

Settlement on Duke Energy's Edwardsport IGCC Cease-Fire Declared: Customer & Environmental Benefits Secured

After nearly ten years of litigation, Citizens Action Coalition recently joined a proposed settlement regarding Duke Energy's Edwardsport Integrated Gasification Combined Cycle plant (IGCC) in Knox County, IN. If approved by the Indiana Utility Regulatory Commission (IURC), the proposed settlement, which builds upon an initial settlement from September 2015, will pave the way for protections and savings for the customers of Duke Energy and bring additional economic and environmental benefits to all Hoosiers.

The initial settlement was filed in September 2015. The settling parties are:

- Indiana Office of Utility Consumer Counselor (OUCC)
- Duke Energy Indiana Industrial Group
- Nucor Steel-Indiana
- Duke Energy Indiana

The September 2015 settlement included the following:

- Duke Energy agreed to not charge customers \$85 million in operating costs accumulated since Duke controversially declared the plant "in-service" in June 2013.
- Placed cost caps on how much Duke will collect from customers for capital costs (through the end of 2018) and operational costs (through the end of 2017) for the Edwardsport coal gasification plant.



The current proposed settlement was filed at the IURC on January 15, 2016. The settling parties are:

- All of the parties to the September 2015 settlement
- CAC
- Sierra Club
- Save the Valley
- Valley Watch

In addition to terms mentioned above from the initial settlement, additional items secured by CAC and our partners in the current proposed settlement include:

- Duke agreed to not collect \$87.5 million from ratepayers in operating costs accumulated since June 2013, \$2.5 million higher than the amount agreed to in the original settlement;
- Duke agreed to retire or cease burning coal by the end of 2022 at Units 2 and 4 of the Gallagher Generation Station in Floyd County, IN. According to the Clean Air Task Force, pollution from the Gallagher coal-fired power plant contributes to 83 asthma attacks annually
- Duke shareholders will provide \$500,000 to fund small-scale solar installations for community, educational, religious, and non-profit organizations and/or low income residential customers in Duke Energy Indiana's service territory, which will create jobs, diversify our energy portfolio, and save customers and taxpayers money.
- Duke shareholders will contribute \$500,000 to the Helping Hand Fund benefiting Duke Energy Indiana's low-income customers struggling to pay their monthly bills, putting money back into the pockets of the working poor and increasing the energy and health security of our most vulnerable citizens and households
- Duke agreed to report customer related billing data regarding all residential customers and low-income residential customers on an annual basis starting in 2016. This is information that CAC believes is critical to not only understanding the effect of current Indiana energy policy on customer bills, but also to creating informed policy in the future to ensure the affordability of monthly electric bills for all Hoosiers.

If the Commission approves the settlement, the short-term protections included in the September 2015 settlement will be in place for Duke customers. In the long-term, CAC retains our right to challenge the costs and performance of the plant. We continue to maintain our belief that it will never run as promised and operating and maintenance costs will continue to skyrocket. Therefore, CAC will continue to track the costs of the plant and its actual performance – neither of which has been anywhere close to what was promised to legislators, regulators, and the public.

A History of Duke Energy's Edwardsport IGCC

Expensive, Unnecessary, and Shrouded in 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. Prior to that, they succeeded in convincing the Indiana General Assembly and the Governor to pass and sign bills to heavily subsidize the construction and operations of the plant on the backs of Duke ratepayers and Indiana taxpayers.

We aggressively contested the initial approval of the plant. We argued first that Duke didn't need the power. But even assuming they did, Duke should start with increasing investments in energy efficiency, and fill in the gaps with low-cost Indiana wind. Those empowered to make these decisions ignored the evidence and approved it anyway.

Before construction even began, costs were skyrocketing.

When the costs of the plant began escalating in the late 2000's, we recommended that Duke should change course and instead, cancel the expensive and experimental coal gasification components and immediately convert the plant to a natural-gas plant. Again, evidence was ignored and Duke was permitted to continue sinking money into the over-priced science project.

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 the former IURC General Counsel being found guilty of ethics violations and the indictment of the former Chairman 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 capped the pre "in-service" costs that Duke could recover from ratepayers at \$2.6 billion. We voiced loud opposition (and took our objections as far as we could in the courts) to that settlement, most notably to the fact that Duke ratepayers would be mandated to pay \$2.6 billion in construction costs for a plant which was riddled in corruption and malfeasance.

On June 7, 2013, Duke declared the plant "in-service" which effectively meant the end of the "cost cap" and that Duke could now seek to collect from ratepayers "post" in-service costs (operations and maintenance costs). CAC and our partners filed testimony asking the IURC to not allow Duke to collect a substantial amount of the costs related to the "in-service" declaration by Duke and we recommended the IURC establish a cap for the costs related to the future operations of the plant to protect customers from a continuation of the poor performance and unreasonably high costs.

The 2016 settlement achieves cost caps on operations and provides \$87.5 million for ratepayers in cost concessions.

As outlined on the front, the modified settlement agreed to by CAC promises to provide significant benefits and savings to the customers of Duke Energy Indiana. Additionally, we secured in the settlement the elimination of more obsolete coal-fired power, more solar investment, transparency for customer collection data, and benefits for low-income customers.

In the short-term, the customers of Duke Energy receive benefits and savings that they otherwise would not absent the settlement. In the long-term when the cost caps expire, we can continue to challenge the costs of the plant before the Indiana Utility Regulatory Commission if need be. CAC will keep a watchful eye and remain strident in our efforts to protect the customers of Duke Energy and to ensure that all Hoosiers have access to this essential human service.



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.

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

Consider Supporting Helping Hand

"Helping Hand is an assistance program available to eligible Duke Energy customers during the winter. This program, funded by Duke Energy shareholders, employees and customers lends a Helping Hand to customers who are least able to cope with winter electric bills"

Federal assistance is often not enough to keep vulnerable households connected, placing the energy security and health of these populations at risk. Additional help is desperately needed. If you're a customer of Duke, consider a contribution on your next monthly electric bill.

For more information, visit Duke's website at:
<https://www.duke-energy.com/indiana/special-assistance/helping-hand.asp>