

ProLiance's gas profits stir more criticism

■ Six months after getting state's OK, the utility venture remains under fire from consumer office, large gas users.

By Doug Seward
Staff Writer

It's either an uneasy alliance or a match made in heaven, depending on who's doing the talking.

Over the last two years, Indiana Gas and Citizens Gas have received more than \$10 million in profits from ProLiance Energy, a company that buys and markets natural gas.

That's illegal, according to the Indiana Office of the Utility Consumer Counselor, a state agency that represents consumers in utility matters and made the estimate on ProLiance's profits. Those profits shouldn't flow to shareholders or into corporate coffers; they should be returned to consumers in the form of lower gas bills, says Anne Becker, the state's utility consumer counselor.

Major gas users such as Eli Lilly and Co. and General Motors Corp. also are bailing ProLiance, arguing that the two utilities misled them on key natural gas issues related to the company.

But opponents forget to mention that ProLiance, which is the dominant natural gas buyer in central Indiana, is saving customers a lot of money, says ProLiance President Carl Chapman.

By October 2000, the more efficient and powerful ProLiance operation is expected to save Citizens Gas and Indiana Gas customers 850 million to 850 million, he said.

The two gas companies were somewhat grudging and belated approval from the Indiana Utility Regulatory Commission last September for their 50-50 ownership of ProLiance. While the commission agreed with the utilities that ProLiance should be free of regulation, the regulators made clear that the two gas companies should have sought approval before creating ProLiance. The utilities never did ask for commission approval; it was only gained when the commission rejected a petition by large industrial users to sue the deal.

The commission's decision also was a bit surprising, at least to Wall Street. After the ruling, Indiana Energy's normally lethargic stock jumped nearly 30 percent.

The commission's 4-1 approval wasn't set in stone, though. Noting that there was little financial data to evaluate the new company, the commission said it could reverse the effects of its decision in a later case. The commission is expected to start that case shortly.

Not interested

But ProLiance's many critics weren't interested in waiting.

Becker's office, a group of major industrial, health care and other gas users, and consumer groups have asked the Indiana Court of Appeals to overturn the commission's decision. ProLiance's critics have filed their arguments, and the court is waiting for the company to file its response, which is due early next month.

Interestingly, critics' appeals have abandoned old arguments — that ProLiance is an unregulated monopoly, that it stifles competition, that it's harmful to customers — and focus instead on more technical arguments, noted Ron Christian, general counsel for Indiana Energy and Indiana Gas.


That's because the commission didn't agree with the more flamboyant charges against ProLiance, he said.

"So, on appeal what they're essentially trying to do is try a different case," Christian said. "They had their day in the hearing room; they actually had the day. At the end of all this, they've been unable to show, because there is nothing to show, that ProLiance is harmful to competition or to ratepayers, he said.

The 10 of the major gas users, known as the "transportation customers," is aimed primarily at Indiana Energy.

That's partly because Citizens Gas is a different kind of animal among utilities. It's a municipally owned trust, while Indiana Energy is a public company.

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ProLiance is saving people money, says President Carl Chapman.

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