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Rockport 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, multi-national, speculative hedge fund** based in New York City and Salt Lake City. They own wineries, logging companies, credit card companies, and cell phone companies, among other things. Now they've decided to try their hand at coal gasification. They've created a subsidiary called Indiana Gasification, LLC which is headed by a close personal friend and former advisor to Governor Mitch Daniels.

Ratepayers will realize enormous rate increases, which will have a negative impact on the economy of the entire state of Indiana, including small business, residential ratepayers, and vulnerable populations.

The plant they want to build would convert coal into substitute natural gas (SNG). **However, the free market will not support this business plan because it is too risky and too expensive.** So Leucadia devised a scheme and found a willing victim in the State of Indiana.

Rockport plant is government "picking a winner"

In order to enable this boondoggle, Indiana Gasification, LLC is asking Federal taxpayers to underwrite the project by applying to the Department of Energy for a **federal loan guarantee**, **putting taxpayers on the hook for over $2 billion in construction costs!** They also went to the Indiana Statehouse with their hands out, **lobbying for and receiving numerous changes to the law**, which include:

- **Allowing Indiana Gasification to operate as a deregulated gas utility** and preventing the Indiana Utility Regulatory Commission (IURC) from instituting ratepayer protections
- **Shifting 100% of the financial risks to Indiana ratepayers** for commercially unproven technology
- **Locking the State of Indiana and Indiana ratepayers into a 30-year "no look back"** contract for gas supplied by the proposed project even if there are other cheaper resources available
- **Overriding Indiana's current "least-cost" utility service law** which mandates that gas utilities provide service at the cheapest cost to ratepayers;
- **Forcing the Indiana gas utilities to act as a collection agency** for an out-of-state hedge fund (Leucadia)
- **Protecting the financial interests of an out-of-state hedge fund** (Leucadia) at the expense of Indiana ratepayers and Indiana gas utilities

- Allowing the State of Indiana, via the Indiana Finance Authority, to purchase the gas without actually requiring physical delivery of the gas, essentially **forcing Indiana ratepayers to buy unregulated securities**
- **Granting eminent domain to private corporations** (even though they have no obligation to serve the public) to **take your property**!
- **Granting Indiana Gasification an Indiana tax credit worth in excess of $120 million!**

How it all happened:

2007: Indiana General Assembly passes the first substitute natural gas (SNG) law (HB 1722), allowing the utilities to sign contracts with Leucadia/Indiana Gasification, LLC for the SNG.

2008: Indiana General Assembly passes SB 223, reneging on promises that the plant has to be built in Indiana and must use Indiana coal.

2009: All of the Indiana natural gas utilities refuse to sign the 30-year contract with Leucadia/Indiana Gasification, LLC, so the Indiana General Assembly passes SB 423. SB 423 allows the Indiana Finance Authority to sign the contract instead, forcing Indiana ratepayers to pay for the SNG. The bill passes nearly unanimously as it promises that the contract "provides a guarantee of savings" for ratepayers.

2010: The Indiana Finance Authority (IFA, acting on behalf of the State of Indiana) signs the 30-year contract with Leucadia/Indiana Gasification, LLC which purports to "guarantee" savings to ratepayers.

2011: The Indiana Utility Regulatory Commission (IURC) approves the contract between Indiana Gasification and the IFA. CAC, Sierra Club, Spencer County Citizens for Quality of Life, and Valley Watch along with Vectren, large industrial customers, and several small gas distribution utilities appeal the IURC order to the Indiana Court of Appeals. One of the main contentions is that the deal does not "guarantee" savings to ratepayers as required by law.

The Indiana General Assembly has passed legislation every year for the last six years to enable Indiana Gasification's SNG plant, and it is still nothing more than a Power Point presentation.

2012: The Indiana Court of Appeals reverses the IURC order on a technicality, essentially voiding the contract. However, the Court finds that the contract does in fact meet the statutory requirement of guaranteeing ratepayer savings. CAC strongly disagrees.

FACT: At today's market prices for natural gas, **ratepayers stand to lose $1.1 billion in the first 8 years of the deal.**

FACT: If this project ever comes to fruition, we (ratepayers) will be paying for this plant through our natural gas bills **to the tune of $7.8 billion over the next 30 years, whether we like it or not.**

FACT: **Ratepayers are assuming 100% of the risk.** The IURC stated in their final order that "**the risk under the SNG contract is assigned primarily to ratepayers."** Additionally the Commission found:

> *"This disproportionate allocation of down side risk to customers results from the fact that the Contract **provides the customers** will get 50% of profits on the sale of SNG but **will absorb 100% of losses** on the sale of SNG."* *- IURC final order, Cause No. 43976 pg. 93*

This deal with Leucadia is the epitome of *socializing the risk and privatizing the profit*! *We (ratepayers) have everything to lose*, including OUR private property, while *Leucadia has nothing to lose and everything to gain*!!!

Take Action Now!!!

Tell your State Senator and State Representative to repeal the Substitute Natural Gas (SNG) laws that were passed to enable Leucadia's/Indiana Gasification's Rockport SNG plant!

Specifically, tell them to repeal Indiana Code 4-4, Chapter 11.6 and Indiana Code 8-1, Chapter 8.9

To look up and/or e-mail your legislators, visit: http://district.iga.in.gov/DistrictLookup/

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