

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

For Immediate Release

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**Consumer Groups file testimony opposing
Edwardsport IGCC settlement
Experts: \$2.595B “hard-cap” actually “firm floor”,
IGCC plant will cost ratepayers at least \$3.25B**

The coalition of consumer and environmental watchdog groups recently filed testimony at the Indiana Utility Regulatory Commission (IURC), the state agency charged with regulating the rates charged and services provided by public utilities in Indiana, opposing the proposed settlement agreement between Duke Energy, the Indiana Office of Utility Consumer Counselor (OUCC), Nucor Steel, and the Duke Energy Indiana Industrial Group regarding the now \$3.4B Edwardsport Integrated Gasification Combined-Cycle (IGCC) coal-fired power plant currently under construction in Knox County.

The proposed settlement claims to protect the captive ratepayers of Duke by placing a \$2.595B “hard cap” on the construction costs that could be passed onto ratepayers. However, the expert testimony of both David Schlissel, President of Schlissel Technical Consulting, Inc., and Ralph C. Smith, Senior Regulatory Consultant at Larkin & Associates, PLLC, provides evidence that the \$2.595B “cap” is nothing more than a “firm floor” that offers consumers little protection.

Furthermore, the proposed settlement ensures that captive ratepayers will in fact pay a minimum total of \$3.25 B for the IGCC project whether or not it in fact ever comes online. The settlement also rewards Duke Energy for its gross mismanagement and ordinary mismanagement of the project by giving the Company significantly more than the original \$1.985 billion estimate.

Mr. Schlissel states in pre-filed testimony: “The proposed Settlement Agreement offers no protection for ratepayers against the likelihood that the Edwardsport Project will not operate at or near the annual 84 percent availability (and approximate annual 82-83 percent capacity factors) that the Company has claimed since 2007 that it would achieve.”

“Ratepayers also could be required to pay costs incurred to fix problems identified after the Edwardsport Project is declared ‘in-service’ that are due to the [Duke’s] gross management or mismanagement of design, engineering, construction and/or start-up or commissioning or to the mismanagement of its contractors or subcontractors during the Project.” Those problems are limited to only those not identified during start-up and testing, but as a result of the provisions in the proposed settlement, all of those costs would be borne by captive ratepayers, plus as much as \$655 million in financing costs that are beyond the so-called “hard cap” of \$2.595B.

Mr. Smith's testimony discusses the fact that the \$2.595B is not all that customers will indeed pay to complete the construction of the project should the terms in the proposed settlement be accepted by the IURC, given that Construction Work in Progress (CWIP) finance related costs that Duke already collected from ratepayers is not included in the settlement, nor are future CWIP finance related charges.

"Thus, the total amount of CWIP-relating financing charges which would be collected from customers by April 1, 2014, if the Settlement Agreement is approved, would exceed \$655 million. This amount of CWIP-relating financing charges would appear to be over and above the Settlement's "Hard Cap" amount of \$2.595 billion." states Mr. Smith in testimony filed at the IURC on June 29, 2012.

Additional testimony was also filed at the IURC by Nachy Kanfer, Deputy Director for the Central Region of the Sierra Club Beyond Coal to Clean Energy Campaign. Mr. Kanfer points out the failure of Duke Energy to propose any plan to mitigate carbon emissions.

Mr. Kanfer explains, "I am offering my testimony to explain why the Sierra Club strongly believes that the Commission should reject or modify this settlement because it does not provide for CO₂ mitigation despite the massive CO₂ emissions that the Edwardsport IGCC facility will produce for at least 30 years."

"Notably, carbon risk mitigation was among Duke's cited reasons for proposing to construct the Edwardsport facility in the first place. Despite that fact, Duke has now constructed a facility that will – without dispute – emit huge new volumes of carbon pollution," concluded Mr. Kanfer.

Kerwin Olson, Executive Director of CAC, filed testimony critical of the IURC and their failure to address the corruption of the regulatory process by Duke Energy. Additionally, Mr. Olson points to the hypocrisy of the IURC, which cited the highly concealed ethics scandal in their decisions to dismiss the Duke Energy Smart Grid case and reverse their decision in another case that Duke Energy was seeking ratepayer money to pay for damage caused by a major ice storm, but continually has refused to allow the subject matter of the ethics scandal into the Edwardsport IGCC case.

"It is incomprehensible to me how the Commission can continue their refusal to allow an investigation into improper communications, undue influence, conflicts of interest or other misconduct when it relates to a \$3.3B IGCC project, but dismiss a \$22M case and reverse an \$11.9M case citing the ethics scandal as a primary justification," stated Mr. Olson.

Hearings on the proposed settlement are scheduled to begin on July 16, 2012.

Copies of testimony and exhibits available upon request.
