grassroots organizing strategies to either stop individual CFO projects or develop and pass stronger county ordinances. Occasionally the project provides small amounts of funds for local groups to buy advertising, bring in experts or hold events.

Prairie State Energy Campus **Lindsay Shipps, Organizer**

CAC continues its collaboration with partners in research and organizing across nine states, led by the experts of Institute for Energy Economics and Financial Analysis to reveal the higher than market costs felt by municipalities paying for electricity from the Prairie State Energy Campus.

In February 2013, CAC staff led the alliance in conversation exploring options to utilize the formal complaint process as outlined in Indiana Code § 8-1-2-54. Our research continued into the summer with numerous public records requests, culminating with a letter to the Attorney General requesting a formal investigation in July.

Our fight to reveal the higher costs felt by Hoosier communities continues as we learn more information and details by additional records requests, citizen input in IMPA communities, and information sharing by continuing the close working relationships CAC maintains with organizers in Batavia, IL and Cleveland, OH.

2013 CAC in the Press Highlights

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VIEWPOINT

Consumers at risk in Statehouse fight on energy costs

By KERWIN OLSON

The fate of monthly utility bills and the future of Indiana energy policy will be a hot topic of discussion during the 2013 session of the Indiana General Assembly.

Once again, the proposed coal-to-gas plant to be built in Rockport, Ind., by Indiana Gasification will be the subject matter of legislation. Two companion bills, S.B. 510 authored by Sen. Doug Eckerty, R-Yorktown, and H.B. 1515 authored by Rep. Suzanne Crouch, R-Evansville, promise to protect consumers from what is certain to be excessive charges for the substitute natural gas (SNG) to be produced by the proposed facility. By making this legislation the law of our state, captive Hoosier ratepayers will be protected from being gouged by an Enron-like scheme that promises hefty returns for a privately held, out-of-state hedge fund.

Conversely, S.B. 560 authored by Sen. Brandt Hershman, R-Monticello, guarantees that captive gas and electric ratepayers will face enormous bill increases as the legislation eliminates regulatory protections captive consumers are entitled to. S.B. 560 will shift almost all of the costs and risk of operating a monopoly utility company to captive ratepayers and away from voluntary investors. Additionally, S.B. 560 would allow the monopoly utilities to raise rates virtually automatically and would further reduce regulatory oversight by placing unreasonable time restrictions on both the Indiana Utility Regulatory

Commission and the Office of Utility Consumer Counselor to review requests by the monopoly utilities to raise your rates. Should S.B. 560 become law, monopoly utility profits will become excessive as they will have little incentive to control costs while the more expensive, risky and obsolete technologies will continue to be chosen over cheaper, cleaner and less risky alternatives.

Every branch of government, including our schools, is being asked to do more with less. The public is struggling with stagnant and diminishing wages, while monthly electric bills have increased nearly 50 percent during the last decade and the costs of living continue to soar, especially for essentials such as food and health care. Meanwhile, the monopoly electric and gas utility companies in Indiana are working hard to undermine regulatory oversight and are attempting to deregulate their monopoly revenues and profits. They are asking your elected officials for a raise, and they want it to come from your checkbook. While everyone else is being forced to tighten their belts and the working class and vulnerable populations struggle to survive, the monopoly utilities parade around the halls of government with unfettered access, working to increase their monopoly revenue and profits at the expense of the public.

It should be interesting to observe the now Republican-dominated Indiana General Assembly and a newly elected governor with no Statehouse experience navigate between the two paradigms. Will they allow the monopoly utilities with their deep pockets to control the agenda and the future of Indiana energy policy or will they stand up for consumers, keep the utilities in check and protect the public interest? We'll learn the answer during what promises to be a long and contentious 2013 session of the Indiana General Assembly. Stay tuned.

Kerwin Olson is executive director of the Indiana Citizens Action Coalition in Indianapolis.

LETTERS

CAFO ordinance needs coalition of stakeholders

STEVE PECKINPAUGH
The Downstream Project
Community Organizer

According to an article published in The Middletown News, the Henry County Farm Bureau has been working with members of the Henry County Commission on a new county confined feeding ordinance, based on the current ordinance used in Rush County. The plan, according to the article, is to present this new proposal, said to be based on a point system, and "scientific facts," to Henry County officials this month. As this debate unfolds there are two important issues to con-

sider.

The first issue is the lack of transparency that has shrouded this process. While it is natural that interested parties such as the Farm Bureau and local CAFO operators take part in the development of a new ordinance, they should not be the only interest at the table. And, they should not be discussing this issue with our elected officials in anything less than a fully public forum.

It is important that any new ordinance be developed with input from all perspectives, not just agriculture. This is just a basic issue of fairness and majority rule.

Farmers do not constitute a majority, or even a large minority of the residents of Henry County.

According to the 2010 census data, farm proprietors account for 3.9 percent of the population of Henry County. If one looks at the number of Confined Animal Feeding Operations (CAFO's) and Confined Feeding Operations (CFO's) in the county, the percentage falls to less than 1 percent of the total population. Even when you take out the city of New Castle, there are far more folks living in the small towns and in the countryside that do not farm, but certainly have an interest in what could happen to their quality of life and health, water supply and real estate values. In fact, two of the towns, Middletown and Lewisville, have sent resolutions to Henry County officials,

asking for specific protections in a new ordinance.

While I support the right of farmers to use their property, they **MUST** take into account the rights of their neighbors. A comprehensive plan written by a coalition of stakeholders will take into account the needs of **ALL** residents of Henry County, and will allow everyone to be represented in the adoption of a new confined feeding ordinance. Anything less will be allowing the fox to guard the hen house.

I urge each resident of the county to let their voice be heard by contacting their commissioners and expressing their support for a plan which considers the needs of **ALL** residents of Henry County.

Consumer group enters the wind farm battle

■ CAC claims opponents using false information.

BY KEN de la BASTIDE
KOKOMO TRIBUNE

A state consumer rights organization is claiming that wind farm opponents in Howard and Tipton counties are spreading misinformation about wind energy.

Development of wind farms in the two counties have been a topic of heated conversation between opponents and proponents of wind farms.

E.ON Climate & Renewables is planning two phases of the Wildcat Wind Farm in Howard and Grant counties.

Juwi Wind has received approval for a planned wind farm in northwestern Tipton County and is currently requesting modification of setback requirements imposed by the Board of Zoning Appeals and acceptance of a property value guarantee plan.

The Tipton County Citizens for Responsible Development and Howard County Concerned Citizens are opposed to the wind farms. The two groups are seeking changes in setback requirements and moratoriums on further wind farm development.

The Citizens Action Council sent a letter to the Tipton County Plan Commission Thursday urging them to base discussions about wind energy in the comprehensive plan that is based on scientific research.

"As the leader of an Indiana-based organization that prides itself in providing factual, authenticated information, we urge the Tipton Plan Commission to ask for proof and evidence to support the off-the-wall, unsubstantiated statements by those being fed information from national organizations with self-serving interests," Kerwin Olson, executive director of the CAC, wrote.

Olson said Friday the organization is supportive of wind energy in Indiana.

"What we have going on in Indiana, the first group popped up two years ago," Olson said of organized resistance to wind energy. "Look at their websites, the claims being made are not factual."

He said some there could be some validity to health claims, adding the claims of Wind Syndrome illness are false.

Jeff Hoover with the CRD said he agrees that the information being provided should be backed up by scientific research and empirical data.

"We have provided scientific and empirical data," he said. "That data shows property value loss and health and safety concerns. Every group has the right to their own opinion."

Hoover said it's time for the elected and appointed officials in Tipton County to realize a majority of people don't want industrial wind farms in the county. He said at the Plan Commission meeting the opponents of the wind farms substantially outnumbered the supporters of wind energy.

Olson said all the data indicates that wind power is cheaper than electricity from a new coal-fired plant.

"Look at Benton and White counties," he said. "There has been significant tax benefits and development taking place."

Olson said claims that property values decrease around a wind farm are not true and property values may increase.

"It's too early to know," he said of the impact in Indiana.

Olson said the CAC is unsure of where the information being provided to elected officials in Howard, Tipton and Delaware counties is coming from.

Wind farm opponents maintain the wind turbines impact the health of local residents, lower property values and disrupt the rural lifestyle by noise and shadow flicker, which is caused by the turning of the blades.

Olson said another unknown is how the anti-wind organizations are being funded. Olson said a lot of information is coming from WindAction.org and the funding source can't be determined.

"We don't doubt that there are concerns," he said. "But the claims should be backed up by scientific research and empirical data. We would question the motives of those opposed to wind energy."

JUL 1 2013
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EDITORIAL

Worth conserving

Should Indiana Michigan Power customers be outraged that the company collected their money to pay for an energy efficiency program but held on to a portion of the money? Absolutely. Should Hoosiers push state regulators to pull the plug on that conservation program? Probably not.

A recent audit of Energizing Indiana, a state-mandated energy efficiency program, found that the utility companies involved collected \$74.4 million from their customers to finance the program but only spent \$42.4 million.

A decade ago, Indiana utility companies were responsible for running their own conservation programs and, as one might imagine, they were not very aggressive about reducing energy consumption.

"Having utility companies run energy efficiency programs is like having Dolly Madison and Frito-Lay run weight loss programs," said Kerwin Olson, executive director of the Citizens Action Coalition.

Olson's consumer advocacy group lobbied the Indiana Utility Regulatory Commission for years to find a more effective strategy.

In 2009, state regulators issued an order creating Energizing Indiana. It involves six of the state's largest utility companies; Duke Energy, Indianapolis Power and Light, Northern Indiana Public Service Co., Vectren, Indiana Municipal Power Agency and I&M.



Olson

State officials said that the extra money the utility companies collected from customers will have to be returned, but it's unclear exactly how those refunds will happen.

"I'm glad this is getting coverage because it's a big deal," Olson said. The coalition spent a long time advocating for more investment in energy efficiency with the (Office of Utility Consumer Counsel), and while Energizing Indiana is not exactly the model for the program that we would prefer, it is a good program."

He said Vermont provides a better model for energy efficiency programs. There, the money is given directly to a third party to run the programs. That way you don't have the utilities holding the money and playing

ENERGIZING INDIANA

Energizing Indiana started in 2012 and offers five core programs, including residential home energy assessments and weatherization services for low-income households, discounts on energy-efficient lighting, school educational programs and rebates for businesses that install energy-efficiency equipment.

The oversight committee for the program, including the Indiana Office of Utility Consumer Counselor and Citizens Action Coalition, hired Atlanta-based GoodCents to run the program through 2015.

The power companies collect money for the program through fees on monthly utility bills and then pay GoodCents.

The review found that Duke overcollected the most at \$13.6 million. IPL's amount is \$6.6 million; NIPSCO's is \$4.7 million; Vectren's is \$2.2 million; IMPA's is \$2.6 million and Indiana Michigan's is \$2.2 million.

the middleman.

"One issue is the utility companies are collecting the full cost of these programs before it's spent," he said. "Ratepayers should not only be able to get a refund on that money, they should get back that interest."

Tracy Warner, a spokesman for I&M, said the IURC will ultimately decide how the money will be refunded, but I&M's \$2.2 million surplus will likely be used to offset spending for next year. And customers would see that reflected in the fee appearing on bills.

"I&M saved 47 million kilowatt hours through Energizing Indiana," Warner said. "I&M is and has been an advocate for tying the funding for the program with the results."

Energizing Indiana officials reported achieving 73 percent of their goal for the amount of electricity saved.

The projected savings are 416.7 million kilowatt hours, compared to more than 30 billion that the federal government says Indiana consumes in a year.

Program officials assert that Energizing Indiana failed to meet its goals in the first year because the goals were too aggressive and they needed more "ramp-up" time.

An external audit performed by TecMarket Works concurs with that assessment.

"I don't think anyone should prejudice the efficacy of these programs," Olson said.

"Because, honestly, the state of Indiana had done so little with energy efficiency it's going to take a lot to get these programs up and running and to get the pieces in place. It's just taking some time to get the foundation laid to get these things happening. But at the same time it's very disappointing that we are leaving money on the table that could be spent to help ratepayers."

The audit results do not show that Energizing Indiana is a failure, but they do indicate some tweaking of the program is in order to ensure that the money Hoosiers are investing is being spent as effectively as possible.



Darrel Radford / C-T photo
Shenandoah FFA member Kathryn
Pierce speaks in favor of CFOs during

Debate draws crowd

Plan Commission hears tale of 2 CFO livestock proposals

By DARREL RADFORD
dradford@thecouriertimes.com

One resident described them as "3 million gallons of poop." Another said they were like economic engines that provided jobs and purchased goods locally. They were, at the same time, regarded as enemies to small towns yet friends to young people who could bring their college degrees home and work in the county where they were raised.

And so it went for about three hours Thursday night in the old Circuit Court room of the Henry County Courthouse. Farmers, small town residents, attorneys, economic development officials and high school students, among others, went to the microphone, armed with their own facts, figures, opinions and emotions.

When it was over, nothing was decided at the Henry County Planning Commission meeting

but there was a cornucopia of food for thought about just what kind of ordinance should be in place for CFOs.

"People on both sides made some very good points," said Clay Morgan, the Henry County Council's representative on the planning commission.

"It's a start," said Randy Jones, another planning commission

See CFOs, Page A5.

CFOs

From Page A1

member. "But the work is just beginning."

Moratorium hurting future business?

Some said the council should have a sense of urgency since a moratorium on CFOs continues. Henry County could be missing opportunities for more operations to be set up and, in turn, more economic benefit.

Corey Murphy, executive director of the New Castle-Henry County Economic Development Corp., said a recent study released by Indiana University indicates that agriculture has a \$37.9 billion economic impact and supports nearly 190,000 Hoosier jobs.

Murphy said agriculture provides diversification of the county's tax base and an opportunity for young professionals to return home and work here.

"As you seek to create a regulatory framework for agribusiness to operate in Henry County, I encourage

it to be welcoming," Murphy said, "but also one that promotes and incentivizes operational excellence. The use of best-in-class technology and approaches around manure management and odor abatement should be incorporated in the plan. We also need to be a good place to raise a family."

CFO owner Tim Chapman said "odor has never killed anybody." He also represented the positive impact CFOs can have on younger people Henry County seems to lose every year. His son, Jacob, is a fifth-generation swine producer.

Also present at the meeting was Shenandoah FFA student Kathryn Pierce, who spoke on behalf of the group and told the board a study from the Indiana University Kelly School of Business concluded that livestock operations can have a small positive effect on real estate values.

CFOs hurting property values, communities?

But one resident who had to leave the meeting early begged to differ.

Sally Wilson said after the meeting that wasn't her

Middletown area resident Steve Peckinpaugh said if Henry County would follow Union County's lead and use a scientific approach, all the emotion would be taken out of the issue.

experience. She claimed her house sold for \$25,000 less because it was in the vicinity of a CFO.

Andrew Saunders brought up the impact these facilities could have on the county water supplies. "I live between two CFOs," he said. "I worry about our water tables. Those setbacks are something you should very carefully look at."

A tale of two approaches
The meeting was, in some sense, a tale of two approaches for the plan commission to consider.

Middletown area resident Steve Peckinpaugh said if Henry County would follow Union County's lead and use a scientific approach, all the emotion

would be taken out of the issue.

He said that approach determined setbacks by the size of the CFO. The more animals an operation had, the bigger the setback requirement would be.

"Daycares and medical facilities are included in this ordinance," Peckinpaugh said. "It takes into account churches and public use areas."

"Middletown has a well-head protection area," Peckinpaugh added. "In the current ordinance, we have no such protections."

Peckinpaugh said any ordinance enacted would have to include a verification element.

"The Farm Bureau ordi-

nance has only one viewpoint," he said. "We need a complete ordinance with all stakeholders represented."

Peckinpugh said that could be achieved by a 7- to 10-member panel, including representatives from towns, the city of New Castle, the EDC, small business, health, rural churches, school corporations and rural non-farming residents.

"I liked the idea of a committee," Morgan said after the meeting.

But Wenning said approaches used in Rush and Wells county fit Henry County better than that of Union County. He said a point system would make the system fair for all and encourage best-use practices.

"There is a tremendous economic impact to these facilities and a lot of taxes are paid. Every CFO in this county currently is a family operation," Wenning said. "Since Union County passed their language, they haven't had a single CFO built."

Wenning said there was an emphasis on operators putting CFOs near their home, so they experience the same things their neighbors are experiencing.

"There are a lot of tools that can be used for odor abatement," he added, saying those issues would be included in the point systems. "We think you need a minimum of 40 acres to set up one of these facilities. A closure plan would have to be agreed to if the operator decided to shut down,

ensuring things would not be left in a mess."

Farm Bureau defended

Farm Bureau's role in the issue was defended more than once at the meeting.

"Contrary to newspaper reports and comments from planning commission member Michelle Bryant, Henry County Farm Bureau, Inc. and Henry County Farm Bureau Insurance do not stand to make money off of CFOs," said Lis McDonnell, local Farm Bureau public relations coordinator. "We are simply working alongside Indiana farmers to protect their lives, land, equipment and crops. Farm Bureau's grassroots membership works constantly to protect a farmer's very right to farm, because agriculture is vital to Indiana's economy."

"People are getting farther and farther away generationally from a farm environment," Wenning said. "A very small handful of kids know what farming really is. We need to make sure people who build in the country know they are moving into an agricultural area."

An Indianapolis attorney agreed with Wenning.

"The Union County ordinance will lead to more regulation and uncertainty," Indianapolis attorney Todd Jansen said. "Does the health department here want to become the CFO police for Henry County?"

"These are the future of agriculture and the most effective use of our land resources," said D.J. Weimer of Knightstown.

Murphy said the meeting might be a good benchmark for whatever legislation comes up.

"When both sides are unhappy, that's usually the best sign of an appropriate compromise," Murphy said.

Henry County currently has eight CFOs – six hog and two dairy. When or if there will be more was the question that followed everyone out the door Thursday night.

★ THE LAST WORD

Don't let IURC operate in the shadows

This is in response to the Nov. 12 article "Indiana utility regulator's job move raises new questions," in which I was quoted.

First, the move by Commissioner Kari Bennett is the Indiana Utility Regulatory Commission's loss and MISO's gain. She is precisely the type of individual the state should strive to have serving as a commissioner. She was exceptionally well qualified, attentive, engaged and interested.

Second, from the perspective of Citizens Action Coalition, the issue is not whether Bennett should be "allowed" to work for MISO. The problem lies in the decisions made about how the transition should be made and the way in which the information was presented to the public.

The IURC immediately raised questions by issuing a news release with no indication of where the commissioner was going. Then the IURC chose instead to seek informal approval from the inspector general and then attempted to keep that information confidential. Unacceptable.

By its own actions, the IURC found itself once again

on The Star's front page. Chairman Jim Atterholt and General Counsel Doug Webber have done some good things and implemented many necessary changes since the ethics scandal that resulted in the termination of the former chairman. However, this episode shows there are still some lessons to be learned. The public needs to feel confident in the process, which should require full transparency, disclosure and an acknowledgment that the rules do in fact apply to them.

There are different standards applied to those who choose to serve at the IURC and have the awesome and difficult task of regulating the giant utility monopolies.

Operating in the shadows should not be tolerated and will be called out. The responsibility of the agency is too important to accept that type of behavior.

Kerwin Olson

*Executive Director
Citizens Action Coalition
Indianapolis*

 THE LAST WORD

Overuse of antibiotics in livestock poses threat

The Centers for Disease Control and Prevention recently released a report confirming what many medical professionals have said for several years: The overuse of antibiotics, especially in livestock production, is contributing to more strains of antibiotic-resistant "super bugs." People now are warned about strains such as MRSA, and hospitals and nursing homes are struggling to protect patients.

When pigs, cows or chickens are packed into warehouses by the thousands, they are administered many antibiotics, which accumulate in meat as well as their manure. The manure is spread on fields used to grow feed and ends up in our waterways and ultimately our drinking water.

In 2011, Congress introduced the Preserve Antibiotics for Medical Treatment Act (PAMTA) with the goal of limiting their use in livestock so they can still be effective in treating common infections. As the debate rages about health-care costs, it's time for Congress to focus on cause and effect, listen to the medical community and enact this important legislation.

Dave Menzer

*Organizer, Downstream Project,
Citizens Action Coalition Education
Fund, Indianapolis*