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Turning On Citizen Power

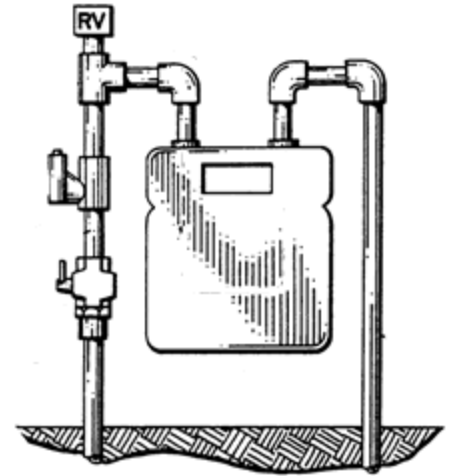
www.citact.org

Update for NIPSCO Gas and AEP Electric Customers

NIPSCO Gas Settlement

In May of 2007, the Indiana Utility Regulatory Commission (IURC, the Commission) approved a plan designed to make it easier for customers of Northern Indiana Public Service (NIPSCO) to understand their bills and for the company to promote energy efficiency (Cause No. 43051).

The order allows the company to restructure its rates so all of the commodity costs, including the base cost of gas, are shifted to the company's gas cost adjustment mechanism, which is reviewed monthly by the IURC. What they changed was to shift a portion of the distribution costs (their fixed costs for providing service) from the commodity part of the bill so that the commodity part is adjusted monthly to reflect fuel costs only. The argument is that previously, they had a disincentive to encourage conservation because less use of the commodity (natural gas) would cause them not to recover enough to cover their fixed costs.



The company is also authorized to implement and fund a \$4-million per year Efficiency Program, which will be administered by an independent oversight board that includes representatives from the Office of Utility Consumer Counselor, Citizens Action Coalition, and the IURC.

NIPSCO contributed an initial \$1 million toward the program with the remaining funding coming from Customers who will be assessed \$0.0067/therm of gas to fund the program. The money will be used to provide weatherization and customer education about other energy efficiency methods NIPSCO customers can use to reduce their heating bills.

Overall, this settlement is intended to provide significantly more money to fund efficiency and weatherization measures while simplifying customer bills.

NIPSCO Gas Prices to Increase this Winter

While the rest of Indiana's natural gas utilities are predicting lower natural gas prices this winter, NIPSCO is predicting higher prices. Vectren, which serves central and southern Indiana, predicted a 5 to 10% decrease; Citizens Gas, which serves Marion County, predicted a 9% decrease; but NIPSCO predicted a **20% increase** in natural gas prices this winter.

The reasons for this increase are not clear. CAC is urging NIPSCO Gas customers to contact the Office of Utility Consumer Counselor (OUCC) and pose the question: **Why are NIPSCO Gas prices increasing when all the other gas utilities in the state are reporting price decreases?** We are also urging that you forward any responses from the OUCC on to us, so that we can then begin investigating whether or not the explanations make sense.

Indiana Office of Utility Consumer Counselor

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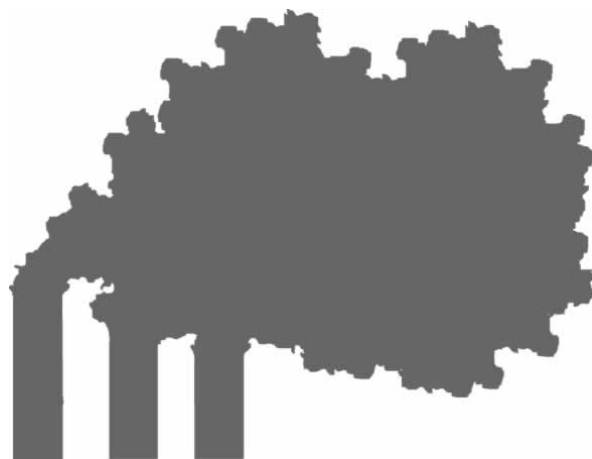
Please forward responses from the OUCC to CAC:

You can forward mailed responses to the State Office (address at the top of the page), and you can forward e-mailed responses to staff@citact.org. Thanks!

American Electric Power

Resolution to 8-year lawsuit against AEP

In the summer of 1999, CAC decided to join eight states¹ and a number of environmental advocacy organizations² in bringing a lawsuit against American Electric Power. The reason for this lawsuit was that AEP had made significant modifications to many of their coal-fired power plants, and according to the EPA rule known as "New Source Review," making those modifications meant that AEP was also supposed to bring those power plants into compliance with the Clean Air Act regulations, which they refused to do.



In October of 2007, AEP finally settled the lawsuit. They agreed to pay a \$15 million civil penalty to the states who were plaintiffs in the case, and spend \$4.6 billion to improve pollution controls at 16 power plants in the Midwest and mid-Atlantic. AEP also agreed to spend \$60 million on projects to help reverse the harmful effects of its plants' pollution on lakes, rivers and forests in eight states.

Upcoming AEP rate case

Also in October of '07, AEP filed a letter of intent with the Indiana Utility Regulatory Commission to initiate a rate case. The information regarding this upcoming rate case has not yet been made public, although we're expecting that to happen in January of '08. Although we do not yet know any of the details pertaining to this case, CAC has gone ahead and intervened with the expectation that consumers will need to be represented.

The timing of this rate case is no real surprise. It coincides with three major occurrences:

- The above mentioned settlement to the 8-year long lawsuit
- In 1999 AEP settled a court case filed against them by CAC and other consumer groups due to negligence at the DC Cook nuclear power plant which forced the plants closure until safety systems were once again made operational. The settlement resulted in a five year rate and fuel cost freeze and a \$55 million rebate to customers. Customers also avoided the \$500 million in costs to restore the safety systems at the power plant. This rate freeze ended 2 year ago, and AEP has not been in for a rate case since then.
- Within the last two years, AEP has added and upgraded transmission lines to their electricity delivery system. Many of these additions have occurred in Ohio, but because Ohio is deregulated and Indiana is not, AEP customers in Indiana are captive ratepayers, which makes it easier for AEP to target Indiana ratepayers to recover these costs.

Rest assured that Citizens Action Coalition is on the job, and we will be keeping an eye out to protect consumers in these upcoming proceedings.

¹ New York, New Jersey, Massachusetts, Vermont, Connecticut, New Hampshire, Maryland, and Rhode Island

² Natural Resources Defense Council, National Wildlife Federation, Sierra Club, United States Public Interest Research Group, Izaak Walton League of America, Ohio Citizen Action, Hoosier Environmental Council, Ohio Valley Environmental Coalition, West Virginia Environmental Council, Clean Air Council, Indiana Wildlife Federation, and the League of Ohio Sportsmen