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# Duke Energy's Edwardsport IGCC Power Plant: A $3.55 Billion Boondoggle Shrouded in Ethics Controversy

In 2006, Duke Energy filed for Indiana Utility Regulatory Commission (IURC) approval of their Edwardsport Integrated Gasification Combined Cycle (IGCC) coal-fired power plant with a price tag of $1.985 billion.

### Since that time, this boondoggle has been shrouded in an ethics controversy and the price tag has soared to $3.55 billion.

A widely publicized ethics scandal between Duke and the IURC that was exposed in 2010 led to the termination of the President of Duke Indiana, the resignation of a top Duke executive, and the termination of David Lott Hardy, the Chairman of the IURC at the time. The scandal also led to former IURC General Counsel Scott Storms being found guilty of ethics violations and the indictment of David Lott Hardy on multiple felony counts of official misconduct. Most of the felony counts had a connection to the regulatory approval of the Edwardsport IGCC.

### The ethics scandal should have spelled certain doom for the IGCC plant.

However, in December 2012, the Commission approved a Settlement agreement that swept the ethics scandal under the rug and allegedly capped the pre "in-service" construction costs that Duke could recover from ratepayers at $2.595 billion. However, Duke wrongly self-declared the plant "in- service" on June 7, 2013, which could effectively mark the end of this so-called "cost cap". The plant has yet to achieve substantial completion and has yet to perform at commercially acceptable levels of operation. However, since Duke self-declared it "in-service", **ratepayers can potentially be stuck with every dollar moving forward that Duke spends on completion of the plant.** The Settlement, widely touted as having strong consumer protections, effectively exposes consumers to the likelihood of significant costs in excess of the cap.

### To date, Duke ratepayers have paid in excess of $600M in financing charges alone for the plant.

That equates to over $13.00 per month! Additional financing costs of at least $320 million and the actual construction costs currently "capped" at $2.595 billion are not included. In fact, **Duke ratepayers will pay more just in financing charges for the Edwardsport fiasco than Indianapolis Power & Light is seeking in total for its proposed natural gas plant in Morgan County**, a plant that will produce approximately the same amount of power.

CAC and our allies remain strident in fighting to protect ratepayers from this blatant act of monopoly utility theft. Every time Duke Energy files to recover more money through their construction work in progress (CWIP) tracker, CAC and its allies will intervene in those cases before the IURC and continue to argue that Duke ratepayers should not have to pay for this plant.

## Take Action Now!!

While the biggest part of this case has been settled, there are still open dockets before the IURC, which means there is still time to contact the Office of Utility Consumer Counselor and let them know how you feel!

### Contact the OUCC:

Tell them that you don't want to pay for an illegitimate, scandal ridden power plant that we don't need, can't afford, and that never should have been approved in the first place!

**Indiana Office of**
**Utility Consumer Counselor**
Attn: David Stippler
115 W. Washington Street
Suite 1500 South
Indianapolis, IN 46204
uccinfo@oucc.IN.gov
(888) 441-2494 phone
http://www.in.gov/oucc/2361.htm
**Please reference Cause No. 43114-IGCC-12 in your correspondence**

### Call Duke Energy:

See how much you are currently paying for this plant on your monthly electric bill by calling Duke and asking them for a detailed bill. When you receive your detailed bill, look for *Rider 61 - Coal Gasification Adj*. The amount listed to the right of this rider/tracker is what you are currently paying for the Edwardsport IGCC plant, even though it is not fully operational.

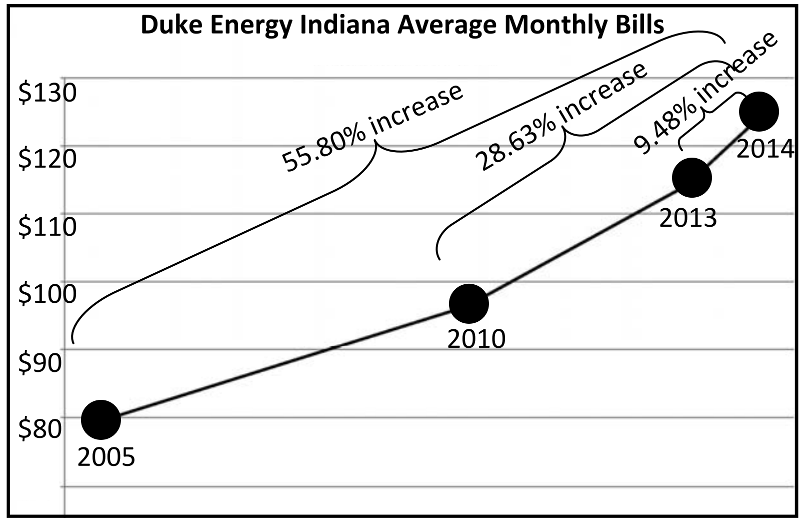
**Duke Energy Customer Service:**
**1-800-521-2232**

# Duke Energy's request for a $1.87 BILLION rate hike was denied by the IURC on 5/8/15!

Duke Energy filed a request with the Indiana Utility Regulatory Commission to raise your rates $1.87B to pay for a long term transmission and distribution plan. The plan was filed as a result of SEA560 which passed the Indiana General Assembly in 2013.

Duke claimed that **the plan would increase rates an average of 1% every year from 2016-2022.**

- The average monthly electric bill of Duke Energy customers has already increased by almost 10% in the last year alone and nearly 56% in the last ten years.
- Additionally, since 2009 Duke Energy has collected in excess of $600 Million from ratepayers for the Edwardsport IGCC coal gasification boondoggle with billions left to collect in future years.




## Ratepayers can't afford any more increases!

Approximately 30% of Duke's bills are comprised of trackers. Trackers allow utilities to raise rates when costs go up in some areas while never having to lower rates when costs go down in other areas. They already have 10 approved trackers. They don't need another one!

**If the IURC had approved this request, Duke Energy would have been given yet another tracker that would have allowed them to essentially raise your rates automatically.** If approved, this particular tracker would have given them excessive profit to do something they are supposed to be doing anyway: provide reliable electric service.

Most of the projects included in the $1.87B proposal by Duke Energy were investments Duke is required to make to meet their legal obligation of providing reliable electricity to their captive customers. **This particular tracker would have shifted the burden of cost and risk of running a monopoly utility company from voluntary investors to captive ratepayers.** As a result, the utilities guaranteed rate of return should have been reduced to reflect the reduction in risk.

However, Duke Energy was asking to collect their full authorized ROE of 10.5% even though ratepayers would have been assuming all of the risk. Outrageous! Profit is supposed to be the reward for risk. Duke admits that if this had been approved, this tracker would have reduced their cost of capital, further minimizing any risk to the company.

## If ratepayers are forced to assume the risk, then ratepayers should realize some of that profit.

Duke's petition **also included a $177 million request** to install expensive, invasive, and unnecessary smart meters in every home and business in their Indiana service territory. To add insult to injury, **they wanted to continue to earn a return on the investment for the old meters they were proposing to remove while simultaneously recovering the costs (plus a rate of return) of the new smart meters!** Unacceptable.

## Duke should not be allowed double recovery!

Smart meters should not be mandatory. Duke should be required to offer the smart meters to customers as a voluntary option. **Ratepayers should not be forced to pay for a smart meter they don't need and they don't want.** The costs of smart meters far outweigh the benefits. Most of the purported benefits of smart meters are benefits for the utility. Therefore, they should bear some of the costs and risks associated with the meters.

Lastly, many concerns have been expressed about privacy and cyber security related to the installation and utilization of smart meters. All of these concerns must be addressed prior to any approval for a smart meter rollout.