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JUDICIARY

July 6, 2007

Ms. Susan L. Macy
Indiana Utility Consumer Counselor
100 N. Senate Avenue, Room N-501
Indianapolis, IN 46204

Re: Docket 43114

Dear Ms. Macy:

I am writing to express my concern about Duke Energy's proposed integrated coal gasification combined cycle electric generating facility. As proposed, the power plant will significantly increase the cost of electricity and the amount of carbon dioxide released into the atmosphere at the very moment global climate change has been recognized as the major threat to our environment. Because promoting energy efficiency and renewable forms of energy is a less expensive alternative to meet Indiana's future energy needs, the coal gasification plant does not satisfy the General Assembly's requirement that the Indiana Utility Regulatory Commission (IURC) only approve proposals that are "reasonable and necessary."

It is particularly unfair for consumers to shoulder all of the risk while Duke Energy (perhaps along with Vectren) reaps all of the rewards. As I understand it, Duke wishes to have its customers pay for the studies and plans necessary even to consider building the plant, then pay for the plant while it is being constructed although not a single watt of electricity will have been yet generated, continue to pay for electricity from the plant even if there are lower cost alternatives, and, finally, add additional profit through an "incentive" return on equity. Duke seeks this indemnification from harm for a technology that may not prove economically or environmentally viable.

While the plant will result in some reduced emissions, running it at a higher capacity than the existing plant will cause significant net increases in other pollutants such as lead and add to the problem of global climate change by releasing more carbon dioxide into the atmosphere. Even if the plant could reduce all other pollutants to zero, its large release of carbon emissions will directly thwart any efforts to meet carbon reduction targets. Ratepayers will likely suffer another round of cost increases when anticipated new federal carbon emission regulations force Duke to implement some kind of carbon sequestration technology or purchase carbon credits under a "cap and trade" system.

Proponents of the new power plant make much of Senate Bill 29 that was adopted by the General Assembly in 2002. It is true legislation was passed with the hope that a way could be found to burn Indiana coal cleanly and economically. However, it was not meant to be a blank check. The General Assembly directed the IURC to approve proposals only if the costs are “reasonable and necessary.” This proposal meets neither standard.

First, the estimated 13% cost increase to consumers for the new facility is not reasonable when other less expensive alternatives are available. Second, constructing the plant is not necessary to meet the state’s future energy needs.

There is a better way to meet Indiana’s future energy needs that avoids environmental problems and huge rate increases for consumers. Promoting renewable forms of energy, distributed power and energy efficiency can do more to keep Indiana electricity affordable and protect our environment. Senate Bill 29 specifically notes the importance of renewable forms of energy in IC 8-1-8.8-1(a)(2).

(2) The development of a robust and diverse portfolio of energy generating capacity, **including the use of renewable energy resources**, is needed if Indiana is to continue to be successful in attracting new businesses and jobs. [emphasis added]

For these reasons, I urge your office to do all that it can to protect the interests of consumers and ensure the IURC adheres to the General Assembly’s mandate to approve only projects that are “reasonable and necessary.”

Sincerely,

A handwritten signature in black ink that reads "Matt Pierce". The signature is written in a cursive, flowing style.

Matt Pierce
State Representative

cc: IURC Commissioners