



Turning On Citizen Power

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Duke Energy Wants to Raise Rates For Experimental Studies

Ratepayers should pay for service, not science!

Duke Energy put ratepayers on the hook to pay for its \$2.88 billion coal-gasification plant in Edwardsport, Indiana. Wall Street will not finance Duke's project on its own because it's commercially unproven and too costly. Instead, State regulators approved CWIP (Construction Work in Progress), which allows utilities to charge you for a power plant before it produces ANY electricity. So now, Duke will raise **your** electric rates as much as 25-30% to finance the full cost of the Edwardsport plant.

Duke won approval for the construction of this new plant on the false premise that it would eventually capture the carbon waste and sequester it by shooting it deep into the ground (known as CCS, or carbon capture and sequestration).

But Duke never designed its plant to capture carbon waste and is making ratepayers pay for a \$17 million engineering study to see how or if it can be done. As if that wasn't enough, now they have come back AGAIN, asking for \$121 million MORE for experimental research to see if carbon waste storage will even work. Who will pay? **YOU.**



What Duke Energy wants you to pay for:

- Initial cost estimate of Duke's Edwardsport plant: \$1.985 billion without CCS. Current cost estimate: \$2.88 billion without CCS.
- Additional funds to STUDY 15% to 20% carbon capture: \$17 million (estimates for carbon capture vary from 10- 40% increase in cost and 20 - 40% decrease in electricity generated)
- Request for additional funds to STUDY carbon waste storage: \$121 million
- Duke's estimate of the cost to characterize the site for sequestering 200 million tons of carbon waste: \$500 million to \$1 billion.
- Amount Duke has spent of its own money: \$0 according to CEO Jim Rogers (60 Minutes, 04/09)

Ratepayers are supposed to pay for the delivery and receipt of utility service, **not** research and development of theoretical technology. Approval of this plant was based on its eventual ability to capture and store carbon waste, but this is looking less and less likely. It is time to reconsider the plant altogether.

What Duke Energy says about carbon waste capture and storage at Edwardsport:

- October 2006 Duke's preliminary studies showed that "a significant amount of sequestration potential exists within an area below and immediately surrounding the site." (Petitioner's Exhibit No. 4, pp. 11-12)
- July 2009 After more studies, Duke concluded: "The geological data...was not promising in terms of the required characteristics needed for carbon sequestration. Generally it was concluded that the sequestration potential was less than optimal." (Petitioner's Exhibit 5, pg. 5)
- July 2009 Duke states: "...there is no commercially available method for removing and storing CO2 from a utility scale combustion process in the United States." (Petitioner's Exhibit A, pg. 14)

You paid for this entire process! Ratepayers get no refunds if CCS technology ends up a dead end, or if the plant never goes online. However, Duke makes profit on every single one of your dollars they spend. So you take the financial risk, while Duke reaps the profits.

Status of Duke's Proposed Coal Gasification Plant at Edwardsport, IN

The Plant is NOT Needed

- ◆ The State's forecast for electric demand will grow at a much slower rate than previously projected.
- ◆ The Indiana Utility Regulatory Commission has ordered Indiana utilities to reduce electric demand by 2% per year by 2018 by initiating programs to make homes and businesses more energy efficient, which was not included in the State's new electricity demand forecast.

Plant Construction is Slow and Costly to Duke Ratepayers. Duke's 1st filing to build the plant was in 2006. As of Duke's current filing with the IURC:

- ◆ Engineering for the plant was only 84% complete. Duke is literally engineering the plant as they go along.
- ◆ Procurement of materials was only 53% complete.
- ◆ Construction was only 28% complete.
- ◆ Not all contracts to complete construction were signed.
- ◆ Duke Indiana ratepayers are currently paying \$581 million for a plant that has not generated a single kilowatt hour of electricity, won't generate any electricity until at least 2012, and may **never** generate electricity.

Ratepayers should not be paying for Duke's R&D and a plant that's not needed!

The cost of coal and nuclear plants continues to rise while the cost of energy efficiency and renewable energy technology continues to fall. Duke Energy's sales in 2008 showed a 5.9% drop from the year earlier, including a 9% drop among residential customers (WSJ 11/21/08). Spending billions on huge new coal plants while energy demand is continually falling does nothing for ratepayers. It's simply a way to make more profits for utilities.

Construction Costs per Kilowatt of Electric Energy Resources

(source: Federal Energy Regulatory Commission, 2008*)

- ◆ **Nuclear: \$4500 - \$7500**
- ◆ **IGCC: \$2500 - \$5500 (CCS excluded) (coal-gasification)**
- ◆ **Coal: \$2300 - \$4000 (CCS excluded)**
- ◆ **Solar Thermal: \$3000 - \$5000**
- ◆ **Geothermal: \$2600 - \$3400**
- ◆ **Wind: \$1800 - \$2600**

We can easily cut our energy use in half here in Indiana just by implementing more energy efficiency measures, and cut our costs in the process. Energy efficiency technology (more efficient lights, appliances, electric motors, pumps, heating and air conditioning, better insulation) can be installed at less than half the cost of the proposed Edwardsport plant.

Wind turbines in northwest Indiana are now being installed at half the kilowatt cost of the proposed coal-gasification plant in Edwardsport. The National Renewable Energy Laboratory (a division of the Department of Energy) estimates Indiana's potential wind capacity at 40,000 megawatts, almost double our current installed coal capacity. There is also no fuel cost for wind and solar.

Coal prices are becoming increasingly volatile, meaning neither the customers nor the company can rely on low, stable prices for coal over time. It is cheaper to stop construction of the plant now than to build and operate it.

Take Action Now!!

Write to the Office of Utility Consumer Counselor! The Indiana Utility Regulatory Commission approved the Edwardsport plant based on the promise of carbon waste capture and storage. Now that there are questions about the viability and the cost of CCS, there is more than enough reason to question that decision.

Write Counselor David Stippler and urge him to:

1. **Oppose Duke's request for cost recovery of studies for future Carbon Waste Capture and Storage!** Ratepayers pay for service, not science projects!
2. **Demand an updated cost estimate on the full cost of the Edwardsport plant, including CCS!** Duke has filed for four cost increases since their initial filing in 2006. Ratepayers should not have to pay for Duke's incompetence and dishonesty!
3. **Demand that the IURC review the necessity of the plant!** The steady decline in energy demand, together with the availability of cheaper, cleaner alternatives such as energy efficiency and wind, place the necessity of this plant in question.

Please reference "IGCC 4S" in your letter, and ask that your letter be included in the testimony that the OUCC files with the Regulatory Commission.

Office of Utility Consumer Counselor

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