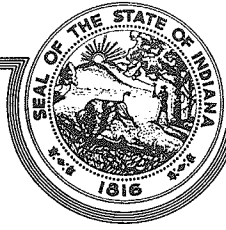


# STATE *of* INDIANA



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June 1, 2007

Dennis T. Avery  
State Representative  
405 State House  
200 West Washington Street  
Indianapolis, Indiana 46204-2786

Dear Representative Avery:

Thank you for your letter of May 22, 2007 to express the concerns of your constituents related to Duke and Vectren's current proposal to construct an IGCC power plant at Edwardsport. I trust you received my email and voice mail messages regarding the public meetings that were held on May 22, 24 and 31, and am sending this letter to respond to your concerns in more detail.

While I understand the concern that total cost estimates of adding another coal plant in the area do not quantify the impact of the plant on the environment, and as a corollary, on the general health of the residents in the area, I can assure you that Duke and Vectren are in compliance with all applicable federal and state air permitting requirements for pollutants at this time. As there are no current federal or state carbon regulations, there are no limits on carbon dioxide emissions at this time.

The OUCC recently filed testimony in its case-in-chief on behalf of consumer interests and concluded that a level of carbon capture and sequestration must be included within the design specifications of this IGCC plant if we are to support the project. Indiana's current laws and regulatory policies require a utility to clearly demonstrate its need before it can receive permission to construct a new power plant. This regulatory framework has served Indiana well in the past and continues to do so.

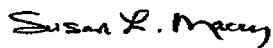
To your point about wholesale power sales, we encourage utilities to maximize their generation capacity and make wholesale power sales when available. However, the amounts of these sales have traditionally been minimal by industry standards. In Duke's case, these sales totaled \$20.9 million in a one-year period ending September 2006. Vectren's wholesale sales neared \$27.8 million in calendar year 2006. These wholesale power sales are made into the Midwest Independent Transmission System Operator (MISO) market and are typically made to economically serve the load throughout the MISO footprint, which includes most of Indiana, portions of 13 other Midwestern states and portions of Canada.

The OUCC agrees that energy efficiency, conservation, and renewable energy options should always be considered when facing the possibility of new power plant construction. This is especially true in light of future carbon regulations, which virtually all industry observers' view as inevitable. Duke received recent IURC approval to recover the costs of 100 MW of wind power in its supply portfolio from a wind farm in Benton County. The OUCC supported Duke's proposal in that case. While Indiana overall has not been a leader in the area of energy efficiency, the OUCC is working with the utilities, including Duke and Vectren, to step up these programs. In all candor, Duke and Vectren have been leaders in that regard among Indiana utilities. Also, IURC orders have shown clear support for the OUCC's endeavors to move Indiana forward in the area of demand side management and demand response programs.

I understand the frustrations of residents who live near power plants and near areas where new plants are proposed. However, there is no question that coal will undoubtedly be part of the solution for our state and national energy needs. This is especially true considering southwestern Indiana's abundant coal resources. The challenge for the future will be to use these resources in ways that are environmentally friendly. The Hoosier Homegrown Energy Plan recognizes this difficult task and the delicate balance it requires. I can say with confidence that the OUCC, on behalf of all Indiana consumers, is working hard to do our best to address these challenges.

I appreciate you taking the time to raise these concerns. Please feel free to contact me at any time to discuss these issues in more detail.

Kind regards,



Susan L. Macey  
Indiana Utility Consumer Counselor