

INDIEC

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POSITION ON TRACKERS

INDIEC is genuinely concerned about the proliferation of utilities **tracking** cost increases instead of pursuing a rate case at the IURC. **Trackers** simply stated are a shorthand method of increasing utility rates. **Trackers** are becoming a habit of regulation. Taken in isolation, trackers seem relatively harmless. You take a cost of doing business, which has increased, and simply add it to the utility rate. The problem is that **no consideration** is given to offsetting cost reductions. Utilities have scant incentive to have cost reducing trackers, say, for interest rate reductions. In a rate case, the additional costs of doing business are weighed against other reductions. If the net shows an increase, then the net increase will be reflected in rates. Such is not the case with trackers.

Regulated utilities are authorized sufficient revenues to cover their operating costs, income taxes and a profit margin. The profit margin is established by multiplying the rate base by a reasonable rate of return. Both rate base and rate of return reflect numerous variables. These variables may affect the rate of return either positively or negatively. Only by looking at the complete picture, can a fair rate structure be determined.

We believe that our regulatory system has become addicted to trackers. The fuel adjustment cost and gas cost adjustment are **trackers** established in the 1970's during a time of rapidly escalating natural gas prices. Since then, we have established **trackers** for demand side management, purchased power, expanded power, MISO expenses and more recently for clean coal technology as a result of legislation passed during the 2002 session. The horse is way out of the barn!

Trackers shortcut the process. You might ask why there were so few rate cases since the mid-1990s. The answer is simple: the decline in interest rates. First, the utilities were doing well and in such a scenario, they had no need to file a rate case. Second, the utilities can and did seek approval from the IURC for several trackers during the same time frame. In so doing, consumers are faced with a proliferation of tracking cases that shortcut the usual process. Third, note that NIPSCO was recently involved in a rate case that considered the total cost of electricity production. When faced with the total cost picture (which was down) the utility fought like cats and dogs to keep the case from even coming to light, and then litigated fiercely though the fact situation was indisputable. They wanted to stay on the gravy train as long as possible. At our expense.

While a rate case may be burdensome and inconvenient to everyone, it is really the only way to be fair to all interested parties, particularly consumers. It is up to the regulators to make certain that these cases move with dispatch and do not cause unnecessary delays in the system.

The energy cost component in the businesses represented by INDIEC represents a substantial percentage of their cost of doing business. Fairness and stability of that cost component is essential in permitting any business to plan expansion. Jobs are created only when a business can make a profit and invest the funds necessary for capital costs and additional wages. Every additional tracker authorized to the utilities by statute or Commission order increases the costs sustained by the industrial or commercial business consumer. The greater the energy costs, the less likely that a business will find investment attractive.

INDIEC opposes any 'tracker' legislation that does not include an offset provision that authorizes the IURC to judge, not only the reasonableness of the "government mandated cost" being tracked, but also to permit offset of other cost reductions against those increases. Ladies and gentlemen - stop the gravy train. If we are going to have trackers, they should not be one-way streets to higher rates. It should never be easy for a monopoly utility to reach into consumers' pockets and take their money.