

Citizens Action Coalition/Sierra Club Hoosier Chapter NEWS RELEASE

For Immediate Release
October 6, 2010

Duke Energy seeks more customer money for Edwardsport despite Governor's call to investigate regulators' recent Duke decisions

Duke Energy will be before State regulators once again on Thursday October, 7 seeking millions of dollars more from captive ratepayers to finance its unneeded, overly expensive, and problem plagued coal gasification plant currently under construction in Edwardsport, IN. Regulatory review of the power plant is now shrouded in the ethical cloud surrounding Duke's recent hiring of former IURC Chief Administrative Law Judge Scott Storms.

Yesterday the Governor terminated David Lott Hardy as Chairman of the IURC after an internal investigation revealed serious violations of State ethics codes in the course of Duke's hiring of Judge Storms. He also directed the IURC to re-open orders issued by the Commission in cases involving Duke which were presided over by Judge Storms while he was involved in negotiations with Duke regarding his future employment. Some of those orders are directly connected to the Edwardsport project.

Duke Energy has also placed Judge Storms and current President Michael W. Reed on administrative leave pending the outcome of further investigation. Reportedly, Duke has retained outside counsel to conduct its own investigation in addition to the one ordered by the Governor.

Two recent examples of decisions awarding Duke millions of dollars and authored by former ALJ Storms include the following: 1) the July 28, 2010 order in Cause No. 43114 IGCC 4 that allowed Duke to continue to exclude zero cost deferred income taxes from its capital structure as a special incentive for the Edwardsport plant, netting Duke another \$5,861,470 more over the next six month period than it would if it was allowed its normal rate or return; and 2) the July 14, 2010 Order in Cause No. 43743 which allowed Duke to defer for later recovery an \$11.6 million dollars for past storm damage to facilities other than Edwardsport.

“From the Governor's public statements, we expect that at least three previous decisions in the Edwardsport case will be re-examined. How can the Commission move forward on hearing any new evidence and entering new orders in this case before a thorough examination of previous evidence and orders pertaining to this project is complete?” states Grant Smith, Executive Director of Citizens Action Coalition.

Steve Francis, Chairperson of the Hoosier Chapter of the Sierra Club, added "The Hoosier Chapter of the Sierra Club has grave concerns about proceeding as planned with Edwardsport cases while they remain under investigation. The cost overruns of the plant are unacceptable to ratepayers and the environmental consequences are too great with none of the carbon capture costs included. With the actions of the past few days, and with the ethical questions and legal issues unresolved, we urge the Commission -- with the Governor's support -- to put any action on hold until a full, independent investigation has been concluded. Anything less will taint the IURC, Duke and any decisions on Edwardsport, and will fail to fulfill the Governor's intent to get to the bottom of the matter."

Kerwin Olson, Program Director at CAC, added, "We have raised the issue of the validity of all previous orders pertaining to the Edwardsport project ever since it became evident that the presiding ALJ was negotiating for employment with the utility he was supposed to be regulating. These past orders are directly inter-related with future orders in the Edwardsport case. All future scheduled hearings and orders relating to Edwardsport should be put on indefinite hold pending the outcome of a thorough and exhaustive investigation."

The next hearing on the coal gasification plant is scheduled to occur at 9:30 AM in IURC Hearing Room 222, which is on the second floor of the PNC Center in downtown Indianapolis.

Grant Smith, Executive Director for Citizens Action Coalition

Kerwin Olson, Program Director for Citizens Action Coalition

Steve Francis, Chairperson, Sierra Club Hoosier Chapter