

**Citizens Action Coalition/Sierra Club Hoosier Chapter
Valley Watch/Save the Valley
NEWS RELEASE**

For Immediate Release
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Questions Continue to Mount in Duke Energy Ethics Scandal

Yesterday's firings by Duke Energy of President Michael W. Reed and staff attorney Scott Storms raise serious questions about what was uncovered by Duke in its internal investigations pertaining to the ongoing ethics scandal. On November 5, Duke President James Rogers stated before the IURC that if any misconduct was discovered, his company would take "decisive and appropriate actions."

"Clearly the decision to terminate Mr. Reed was 'decisive,'" said Richard Hill, President of Save the Valley. "Something was revealed in the course of these investigations to also characterize the termination as 'appropriate.' The unanswered question is: What was it?"

Steve Francis, Chair of the Hoosier Chapter of the Sierra Club added: "Duke should come clean and make public all information that they have regarding the possible inappropriate influence on Commission decisions by former Chairman Hardy, Chief ALJ Storms, and Executive Director Reed. In addition, the Commission should immediately suspend all consideration of the Edwardsport IGCC until the public has learned all there is to know about this matter, and schedule public field hearings to give the public the opportunity to participate."

In June, Mr. Reed sought a formal opinion from the State Ethics Commission prior to accepting employment with Duke Energy, while he was employed by the State as Commissioner of INDOT. Previous to his employment at INDOT, Mr. Reed served as Executive Director of the Technical Division at the IURC in a position created specifically for Mr. Reed by the recently terminated IURC Chairman David Lott Hardy.

Information from the Inspector General's office shows that Mr. Reed may have misled the Ethics Commission in sworn testimony when seeking that opinion. In response to a question during the June 8, 2010 meeting of the Ethics Commission as to whether he had influenced decisions at the IURC in favor of Duke, Mr. Reed stated: "I wasn't assigned to any case because there was no need for me to be assigned to a case." See attached transcript excerpt.

However, minutes from an Executive Session of the IURC on November 16, 2007 show that Mr. Reed did in fact participate in deliberations on the final order in Cause No. 43114 that approved Duke's problem plagued IGCC power plant now under construction in Edwardsport, IN. See attached minutes.

State Statute IC 8-1-1-5 clearly states:

- (3) Only the following are permitted to participate in the executive session:
 - (A) Commission members.
 - (B) Commission employees who are formally assigned to advise or assist in preparing the order, including the commission's technical staff and attorneys.

“It’s evident after reading the Statute that either Mr. Reed was in fact assigned to the original IGCC docket and misled the Ethics Commission in his response, or the IURC and Mr. Reed ignored the law regarding executive sessions and allowed Mr. Reed to attend the meeting.” states Kerwin Olson, Program Director of CAC. “Either way, the questions of why Mr. Reed was in the room at that time and what role he played in the Commission’s deliberations need to be answered; especially since Mr. Reed held a position created for him at the IURC, then took a position in Gov. Daniel’s cabinet, and one year later was hired to be President of the of the same utility constructing the Edwardsport plant.”

E-mails published by the Indianapolis Star several weeks ago, which led to the termination of Mr. Hardy, showed the cozy relationship between Mr. Reed, Mr. Storms, Mr. Hardy and current employees of Duke Energy. However, those e-mails only tell the story from June 2010 to September 2010 and other information received by CAC indicates the conversations about Duke’s hiring of Mr. Storms began prior to June. In addition, the Indianapolis Star reported that Duke approached Storms and others about the position in April.

This would necessarily mean that the conversations pre-date Reed's employment by Duke. This conclusion raises a whole host of questions, including, but not limited to:

- 1) What would e-mails between Duke Energy, Mr. Hardy, Mr. Reed, and Mr. Storms prior to June 2010 reveal?
- 2) Why hasn't the Ethics Commission filed complaints against Mr. Hardy and Mr. Reed as it has against Mr. Storms?
- 3) Was Mr. Reed talking with Duke prior to leaving his employment with INDOT not only about his own employment, but about Mr. Storms' employment as well? If so, with whom at Duke was he speaking about his own employment as well as that of Mr. Storms?
- 4) Was former Chairman Hardy talking with Duke about both Mr. Reed's and Mr. Storms' employment at Duke prior to Mr. Reed's employment there? If so, with whom at Duke was Mr. Hardy speaking prior to Mr. Reed's employment there?
- 5) Why did Ethics Commission member Clevenger tell Storms at the end of his September 9 interview by the Commission to give his regards to their mutual friend Reed while stating, unequivocally, that he knew that what had gone on with Storms employment was that Reed had recruited Storms, thereby "stealing" a state employee for Duke? (see attached transcript excerpt)
- 6) Why was this exchange at the Ethics Commission greeted by laughter? (see attached transcript excerpt)

“The public trust is on trial here and the public deserves no less than a thorough and exhaustive investigation.” adds John Blair, President of Valley Watch. “These new developments coupled with Duke’s concealment of their findings bring into question the legitimacy of all Commission orders pertaining to Duke Energy, not the least of which is

orders relative to the now \$3 billion Edwardsport IGCC power plant. Corruption in this State must stop immediately.”

Grant Smith, Executive Director for Citizens Action Coalition:

Steve Francis, Chairperson, Sierra Club Hoosier Chapter:

John Blair, President, Valley Watch:

Richard Hill, President, Save the Valley