

Coal-to-gas plant: Indiana's Enron

Leucadia Corporation wants to build and own a coal-to-gas plant in Spencer County, just outside of Rockport, IN. Leucadia is an out-of-state, speculative venture corporation, headquartered in New York City (with offices in Utah and California). The project is called Indiana Gasification LLC.

The plant is designed to convert coal into pipeline quality gas, called substitute natural gas or SNG. Since the big Wall Street banks will not finance this project because it is too risky, Gov. Daniels and Leucadia have had a difficult time getting the project off the ground. The original plan was to have Indiana's gas utilities enter into 30 year contracts to purchase the SNG, however after almost two years of negotiations, the utilities refused to enter into a contract, saying it was too risky for their shareholders and their customers.

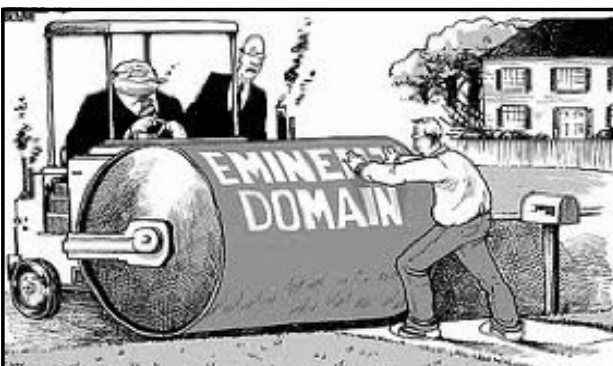
Gov. Daniels then introduced legislation in 2009 (SB 423) to have the State, via the Indiana Finance Authority, aka the IFA (the state's bonding agency), sign a 30 year contract with Leucadia to force ratepayers to pay for the SNG, and force the utilities to deliver the SNG to ratepayers. SB 423 also required that the contract guarantee ratepayer savings.



However, during negotiations between Leucadia and the State, it was learned that gas ratepayers may never actually receive the SNG, nor could Leucadia "guarantee" savings. As a result, the IFA came up with a very complex financial scheme to force ratepayers to pay for an unregulated "exotic derivative" which shifts ALL of the business risk onto captive ratepayers, and allows Leucadia to walk away with all the profit. The IFA recently memorialized this scheme in a 30 year contract with Leucadia and is currently seeking approval of the contract before the Indiana Utility Regulatory Commission in Cause No. 43976.

During the recently concluded hearings at the IURC, it was learned that the IFA believes the IURC should ignore their legal obligation to ensure ratepayers receive reasonably priced utility service when reviewing the contract; and that a guarantee is nothing more than a promise, not necessarily fulfillment of that promise!

Ratepayers have everything to lose, including YOUR private property, while Leucadia has nothing to lose and everything to gain!!!



In addition, Leucadia has stated in testimony filed at the IURC that they will not build the plant unless they have access to a carbon dioxide pipeline to sell the CO2 emissions from the plant to Denbury Resources, a Texas oil drilling company. Denbury has stated they can't build the pipeline without eminent domain.

Despite the fact that the Indiana Senate rejected eminent domain for private corporations this year, Governor Daniels **forced** SB 251 through the General Assembly. SB 251 includes a provision granting eminent domain to private corporations to take YOUR property, specifically to enable this coal-to-gas plant!

Take Action Now!!!

Contact David Stippler, Chair of the Indiana Office of Utility Consumer Counselor and tell him that you want the Indiana Utility Regulatory Commission to reject this contract in its entirety!!!

Indiana Office of Utility Consumer Counselor

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**Please reference Cause No.
43976 in your correspondence**

- ◆ If this was such a great deal, why would the Indiana gas utilities who are engaged in the business of selling and distributing natural gas not want any part of this?
- ◆ Why are the large industrial customers, who are the State's largest users of natural gas, exempted from this contract? If this promised such great savings, why would they not want to take advantage of it?
- ◆ It is not the role of the Commission to enable a private corporation with no obligation to serve the public to force their highly speculative and potentially expensive business scheme on captive Hoosier ratepayers.
- ◆ It is the obligation of the Commission to protect consumers, not force them to buy "exotic derivatives" that may lead to confiscatory utility rates.
- ◆ It is the role and obligation of the Commission to ensure that rates charged captive ratepayers are just and reasonable.
- ◆ The Commission would be fulfilling their statutory obligation of protecting the consumers of Indiana by rejecting these contracts in their entirety.
- ◆ Ratepayers pay for the delivery of utility service, nothing more, nothing less. What ratepayers may choose to do as individual investors should not be confused with what they are obligated to do as ratepayers.
- ◆ If the contract is approved, gas ratepayers will no longer have the protection that is guaranteed them by law. Currently, most gas utilities go in at least every 90 days to have their gas purchases reviewed by the Commission to ensure those utilities are being prudent in their business practices and delivering least cost resources to their ratepayers. If this contract is approved, regulatory oversight of 17% of a gas ratepayers bill will be eliminated, for at least 30 years, or 10,957 days.

