

2022 ANNUAL 2023 REPORT



**INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR**
The State Agency Representing Utility Ratepayers



OUCC Mission Statement

To represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.



WELCOME

I am very pleased to share the Indiana Office of Utility Consumer Counselor's (OUCC's) Annual Report for the 2022-2023 fiscal year.

The OUCC's core mission is to advocate for safe, reliable utility services at the most reasonable prices possible. Our attorneys, technical experts, and additional staff take our mission very seriously, and we work diligently each and every day to ensure that consumers have strong representation in these highly complex utility regulatory cases.

The utility industry continues to change at a rapid pace as we face major changes in electric generation, aging infrastructure, technology, and inflation. These issues are resulting in cases that are filed at a rapid pace and require action within short timelines. Requests we analyze today might have been relatively simple by comparison years ago but are becoming increasingly complicated requiring additional attention and expertise from our staff.

This report highlights our team's accomplishments over the past fiscal year. We also want this report to give Indiana consumers a better understanding of the utility regulatory process.

A few highlights from this year include:

- Negotiating settlement agreements resulting in most of the state's major energy utilities reporting monthly arrearage and disconnection data.
- Participating in 383 docketed IURC cases, including 25 rate cases and 165 trackers implicating billions of dollars in rate recovery.
- A notable increase in renewable generation requests resulting in increased casework for staff.
- Helping save ratepayers \$178 million through a combination of litigated cases and settlements that reduced the rate increases initially requested by utilities.

I am incredibly proud of the work our team has done this past fiscal year, and I invite you to learn more in the following pages.

Sincerely,



Bill Fine

Bill Fine

Indiana Utility Consumer Counselor

AN OVERVIEW

In the state of Indiana, electric, natural gas, and water/wastewater utilities operate as monopolies and thus require a regulatory system that serves as a surrogate for competition.

The Indiana Utility Regulatory Commission (IURC) is the state agency charged with facilitating that regulatory structure. Under state law, the Indiana Office of Utility Consumer Counselor (OUCC) is the state agency responsible for representing the public's interests.

The OUCC and IURC are separate state agencies. The IURC acts as the court, serving as the fact finder and decision maker, while the OUCC is a case participant advocating on behalf of all Indiana consumers.

REGULATORY BASICS

When an IURC-regulated utility seeks to change its rates, charges, or finances, it must receive the Commission's approval.

Public utility commissions throughout the U.S. consider utility requests in formal legal proceedings very similar to civil court cases. A major difference is that all parties present testimony and exhibits in writing due to the highly technical and complex nature of the issues being addressed. Hundreds or thousands of pages of information may be filed in a case, depending on its subject and complexity.

◆ *Indiana General Assembly* ◆

Elected State Senators & State Representatives determine Indiana's utility policy, as approved through statutes & interpreted by the courts. The OUCC & IURC work within the laws approved by the Legislature.

◆ *Indiana Utility Regulatory Commission (IURC)* ◆

The Commission has jurisdiction over many utilities' rates & charges. State law requires the IURC to balance utility & customer interests while basing decisions on evidence it considers in each case.

◆ *Indiana Office of Utility Consumer Counselor (OUCC)* ◆

The state agency representing consumer interests in cases before the IURC. OUCC attorneys, accountants, economists, & engineers analyze utility requests & make recommendations through written testimony.

Case Overview

A rate case before the IURC includes the following steps & usually must be completed within 300 days. Other cases include most or all of these steps.

- ◆ *Utility Case-In-Chief & Exhibits*
The utility presents its case through written testimony from expert witnesses.
- ◆ *Public Comments*
Written consumer comments are invited for the record in all cases.
- ◆ *OUCC Review*
OUCC technical experts & attorneys analyze the utility's filing & develop testimony on behalf of the public. This is typically a 3 ½-month review.
- ◆ *OUCC Testimony*
OUCC attorneys & technical experts file analysis & recommendations.
- ◆ *Rebuttal Testimony*
The utility may respond to OUCC & intervenor testimony.
- ◆ *Evidentiary Hearing*
Attorneys for the OUCC, utility, & intervenors may cross-examine each other's technical witnesses.
- ◆ *Closing Arguments & Proposed Orders*
The OUCC, utility, & intervenors may file closing briefs and proposed orders in the weeks following the evidentiary hearing.
- ◆ *Final Order*
The IURC renders a decision after considering all evidence.

Once a utility files its case, the OUCC begins its analysis of the utility's written testimony and evidence on behalf of the public, using the extensive knowledge of our attorneys, accountants, engineers, and additional experts.

The OUCC invites public comments from customers in each case to be filed for the formal Commission record.

After a thorough review, our analysts and attorneys develop and present detailed, persuasive, and well-researched testimony explaining their recommendations regarding the utility's proposal. Often, the OUCC will have multiple witnesses, each addressing different aspects of the case from their respective areas of expertise.

Additional parties may intervene in these cases and also present testimony and evidence. Examples include industrial customers, non-profit organizations, and municipalities.

After the OUCC files formal testimony, the utility gets the opportunity to file written rebuttal. The IURC then holds a formal evidentiary hearing at which attorneys for each party may cross-examine other parties' technical witnesses.

After the hearing and before the Commission deliberates, all parties can file closing briefs and proposed orders.

It is important to remember that settlement agreements are possible in any legal case. The IURC has the authority to approve, deny, or modify any agreement it considers. A fair settlement can resolve contested issues and reduce the legal and consulting fees that result from litigation and are then passed through to customers in rates. When any agreement is reached, the settling parties must present evidence showing it to be in the public interest before it receives Commission approval.

Locally Regulated Utilities

While the IURC regulates many utilities, especially large investor-owned electric, natural gas, and water companies, many other utilities are locally regulated.

Municipal water, electric, and natural gas utilities may withdraw from IURC oversight under laws the Indiana General Assembly approved several decades ago. More than 90 percent of these utilities have done so. To withdraw from state-level oversight by the Commission, a municipality must follow specific processes in state law, including a vote by the elected city or town council, or a vote by the city or town's residents in a general election.

Municipal utility rules for billing and disconnection are approved at the local level regardless of whether the utility's rates and charges are regulated at the state level. State law does not give the IURC jurisdiction over municipal sewer utilities.

Similar to municipal utilities, state law allows rural electric membership cooperatives (REMCs) to withdraw from IURC oversight. All of the state's REMCs have withdrawn and are locally regulated by customer-elected boards of directors.

Certain investor-owned and not-for-profit sewer utilities are under IURC jurisdiction with the OUCC participating in cases involving them. However, most sewer utilities are operated by local governmental units with rates regulated solely at the local level. These include municipal sewer utilities, regional sewer districts, and conservancy districts.

BILLING BASICS

Bills look different depending on the utility, but the basic contents and structures are similar. Electric and natural gas utilities typically have two main rate components: base rates and trackers. Certain water/sewer utilities also use trackers.

Base Rates

Base rates cover most of a utility's existing infrastructure and operating/maintenance costs, and comprise the portion of the bill on which an investor-owned utility can earn a return on its investment. Changes can only be made through a rate case, in which the OUCC and IURC are able to conduct a full review of the utility's finances and financial health. State law requires most base rate cases to be completed within 300 days from start to finish.

Base rates are typically comprised of a fixed monthly charge that is the same for each residential customer and a volumetric charge based on the customer's usage.

Trackers

Trackers (sometimes called riders) allow for rate recovery of specific, variable costs as allowed by state law. Changes to a rate tracker require OUCC review and IURC approval but are considered under shorter timelines with a narrower scope. Trackers can adjust rates quarterly, every six months, or once a year. This report will later discuss trackers in more detail.

Sales Taxes

Electric, natural gas, and water utilities in Indiana are required to charge the 7% state sales tax.

CASES

Restaurants, supermarkets, and wireless phone providers do business in competitive markets, which rewards reasonable prices and high-quality service. But electric, natural gas, and water/wastewater utilities in Indiana operate as monopoly service providers, as they do in other states. Some Indiana utilities are regulated at the state government level with others regulated locally. Either way, the regulatory process is a crucial surrogate for competition and helps ensure reliability and affordability.

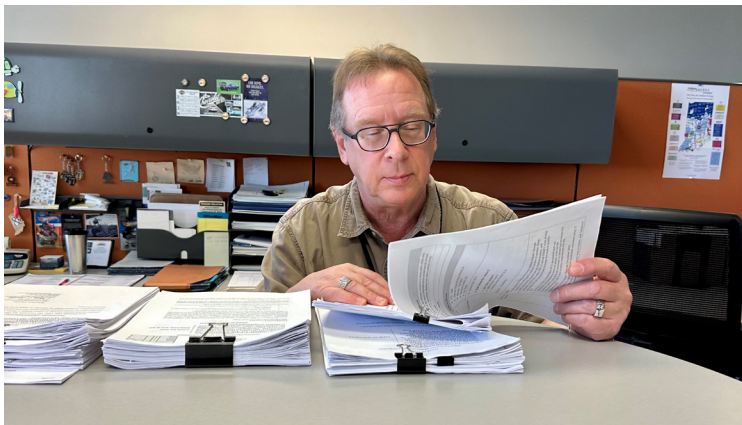
In the State of Indiana's most recent fiscal year (July 2022 through June 2023), the OUCC was involved in 383 cases before the IURC. The number of cases the OUCC has participated in has been relatively stable over the past several years, but the complexity of cases has increased dramatically. This is due in part to new technology, the need for new transmission investment, the on-going transition of Indiana's electric generating fleet with related cost increases, the need to address aging infrastructure, inflation, and myriad additional issues.



Cause Numbers



The IURC identifies cases using five-digit numbers. Additional numbers and letters after the cause number indicate a tracker or sub docket.



Senior Utility Analyst Mark Grosskopf testifies in multiple natural gas cases, including quarterly gas cost adjustments.

The OUCC's highly trained analysts include accountants, economists, engineers, fiscal analysts, and environmental specialists. Alongside our attorneys, they analyze hundreds, or even thousands, of pages of testimony, exhibits, and work papers in any given case.

Certain types of cases must be completed within specific timeframes set by Indiana law. Most rate cases for example, must adhere to a 300-day timeline. This timeline allows for approximately 98 days for the OUCC to do a complete review of the utility's finances, various project requests, infrastructure, maintenance records, and other relevant information, and develop testimony.

Our analysts and attorneys focus on each case's unique facts including a utility's testimony, exhibits, and responses to legal discovery. The discovery process allows the OUCC and other parties to seek clarifications and obtain technical information that may be missing from a utility's case. During that time, the OUCC invites consumer comments for the formal case record, while an IURC public field hearing may be held in certain cases.

Based on its legal and technical analyses in a given case, the OUCC may recommend that a proposal be denied, approved in full, or approved with changes or reductions.

Additional case types that must be completed within statutory timeframes include trackers such as the fuel adjustment clause (FAC) which allows electric utilities to change rates – up or down – to reflect changes in costs for power plant generating fuels and purchased power costs. In each of these cases, the OUCC's analysts have 35 days to review the proposed changes and make recommendations. FAC orders for most electric utilities are issued every three months.

The OUCC's staff is experienced at working quickly and efficiently to analyze multiple utility proposals within required timeframes while giving them high levels of scrutiny to ensure fairness for consumers. This is a critical part of regulation's role as the substitute for competition.



Krista Orton manages the OUCC's business office. Michael Eckert oversees the analysts in our electric division.

RATE CASES

A general rate case – or base rate case – before the IURC allows for a full review of the utility’s operations and finances. It is usually a 10-month process. During the case’s first 3 ½ months, the OUCC completes a comprehensive legal and technical analysis of the utility’s evidence and makes specific recommendations to the IURC through testimony and exhibits.

Rate case evidence includes written testimony, exhibits, and work papers, along with responses to legal discovery questions that may be asked by all parties. After the OUCC’s analysis and recommendations are filed, the utility’s attorneys may ask OUCC technical witnesses discovery questions, cross-examine them at an evidentiary hearing, or do both.

Likewise, the OUCC may cross-examine utility witnesses while additional parties may intervene as allowed by state law. After a case’s evidentiary hearing concludes, the utility, OUCC, and intervenors will file closing arguments in writing through legal briefs, proposed orders, or both.

If a case is settled, the settling parties may submit a joint proposed order after the hearing. The IURC may accept, deny, or modify any settlement agreement it considers. Settling parties have the burden of proof to show the agreement is in the public interest.

Investor-Owned Utility Rate Cases

The OUCC has represented consumer interests in a number of rate cases throughout the State’s most recent fiscal year. Issues examined in an investor-owned utility’s rate case often include the utility’s authorized return on equity, infrastructure investments, operating and maintenance costs, cost of service as it relates to various customer classes, and many additional factors.

AES Indiana (45911)

At the end of the State’s fiscal year, AES Indiana filed a new \$134 million rate case. AES Indiana serves approximately 519,000 customers in Indianapolis and surrounding counties. The OUCC recommends limiting the increase to about \$19 million. A Commission order is expected in spring 2024.

American Suburban Utilities (ASU) (45649-U)

ASU provides sewage disposal service to approximately 3,000 households in Tippecanoe County. In a January 2023 order, the Commission allowed the utility to raise its flat, monthly sewer rate by \$6.49.

ASU had sought to increase its residential sewer rate from \$59.08 to \$99.66 but adjusted the request to \$88.89 later in the case. The OUCC recommended reducing the rate from \$59.08 to \$49.59.

ARREARAGE AND DISCONNECTION DATA

In October 2022 the OUCC reached settlement agreements with 5 of the state’s 6 large electric and natural gas utilities (AES Indiana, CenterPoint Energy, Duke Energy, Indiana Michigan Power, and NIPSCO) and 3 small natural gas utilities (Community Natural Gas Co., Indiana Natural Gas Corp., and Midwest Natural Gas Corp.). The information is being provided voluntarily, with this reporting not required under state law.

Under the agreements, the participating utilities are providing the OUCC with monthly data on customer arrearages, disconnections, and related information. They will continue to do so through March 2024, and the information is similar to the data reported during the COVID-19 pandemic in 2020 and 2021.

The information received to date demonstrates that a growing number of Hoosiers are struggling to pay their monthly bills. For example, data submitted for May 2023 showed nearly 208,000 residential customers were at least 60 days delinquent on paying electric and natural gas bills. Additional data will be needed to allow policy makers to address issues related to the energy burden. To that end, the OUCC has asked utilities to continue providing the data for at least one year after March 2024.

Citizens Gas of Westfield (45761)

The OUCC negotiated an agreement allowing for a \$752,000 increase, which received Commission approval in April 2022. The utility had requested an increase of \$1.29 million.

Community Natural Gas Co. (45690)

In its initial filings in March 2022, Community Natural Gas Co. requested a 25.9% rate increase which was later limited to 16% in a settlement agreement reached between the OUCC and the utility. The IURC has since approved the agreement for this utility, which serves 10 counties in southern Indiana.

Community Utilities of Indiana (CUII) (45651)

CUII provides water and sewer service in parts of 4 northwest Indiana counties. Its initial request in its most recent rate case would have increased an average combined residential water and sewer bill by \$74.65, though the utility later adjusted the total request to \$61.54. The OUCC proposed limiting the increase to \$22.94. In its February 2023 order, the IURC approved a \$28.19 increase.

CUII has appealed. The OUCC is asking the Indiana Court of Appeals to uphold the Commission's order.

Duke Energy – Remand Issues from Rate Case (45253)

The IURC approved Duke Energy's current rates in 2020, authorizing a \$146 million increase in the utility's annual operating revenues. In 2022, the Indiana Supreme Court reversed a portion of the Commission order. The OUCC and additional parties reached a settlement agreement resolving the issues on remand. The IURC approved the agreement in April 2023, providing customers with \$70.25 million in refund credits and \$23.2 million in annual credits going forward.

Fountaintown Gas Company (45802-U)

In its initial filing in November 2022, this small natural gas utility requested a revenue increase of more than \$600,000. After the OUCC recommended a lower increase, the Commission issued an order saving customers nearly \$28,000 per year.

Indiana American Water Company (45870)

The state's largest investor-owned water utility is seeking an \$86.7 million (31.1%) increase in this pending, litigated case. The OUCC's analysis shows a much lower increase - \$18.6 million (6.6%) - is warranted. An order is expected in early 2024.

Indiana Natural Gas Company (45889)

Indiana Natural Gas Co. serves 8,000 customers in 8 counties. It has reached a \$1.14 million rate agreement with the OUCC, with the agreement pending before the Commission.

Midwest Natural Gas Corporation (45888)

Midwest Natural Gas provides service to approximately 15,000 customers across ten southern and south-central Indiana Counties. The utility filed its latest rate case in May 2023, which has resulted in a \$1.99 million agreement. This case is pending with an order expected by the end of the year.

NIPSCO Electric (45772)

NIPSCO's electric utility filed testimony in September 2022 requesting a \$395 million increase that would have added \$19.69 to an average monthly residential bill (668 kWh). It would have included an increase in the monthly residential customer charge from \$13.50 to \$17.00. NIPSCO's initial proposal included testimony from 21 witnesses and spanned thousands of pages, and was among the most complex filings the OUCC reviewed during the fiscal year. The OUCC and additional parties ultimately reached a settlement agreement reducing the overall increase by \$103 million, setting the monthly customer service charge at \$14.00, and affecting an average residential bill by \$12.37.

NIPSCO Gas (45621)

Early in the fiscal year, the IURC approved a settlement agreement among the OUCC, industrial customers, and NIPSCO. This agreement limited the utility's increase to approximately \$71.8 million and set the monthly customer service charge at \$16.50. The utility's initial request would have raised the monthly residential customer service charge from \$14.00 to \$24.50 and raised annual revenues by \$109.7 million.

In addition to the pending AES Indiana and Indiana American Water rate cases detailed above, NIPSCO's gas utility and **Indiana Michigan Power** filed new rate cases after the 2022-2023 fiscal year ended.

CenterPoint Energy's electric utility and **Ohio Valley Gas** are expected to file new rate cases before the end of 2023.

Municipal Rate Cases

Most municipal water utilities have opted out of IURC jurisdiction, with their rates and charges set locally by elected city and town councils. Only 26 municipal utilities remain under IURC oversight for rates and charges, with their rules and regulations set locally. Municipal sewer utilities do not fall within IURC jurisdiction.

During the current fiscal year, the OUCC worked on four municipal rate cases. Ellettsville Municipal Water filed a case in June 2023 which remains under review.

Most municipal utility cases result in settlements, and this fiscal year was no different. The OUCC reached settlements in the following three water rate cases.

East Chicago (45827)

The settlement agreement reached among the OUCC, the City of East Chicago, and industrial customers allowed the utility to increase rates and borrow additional long-term debt for capital improvements. The settlement was approved in August 2023 and will result in the development of an asset management plan and continued replacements of lead service lines.

Marion (45838)

The OUCC reached a settlement with the City of Marion resulting in more than \$51,000 in annual savings. The agreement includes approval to issue utility bonds through the Drinking Water State Revolving Loan Fund, while the utility agrees to conduct a leak protection survey within 18 months of the final order. The Commission approved the agreement in August 2023.

South Bend (45719)

In January 2023, the IURC approved an agreement between the OUCC and City of South Bend. It results in phased-in increases of 3.5% and 4.2%, along with authorization to issue long-term debt.

Small Utility Filing Process

Utilities with fewer than 8,000 customers can utilize the state's Small Utility Filing Procedure, which is aimed at reducing rate case expenses that are ultimately borne by customers. In these proceedings, the utilities utilize standardized forms instead of filing traditional testimony. This can alleviate the need to hire attorneys or rate consultants.

The standard of OUCC and IURC review is the same in these cases as in traditional rate cases. Within the past year, Fountaintown Gas Co. has used this procedure, along with water/wastewater utilities in DuBois, Hancock, and Monroe Counties.

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY (CPCN) & CLEAN ENERGY PROJECTS

As Indiana and the nation continue to transition toward greater use of renewable energy, the costs for building and operating utility-scale solar and wind projects are reviewed by OUCC analysts as utilities and developers seek Commission approval. For a variety of reasons, utilities have also requested revisions and increases to approved costs for these projects.

In most of these cases, utilities will seek rate recovery for parts or all of the construction and financing costs as the projects are built and eventually placed into service. This applies to new natural gas generation, new renewable energy projects, and agreements through which a utility seeks to buy power on the wholesale market or purchase a new renewable facility once construction is complete. An increasing number of cases filed in the past year have sought approval for cost increases to projects that were previously approved.



Derek Leader, April Paronish, Lorraine Hitz, & Brian Wright (L to R) handle a wide range of cases involving electric utilities.

Projects considered within the State's most recent fiscal year included major proposals from CenterPoint Energy for new natural gas (45564) and wind (45836) generation facilities, both of which received Commission approval. The \$323 million natural gas project involves the construction of two new combustion turbines at the site of the A.B. Brown generating station. OUCC testimony focused on about \$100 million in ratepayer savings that would have resulted if the existing coal-fired facility had been converted for natural gas usage instead. The wind proposal allows the utility to buy and operate an out-of-state generating facility at a cost of \$636 million. CenterPoint Energy's testimony quoted an eventual \$19.86 monthly impact on a 1,000 kWh residential bill. The OUCC recommended denial due to the project's costs and affordability concerns.

In a separate proceeding, the OUCC and CenterPoint Energy reached an agreement allowing the utility to buy and operate a solar project in Pike County (45754). The OUCC negotiated stipulations in the settlement to ensure any savings from the Inflation Reduction Act will be passed through to CenterPoint electric customers. The settlement was approved in January 2023.

In the State's most recent fiscal year, the OUCC recommended limits to AES Indiana's proposed Petersburg Energy Center cost revisions (45832), partial approval of Indiana Michigan Power's proposed solar and natural gas facilities (45868 and 45869), and approval of Duke Energy's Speedway Solar project (45907). The OUCC also recommended approval of NIPSCO's proposed purchase agreements for the 200-megawatt Appleseed Solar Project and the 200-megawatt Templeton Wind Project (45887), noting they will help ensure resource adequacy.

CPCNs can be requested and approved for projects not related to electric generation, as well. In April 2023, NIPSCO's natural gas utility requested a CPCN to extend its service territory in DeKalb County (45844). The OUCC recommended approval with the Commission granting the request.

INTEGRATED RESOURCE PLANS

Each major Indiana electric utility develops a 20-year plan for meeting the generation needs of current and future customers. These plans are updated every three years and submitted to the IURC. As each utility updates its integrated resource plan, it will hold a series of public meetings with stakeholders, including the OUCC, who will provide feedback and input for the utility's consideration. Once a completed IRP is submitted to the IURC, stakeholders may offer additional comments for the Commission and utility to consider. An IRP is not a binding plan and does not require formal Commission approval. Rate increases and cost recovery for specific projects are not a part of the IRP process but are handled separately in formal CPCN cases.

SECURITIZATION

Rate recovery for a power plant or other major construction project is frequently amortized, or recovered gradually, over a long-term period to mitigate the impact on monthly customer bills. For a large generation station, a 30-year recovery is normal. The electric industry's transition toward greater uses of renewable resources can result in a coal-fired power plant being retired before all of its costs have been recovered. Securitization is a process that allows a utility to remove an undepreciated capital asset, or a retired (or "stranded") asset, reducing the costs recovered from customers over the long term. CenterPoint Energy is the first Indiana utility to use securitization, with a pilot program for the retiring A.B. Brown Generating Station in Posey County. As the utility sought Commission approval (45722), the OUCC successfully advocated for the inclusion of consumer safeguards that play important roles in securitization plans in other states.

ELECTRIC TRANSMISSION

One of the most significant issues the nation faces is the need for new electric transmission. The interstate grid is aging, and parts are in need of replacement. In addition, new renewable energy facilities need new transmission infrastructure to connect to the grid. The retirements of coal-fired power plants and their replacements with new, renewable alternatives at different locations will necessitate the extension of new transmission lines and related infrastructure.

Transmission issues are playing an increasingly important role at the state and federal levels, including the costs and how they are recovered from customers. The OUCC's federal division intervenes in interstate transmission cases before the Federal Energy Regulatory Commission (FERC) as warranted, and participates regularly in the stakeholder input and planning processes for both regional transmission operators that serve Indiana (MISO and PJM).

Each grid operator and its highly specialized employees address numerous complex engineering, legal, and economic issues, both on a daily basis and in planning efforts for the long term. With regional transmission costs ultimately recovered through electric utility rates, consumer advocate participation at the federal and regional levels is a vital component.



Arthur Iler and Scott Jones handle federal matters for the OUCC, with a focus on interstate transmission.

PUBLIC COMMENTS

The OUCC invites written comments in all pending cases and ensures they are included with our testimony so long as the comments are received one week before our filing deadline. These comments must be in writing but may be submitted by mail or online.



A large number of customers attended the recent Indiana American Water rate case field hearing in Gary.

Once staff has processed your comments, they are shared with the case team and are included as evidence in the case when the OUCC files its testimony.

In some cases, the IURC will hold a public field hearing in the utility's service territory to allow for spoken comments from customers. These comments carry equal weight as written comments and are transcribed by a court reporter for the official record. State law requires a field hearing in any case where the utility seeks to increase its annual base rate revenues by at least \$2.5 million. Additional hearings may be held at the IURC's discretion.

The OUCC facilitates public participation at all field hearings.

TRANSMISSION, DISTRIBUTION, AND STORAGE SYSTEM IMPROVEMENT CHARGE (TDSIC) PLANS

Indiana law encourages electric and natural gas utilities to establish long-term infrastructure improvement plans and recover most costs through rates as they are incurred. The Indiana General Assembly approved the Transmission, Distribution, and Storage System Improvement Charge (TDSIC) statute in 2013 and updated it in 2019.

Under the statute, a utility may file a 5-to-7-year plan with the Commission. If the plan is approved, the utility can then recover 80% of the costs as they are incurred through TDSIC tracker filings as often as every 6 months. The remaining 20% of costs are deferred until the utility's next base rate case, which must be filed before the end of the plan's term.

4 of the state's 5 major electric utilities currently use the TDSIC statute.

Major Electric Utilities: TDSIC & Base Rate Approval Dates		
<i>Utility</i>	<i>Current TDSIC Plan</i>	<i>Current Base Rate Order</i>
AES Indiana	2020	2018*
CenterPoint Energy	2017**	2011
Duke Energy	2022	2020
I&M	N/A	2022*
NIPSCO	2022	2023

*Base Rate Case Currently Pending

**New TDSIC Plan Currently Pending

Duke Energy and NIPSCO have completed their initial plans under the statute and have received approval for new, second TDSIC plans. The only new TDSIC plan request filed in the last year is CenterPoint Energy's \$454 million electric TDSIC plan, which covers projects from 2024 through 2028. In its testimony, the OUCC recommends that the IURC use its discretion and restrict project approvals only to those that are fully supported with accurate and complete cost estimates.

3 of the major Indiana natural gas utilities utilize TDSIC plans and trackers. Small gas utilities using the TDSIC have included Community Natural Gas Co., Midwest Natural Gas Corp., and Ohio Valley Gas.

Major Natural Gas Utilities: TDSIC & Base Rate Approval Dates		
<i>Utility</i>	<i>Current TDSIC Plan</i>	<i>Current Base Rate Order</i>
CenterPoint Energy - North	2022	2021
CenterPoint Energy - South	2022	2021
Citizens Gas	NA	2011
NIPSCO	2020	2022

Over the last ten years, Indiana energy utilities have been authorized to recover more than \$10.5 billion through the TDSIC, with plans focusing primarily on replacement of aging infrastructure. The TDSIC can also be used for targeted economic development projects and gas utility service territory expansions.

TRACKERS

Trackers are also referred to as riders. They are mechanisms that target specific, variable costs and allow utilities to raise or reduce rates through expedited proceedings outside of base rate cases. All major Indiana utilities use trackers to varying degrees.

Each tracking mechanism has been created and approved by either the Indiana General Assembly or the IURC.

The OUCC reviews each tracker filing to ensure it is accurate and complies with statutory requirements. If calculations are incorrect or if the request does not comply with legal requirements, the OUCC may recommend a disallowance.

ELECTRIC TRACKERS

All five of Indiana's large investor-owned electric utilities have used the fuel adjustment clause (FAC) for more than 40 years. Additional trackers have received approval and gone into use more recently.

Electric Utility Trackers		
<i>Utility</i>	<i>Number of Trackers</i>	<i>Percent of Bill*</i>
AES Indiana	7	9.8% as of July 2023
CenterPoint Energy	10	12.4 % as of June 2023
Duke Energy Indiana	9	6.9% as of June 2023
I&M	9	21.6% as of March 2023
NIPSCO	7	26.7% as of March 2023

*Percentages are based on OUCC testimony in FAC dockets.

Fuel Adjustment Clause (FAC)

Each investor-owned electric utility uses the FAC to recover costs for generation fuel at its power plants (such as coal and natural gas), along with power purchased on the wholesale market. The FAC can raise or reduce a utility's rates depending on the circumstances.

Indiana law does not allow utilities to profit from fuel costs but requires the use of FACs to pass actual costs through on a dollar-for-dollar basis. With significant market volatility in the past year, many consumers have seen significant bill increases and decreases.

AES Indiana, CenterPoint Energy, Duke Energy, and NIPSCO file FACs every 3 months. Indiana Michigan Power files every 6 months.

State law gives the OUCC 20 days to review each utility's FAC filing. However, agreements between the OUCC and each investor-owned utility allow for a 35-day review period.

Issues sometimes arise in FAC cases that require lengthier, more in-depth reviews. When that happens, the IURC may open a sub-docket to focus on such an issue without delaying the entire FAC filing.

An FAC sub-docket in the past year resulted in a \$20 million rate settlement for customers of AES Indiana (38703-FAC 133-S1). The case focused on an 11-month outage at the Eagle Valley Generating Station and the power the utility was required to purchase to make up for the shortfall.

A separate sub-docket (38708-FAC 137-S1) is focused on the recent forced outage of CenterPoint Energy's Culley 3 generating unit, including the purchased power costs incurred as a result.

Transmission, Distribution, and Storage System Improvement Charge (TDSIC)

As mentioned above, 4 of Indiana's 5 major electric utilities file TDSIC trackers to recover most costs of infrastructure improvement projects as they are incurred. Annual rate increases under the TDSIC law are limited to 2% of the utility's total revenues.

Projects in TDSIC cases may include replacements of aging poles, transmission lines, distribution lines, and substations, among other costs.

Regional Transmission

Regional transmission operators (RTOs) are often compared to air traffic controllers. RTOs oversee the flow of electricity over the transmission grid covering a large region.

The Carmel, Ind.-based Midcontinent Independent System Operator (MISO) has a footprint covering parts of 15 states and a portion of Canada. AES Indiana, CenterPoint Energy, Duke Energy, and NIPSCO are all members of MISO. Indiana Michigan Power is a member of the Pennsylvania-based PJM Interconnection.

Indiana law allows electric utilities to recover the costs of RTO participation through trackers. AES Indiana and Indiana Michigan Power file RTO tracker cases once a year. CenterPoint Energy and NIPSCO file every 6 months, and Duke Energy requests changes to its RTO tracker every 3 months.

Energy Efficiency

Each major Indiana electric and gas utility offers a ratepayer-funded energy efficiency program, also known as demand-side management (DSM). DSM plans receive OUCC review and Commission approval every three years. The utility can then use its DSM tracker to recover program costs and lost revenues each year.

Environmental Compliance

An environmental cost recovery (ECR) tracker and similar mechanisms allow utilities to recover costs for compliance with federal environmental requirements. Examples include emissions equipment for coal and gas-fired power plants, along with remediation of coal ash ponds as required under the federal coal combustion residuals rule. Electric utilities file these trackers either annually or every 6 months.

Additional Electric Trackers

NIPSCO and Duke Energy each utilize a federally mandated cost adjustment (FMCA) to recover cybersecurity and related critical infrastructure protection costs. Other major utilities embed those costs in base rates.

Other examples include CenterPoint Energy's clean energy cost adjustment (CECA) for solar energy project construction and operations, off-system sales (OSS) trackers used by AES Indiana and other utilities to provide customer credits for power sales to the wholesale market, and Indiana Michigan Power's annual life cycle management (LCM) rider which covers specific projects at the Cook nuclear facility. The utility is proposing to sunset the LCM rider in its pending rate case.

Though the number of trackers varies by utility, the OUCC closely reviews and files testimony on requested cost changes, including increases and decreases.



Attorney Adam Kashin works on a number of tracker cases for the electric and natural gas divisions.

NATURAL GAS TRACKERS

Natural gas companies do not have as many trackers as electric utilities. However, most of the trackers they have are very similar or identical to those used for electricity.

Gas Cost Adjustment (GCA)

Indiana law allows natural gas utilities to recover the wholesale costs of natural gas on a dollar-for-dollar basis in regular filings at quarterly, semi-annual, or annual intervals. Utilities are required to show that they have shopped prudently in the market and that the proposed pass-throughs are dollar-for-dollar with no markup and no profit.



Victor Peters and LaCresha Vault of our legal and natural gas divisions, respectively, analyze various gas tracker filings.

The OUCC's natural gas division reviewed 65 GCA filings during the State's last fiscal year while performing a more in-depth GCA audit of each utility on an annual basis. In the past year, the OUCC's analysts discovered errors in 12 GCA filings. The errors were corrected, saving ratepayers more than \$292,000.

Natural gas prices in the competitive, national wholesale market can be volatile and showed significant volatility in the past year, resulting in large increases for consumers nationwide. Each of Indiana's large natural gas utilities is projecting lower GCA amounts for the 2023-2024 winter, reducing overall bills by 15 to 25 percent when compared to the previous year.

Transmission, Distribution, and Storage System Improvement Charge (TDSIC)

Like their electric counterparts, natural gas utilities file regular trackers seeking IURC approval of costs from their approved TDSIC plans. NIPSCO and CenterPoint Energy have used the TDSIC for a number of years, while 3 of the state's smaller natural gas utilities have used TDSIC plans and trackers for specific infrastructure projects.

The TDSIC statute also allows utilities to include targeted economic development projects in their requests.

Pipeline Safety Adjustment (PSA)

The Pipeline Safety Adjustment (PSA) allows natural gas utilities to recover costs for pipeline projects required by federal mandates. While TDSIC trackers are primarily used to recover capital project costs, the PSA is specifically used to recover operating and maintenance expenses. A Federally Mandated Cost Adjustment (FMCA) tracker can also be used to recover costs related to specific compliance plans.

Energy Efficiency (DSM)

Like their electric counterparts, natural gas utilities in Indiana may request approval of multi-year energy efficiency plans. Plans may include residential programs such as home energy audits, low-income weatherization, and home energy reports. They may also include programs for commercial customers. These programs are ratepayer-funded, with costs recovered through demand side management (DSM) trackers. With both gas and electric DSM cases, the OUCC focuses on ensuring that program benefits outweigh costs.

WATER & WASTEWATER TRACKERS

The Distribution System Improvement Charge (DSIC) has been available to water utilities for more than two decades and was later expanded to include sewer utilities. Recent legislation has created additional tracking mechanisms for water and sewer utilities, including compressed timeframes for OUCC review and IURC approval.

Distribution System Improvement Charge (DSIC)

The DSIC allows water and wastewater utilities to recover investments into aging infrastructure between rate cases. It focuses primarily on mains and additional infrastructure throughout water distribution and wastewater collection systems. However, it has been expanded in recent years to include improvements due to road construction projects and recovery of customer-owned lead and galvanized steel service line replacements. Indiana American Water Co., Citizens Energy Group, and Community Utilities of Indiana either utilize DSICs or have used them in recent years. The DSIC statute allows the OUCC 30 days to review filings for accuracy and compliance with the statute. An IURC order is required within 90 days.

System Integrity Adjustment (SIA)

System Integrity Adjustment filings, utilized by Citizens Energy Group's Marion County sewer utility, require OUCC review within 30 days and IURC orders within 60 days. If a water or wastewater utility can demonstrate a shortfall in the revenue level on which its rates were based, it can use this mechanism.

System Enhancement Improvement (SEI)

This tracker allows water and sewer utilities to adjust rates between base rate cases for "eligible additions" as defined in the statute, as well as changes in property taxes and depreciation costs. As with the DSIC and SIA, these filings also proceed within expedited timeframes.



Engineer Jim Parks analyzes complex cases for our water/wastewater division.

CONSUMER EDUCATION

Consumer education is an essential component of the OUCC's mission. Our external affairs team works on an ongoing basis to provide consumers with timely information via the OUCC's website, social media pages, and monthly newsletter.

"Consumer News... For You" - our monthly newsletter - is our primary information source and has been providing consumers with updates on pending cases and general tips for saving money on utility bills since 2015. Anyone can subscribe by visiting our website (www.IN.gov/OUCC) and clicking the "News" link on our home page's left side.

The OUCC offers roughly three dozen consumer publications including tips for saving money on energy and water bills. All are free and easily accessible on our website.

In addition to our newsletter and publications, the OUCC offers information via social media on Facebook, X (formerly Twitter), Instagram, LinkedIn, and YouTube.

Consumer Publications



Fast Facts

About The OUCC:

- [Annual Report](#)
- [Introducing Your OUCC](#)
- [The OUCC - A Brief Glance](#)

Case Participation:

- [Public Comments: Speaking Out on Pending Cases](#)
- [Public Field Hearings](#)
- [Rate Case Timeline](#)
 - [Rate Case Timeline Video](#)
- [State Utility Regulatory Proceedings: A Guide for Consumers](#)

Disconnections:

- [Disconnection Rules](#)
- [Winter Moratorium FAQs](#)

Line Protection Plans:

- [Questions to Ask](#)

Regulatory Information:

- [Guide to State Utility Regulatory Proceedings](#)
- [Municipal Utilities: Local Regulation](#)
- [REMCs: Local Regulation](#)
- [Small Utility Filing Procedure](#)
- [Utilities Outside IURC Jurisdiction: FAQs](#)
- [Utility Withdrawal from IURC Jurisdiction: Advantages & Disadvantages](#)

ADDITIONAL ISSUES

The utility industries continue to face a wide range of rapidly changing issues including aging infrastructure needs, development and implementation of new technologies, federal regulations, and a variety of social and economic pressures.

ENERGY EFFICIENCY

Indiana's major electric and natural gas utilities offer ratepayer-funded energy efficiency programs under multi-year plans approved by the IURC. The OUCC provides testimony and analysis of each demand side management (DSM) plan, considering the cost-effectiveness of each proposed program. In addition, OUCC staff members actively participate on the oversight boards for each utility's energy efficiency plans and programs. This ensures the programs in each plan are carried out effectively and in accordance with Commission orders. Programs for residential and commercial customers vary among utilities. But common examples include home energy audits, income-qualified weatherization programs, product rebates, and commercial customer incentives.

ELECTRIC VEHICLES

As federal policies promote greater use of electric vehicles and the charging infrastructure needed to support them, the OUCC, multiple additional state agencies, and numerous stakeholders continue discussions on how to best implement those policies. IURC cases are focusing on whether utility rates should include the costs of extending electric infrastructure to public vehicle chargers. Additional issues include whether electric rates should include the costs of new charging equipment and ensuring utilities prioritize the use of federal grants and other possible funding sources.

FINANCING

Electric, gas, and certain water utility requests for financing authority, including issuing long-term debt, require IURC approval. OUCC analysts reviewed these requests during the State's most recent fiscal year, with more than \$6.2 billion in financing approved for investor-owned utilities.

Recent financing cases with water utilities have included the cities of Fort Wayne and East Chicago incurring debt through Drinking Water State Revolving Fund (SRF) loans. The OUCC supported Fort Wayne's request to use \$13 million in SRF funding toward the replacement of customer-owned lead service lines. In addition, the OUCC supported East Chicago's proposal to issue bonds through the SRF program. Through loans and grants, East Chicago will complete a number of major infrastructure projects, including construction of a 2-million-gallon storage tank and the replacement of customer-owned lead service lines.



Daniel Le Vay focuses on water and wastewater issues for our legal team.

LOOKING AHEAD

While the electric, natural gas, and water/wastewater industries continue to change and face new challenges, the OUCC's mission of providing dedicated advocacy, consumer education, and creative problem solving continues to guide each member of our team every day. The OUCC's attorneys and analysts are committed to providing strong legal and technical representation on behalf of Indiana utility consumers. This commitment continues and will continue into the future.

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Happy Retirement!

After a 35-year legal career, the OUCC's Jeff Reed retired in March 2023. Jeff practiced law in the Army for five years and spent another five in the private sector. He has spent more than 25 years at the OUCC as a friend, mentor, and tireless advocate. His passion for helping ratepayers has always been infectious, and we are thankful for his many years of dedication.



Indiana Office of Utility Consumer Counselor

the State Agency Representing Utility Ratepayers



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