

RESOLUTION 78-20

To Support the Mayor's Challenge of
the Proposed Public Service Indiana Rate Increase

WHEREAS, Public Service Indiana was granted an 11% rate increase for 1972, a 24% increase for 1976, and has requested an 18% increase for 1979; and

WHEREAS, the proposed increase represents an increase in electricity costs to the civil City of nearly \$50,000, and to the Utilities Department of \$90,000; and

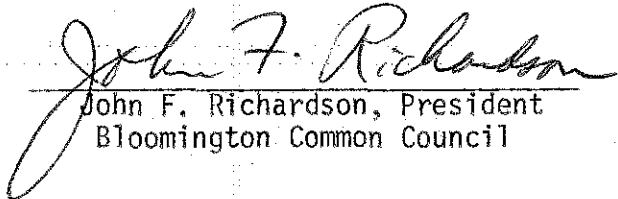
WHEREAS, the proposed increase represents an increase of \$7 per month to the average residential user; and

WHEREAS, it is in the best interest of the citizens of Bloomington for the Mayor to join with other cities, groups, and individuals in a concerted effort to oppose this rate increase;

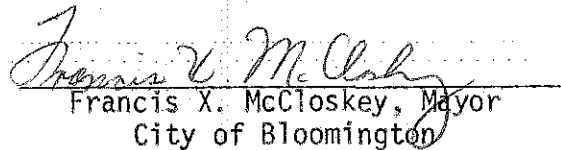
NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

The Bloomington Common Council supports Mayor McCloskey in his efforts to join with other interested cities, groups, and individuals to challenge the proposed rate increase requested by Public Service Indiana.

PASSED and ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 3rd day of August, 1978.

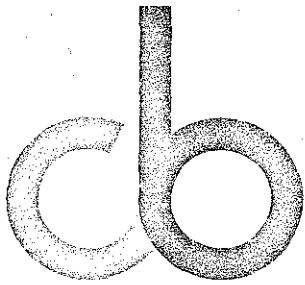

John F. Richardson, President
Bloomington Common Council

SIGNED and approved by me upon this 4th day of August, 1978.


Francis X. McCloskey, Mayor
City of Bloomington

SYNOPSIS

This resolution would urge Mayor McCloskey to join with other interested cities, groups, and individuals across the state to challenge the rate increase requested by Public Service Indiana.



city of bloomington

Box 100, municipal building, bloomington, indiana 47401

office of the mayor

(812) 339-2261 x220

July 25, 1978

Commissioners Wallace, Powers, and Plaskett
Public Service Commission of Indiana
State Office Building, 9th Floor
Indianapolis, Indiana

Dear Commissioners:

This letter is in reference to the proposed 18% rate increase by Public Service Indiana on the subject of hearings in Indianapolis this week. Speaking as Mayor of the City of Bloomington, I must say that a rate increase of such proportions will have a severe negative impact on the services of the Bloomington city government. It will also impose an added burden on all other local governmental public services and business interests. Specifically as to the City of Bloomington, such an increase will result in a significant increase in taxes and costs to both the water and sewer departments.

Although I have been told that ability to pay is not a factor, the Public Service Commission surely must take the overall situation into consideration in representing the interest of the public. I would note that Public Service Indiana received a 24.3% increase in 1975 for 1976, that there was an 11% across-the-board hike in 1971, and that the fuel escalation clauses already allow the utility to reflect higher costs of fuel.

The 1976 increase and the proposed increase come at a time when the highest executive officer of the state has imposed strong controls on the expenditures of local government. As you know, for several years the rates were frozen in cities that would not adopt the local option taxes. For 1978, cities were allowed to increase their levies, i.e., tax generated revenues, 5% over the previous year. Next year we are allowed only an 8% increase in our tax levy. As the law now stands, there would be no increases allowed in 1980.

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The Bloomington Board of Public Works has stated that heating and lighting costs for the municipal building will increase \$2,906.05 for 1979. Likewise, street lighting costs will be up \$3,185/month or a \$38,220 increase for 1979. Also, electric costs for the four fire stations, fountains and police station will increase \$3,011.58. This money will come out of tax revenues which presently are limited in Indiana by stringent state controls.

Other city services will be harder hit. The Utilities Department, supported by user fees, currently spends about \$500,000/yr. on electricity -- a "conservative estimate" according to Utilities Director Stu McClure. A large part of this is used for pumping stations and treatment plants. This means that overhead costs will increase \$90,000/yr., a cost that will eventually have to be absorbed by the sewer and water customers.

Schools will be especially strained to make ends meet. The Monroe County Consolidated School Corporation has notified PSI that there will be a \$120,000 increase in electricity costs for 1979. This money will have to come out of property taxes.

Commercial businesses and industry will also face large overhead increases which they will in turn pass on in the form of higher costs for goods and services. As if this were not enough, the individual homeowner or apartment dweller will face an 18% higher bill in the mail box each month.

I urge you to thoroughly scrutinize this rate increase request to provide solid answers to the public and to provide full justification for any increase. Obviously all major expenditures and planning policies of the company should be considered, including matters as to returns on equity and the need for higher bond ratings, projected power demands, excess generating capacity, and advertising and public relations policies. I have also been informed both by reading the press and researchers in this area that another rate increase could be forthcoming in 1979 when the Gibson Plant is completed. I also understand that a report by a Kansas consulting firm hired by the Public Counselors Office contends that the utility needs increased revenues of about \$17 million annually rather than \$75 million.

Already the City of Bloomington has begun to cut back on electricity and examine all possible conservation moves. The Board of Works and

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the recently appointed Citizens Energy Task Force are making various proposals as to conservation, design, insulation and alternative energy proposals for Bloomington. The city also is rearranging its street light patterns on a priority basis.

I know I don't have to belabor the fact that an 18% increase, particularly after an increase as recent as the 1975 increase, aggravates inflation. Obviously, I am not asserting that the utility should get no increase.

All the consideration you could give to this matter would be thoroughly appreciated by the citizens of the City of Bloomington and Monroe County and the State of Indiana.

Sincerely,

A handwritten signature in cursive script that reads "Frank McCloskey".

Francis X. McCloskey
Mayor
City of Bloomington, IN

FXM/ms