



Turning On Citizen Power

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It's Time to Get the Fox Out of the Hen House!

The evidence is mounting that the interests of residential and small business ratepayers are not being adequately protected by the Indiana Utility Regulatory Commission (IURC). The IURC is charged by State law to equally balance the interests of **ALL** ratepayers with those of the utility. However, it is clear that the IURC is placing the profits of monopoly utility companies and the “cheap” rates for large industrial ratepayers over small businesses and homeowners having access to affordable energy.



The Solution is Simple: An Elected IURC

Problem #1: Utility Regulatory Commissioners are appointed and unaccountable to the public!

The IURC is comprised of five Commissioners and all of them are appointed by the Governor of Indiana. Indiana is one of only three states where the Regulatory Commission is appointed by the Governor with virtually **NO** oversight by either the public or the legislative branch. (The others are New Hampshire and Nevada.) All the other states either have an appointment process by which one or both legislative bodies confirms the appointed candidate, or the members of the utility regulatory commission are elected by voters.

Problem #2: There is a revolving door between the utilities and the IURC.

Under these circumstances, where ethics laws are often ignored, it is impossible to have any faith that ratepayers are fairly represented.

The most recent example is the hiring of Scott Storms, former General Counsel and Chief Administrative Law Judge of the IURC, by Duke Energy. Judge Storms left the Commission on Friday September 24, 2010 and joined Duke Energy on the following Monday. Indiana law normally requires a one year cooling off period—but Storms received a “waiver” even though up until August of this year he had been presiding over nearly every major decision involving Duke, including the approval of the \$2.35 billion Edwardsport Project and cases awarding millions of dollars in rate hikes and cost deferrals. Other revolving door examples include:

- ♦ In 2005, Gov. Daniels appointed David Lott Hardy, a former PSI (now Duke Energy) attorney, as Chairman of the IURC. Chairman Hardy was terminated on October 5th after an internal investigation exposed numerous ethics violations.
- ♦ David W. Hadley, a former IURC Commissioner and friend of Chairman Hardy, was recently named Senior Vice President of Regulatory Affairs for Northern Indiana Public Service Company (NIPSCO).
- ♦ Michael W. Reed, former Executive Director of the IURC, was recently named President of Duke Energy.

Problem #3: Hoosiers spend more of their hard earned money on utility bills than we do on State income and State sales tax combined!

The IURC oversees \$14 billion in combined revenue for the 182 regulated utilities in Indiana. That does not include the revenues from the 1,285 utilities that are not regulated by the IURC!

Hoosiers elect 157 officials to oversee the \$13.6 billion in taxes that we pay to fund the Indiana State budget, yet we entrust 5 appointed officials to oversee the \$14 billion that we pay in utility rates.

Problem #4: The IURC lacks the resources to adequately represent ratepayers.

The annual budget of the IURC is \$8.65 million. The IURC hears and rules on hundreds of cases every year. NIPSCO spent over \$6 million on fees for attorneys and expert witnesses in their most recent electric case alone. **In just one case, NIPSCO spent almost as much as the IURC spends on all the cases they hear in one year!**



Problem #5: Budget reversions add insult to injury.

Every year, the Governor of Indiana orders state agencies to revert a percentage of their annual budget back to the State general fund. These reversions are done under the guise of protecting taxpayers. The IURC follows this directive and reverts a portion of their budget, however there is a key difference.

The IURC is funded by the State Public Utility Fund. Utility companies pay a tax into this fund based on their annual revenues. This tax is collected by utility companies through the rates paid by ratepayers. The IURC recently reverted \$311,067. However, this money is given back to the utility companies, NOT to ratepayers OR taxpayers! That money is supposed to be used to protect ratepayers by regulating utilities and should not go back to those who profit from less oversight!

Problem #6: The IURC is shifting costs to small business and residential ratepayers in an effort to protect utility profits and “cheap” electric rates for large industrial ratepayers.

Instead of reducing utility profits to protect **ALL** ratepayers, the IURC forces small businesses and residential ratepayers to **SUBSIDIZE** large industrial customers to protect the earnings of monopoly utility companies!

Two recent IURC orders prove the interests of residential ratepayers are not being protected:

- ♦ Construction on Duke Energy’s new coal gasification power plant in Edwardsport is not being halted despite testimony from Duke’s own witness that show cancelling the problem plagued and overly expensive project is the cheapest option for ratepayers!
- ♦ In the long awaited order on NIPSCO’s electric rate case, the IURC ordered NIPSCO to reduce operating revenues by \$49 million, yet increase rates on residential ratepayers 16.8%. A reduction in revenues should mean a reduction in rates!

It’s high time our elected officials recognized that ratepayers and taxpayers are the same person. Year after year, elected officials place taxpayers on a pedestal and throw ratepayers to the wolves. ENOUGH IS ENOUGH! Ratepayers deserve a voice! Ratepayer interests need to be protected!

Take Action Now! Contact your State legislators!

- ♦ Urge them to author or sponsor legislation calling for an elected IURC.
- ♦ Urge them to remind the IURC Commissioners that it is their job to protect ALL ratepayers.
- ♦ Let them know that Hoosiers spend more money on utility bills than State taxes. Tell them that ratepayers deserve elected representation!
- ♦ Urge them to author or sponsor legislation requiring IURC reversions be returned to ratepayers.

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

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