

# DIRTY DUKE'S RATE CASE

*WHAT YOU NEED TO KNOW*

May 16, 2024

 **CITIZENS ACTION COALITION**  
turning on citizen power [www.citact.org](http://www.citact.org)

# AGENDA

- Introduction
- Background
- Rate Case Overview
- Opportunities to Get Involved
- Q & A

*Note: These slides will be posted to CAC's website after tonight's webinar*

# INTRODUCTIONS

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# CITIZENS ACTION COALITION

- CAC is Indiana's oldest and largest consumer and environmental advocacy organization.
- Since our inception in 1974, we've helped to save Hoosiers **billions** in excess utility charges.
- CAC advocates on behalf of Hoosiers on issues regarding energy policy, utility reform, health care, pollution prevention, and family farms.

*Grassroots organizing*



*Legislative advocacy*



*Regulatory advocacy*



# BACKGROUND

# DUKE IN INDIANA

- **Duke is the most sophisticated and influential utility in Indiana**
  - Has been successful in getting special laws passed and favorable regulatory decisions – but has lost in the courts in several coal ash cases
  - “Cash cow” for its North Carolina parent company and Singapore sovereign wealth fund (19.9% ownership)
- **Duke is the biggest laggard in Indiana in the energy transition**
  - Coal dependent; huge CO2 emissions
  - Massive coal ash costs and grid-related spending has been further undermining affordability
- **CAC has been helping mobilize Hoosiers to fight back**
  - Lead campaigns opposing boondoggles like Edwardsport
  - Demand clean closure of polluting coal ash and transition to clean energy and energy efficiency
  - Legislative and regulatory advocacy on affordability
  - Organize Hoosiers and coordinate with state and national organizations

# DUKE'S EDWARDSPORT BOONDOGGLE

- **Integrated Gasification Combined Cycle Plant**
  - 2013 commercial operation
  - Operates by either burning natural gas or synthetic gas, which is made by gasifying coal
  - Expensive, unreliable operations
  - Led to major ethics / corruption scandal at IURC and Duke
  - CAC helped secure key victories forcing Duke shareholders to pay some of costs



Source: <https://www.duke-energy.com/our-company/about-us/power-plants/edwardsport>

# DUKE'S ELECTRICITY MIX

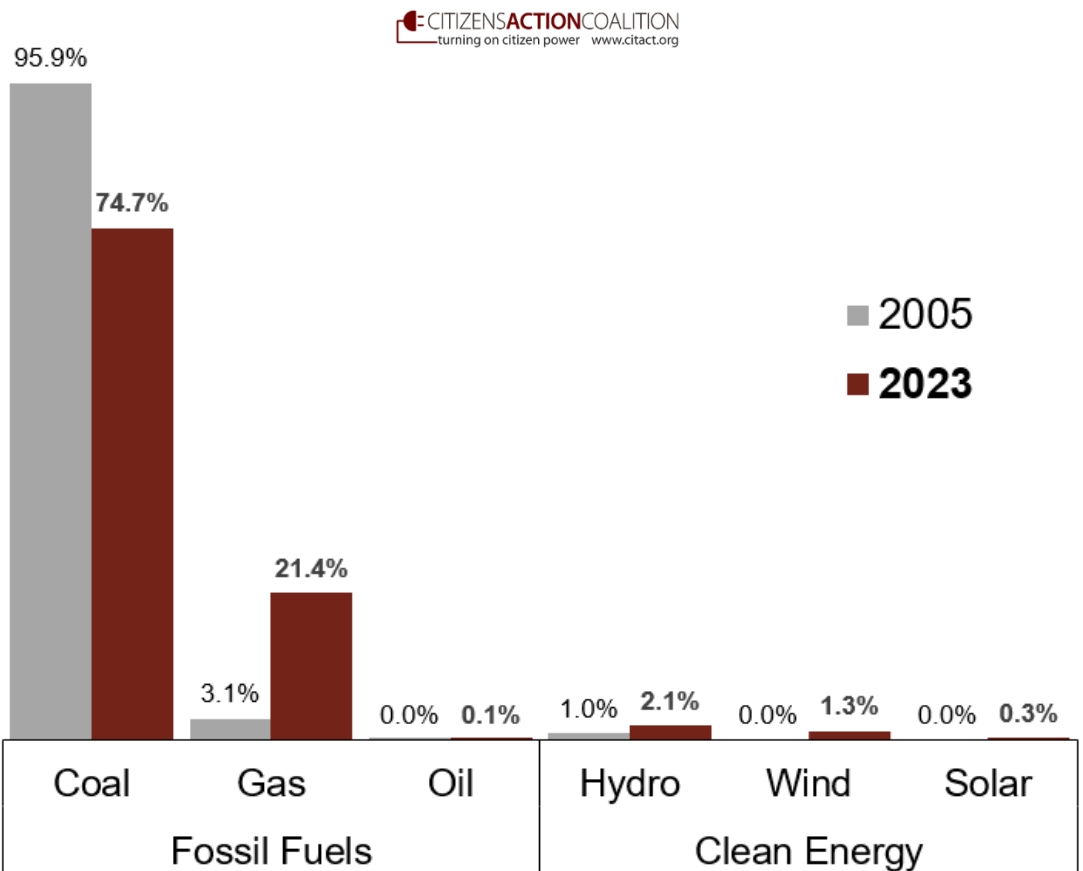
## ■ Fossil Fuels

- 75% coal
- 21% natural gas

## ■ Renewable and Distributed Energy

- Very little investment in clean energy
- Duke helped kill the popular solar net metering policy in 2022 and replaced it with a **much lower rate**

Duke Energy Indiana's Electricity Mix  
(Percentage of Total MWh)





# DUKE'S CLIMATE POLLUTION

## ■ Duke's coal plants

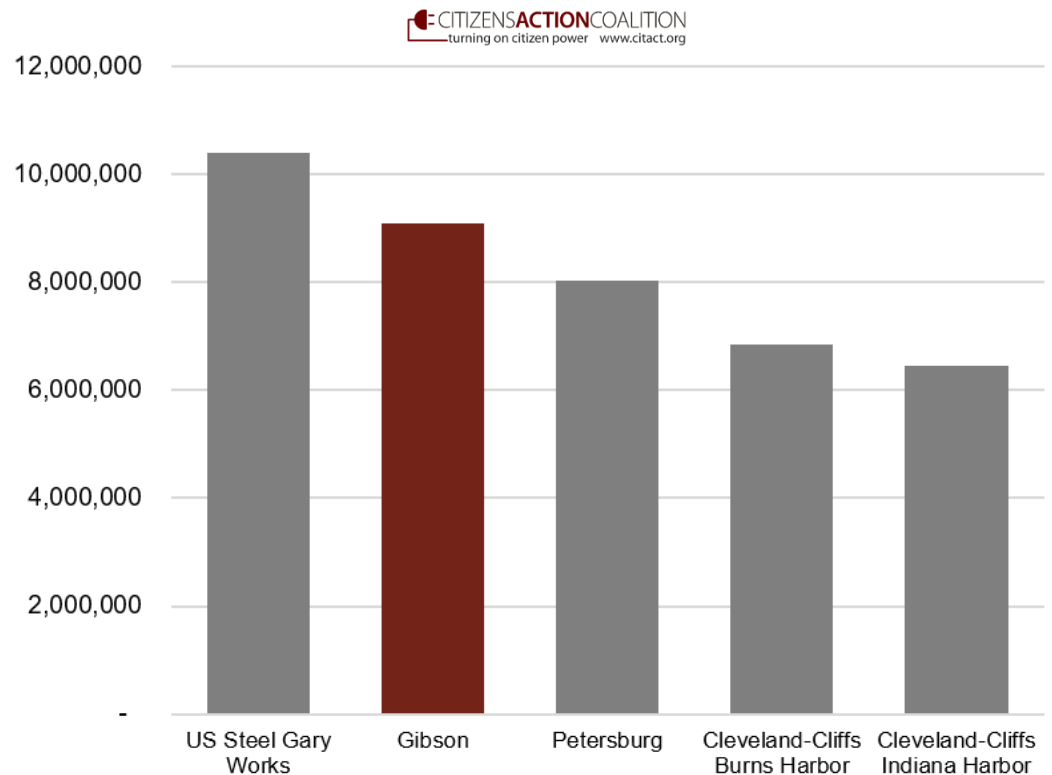
- Gibson
- Cayuga
- Edwardsport IGCC

## ■ Gibson is the second-largest GHG emitting facility in Indiana

## ■ Side note: 3 steel mills are among the top 5 polluters!

- CAC's campaign on industrial decarbonization includes sustainable steel focus

Top 5 Climate-Polluting Facilities in Indiana  
(2022 Metric Tons CO<sub>2</sub>e)



Source: US EPA, Greenhouse Gas Reporting Program (GHGRP), State and Tribal Factsheet

# RATE CASE OVERVIEW

# RATE CASE BASICS

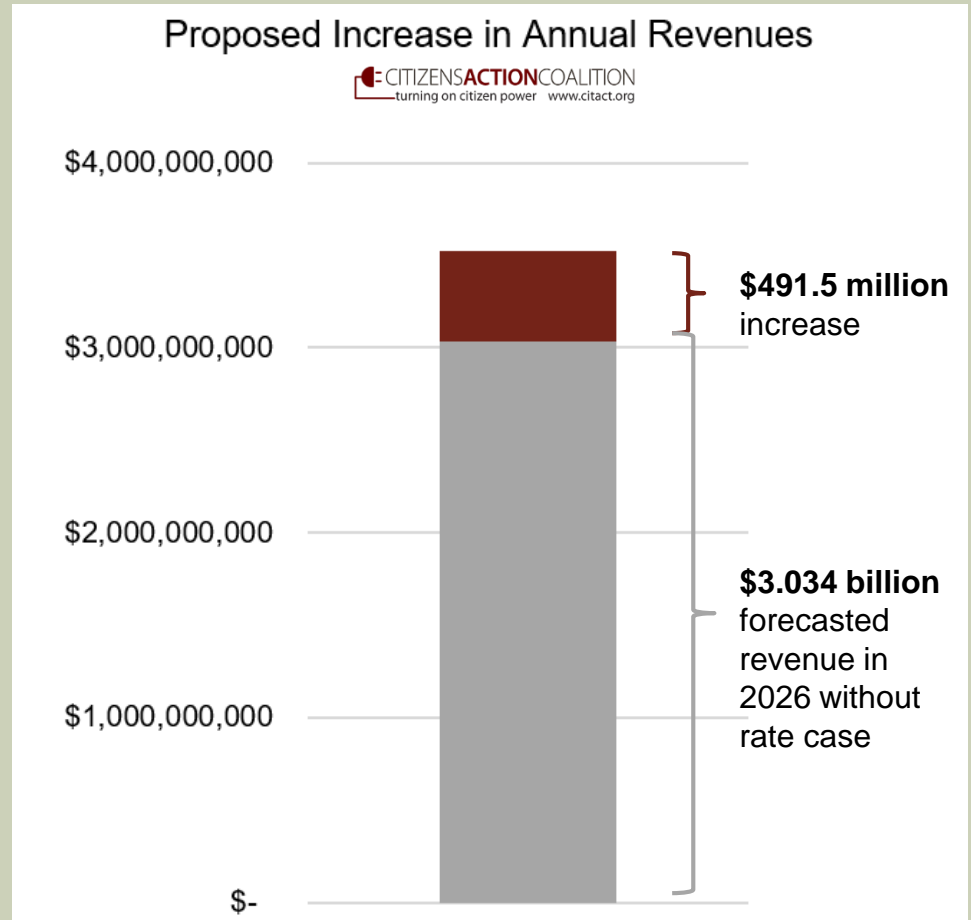
- The **Indiana Utility Regulatory Commission (IURC)** oversees utilities, including Duke Energy Indiana
  - Duke must get IURC approval to change its rates because it is a regulated monopoly under state law
- Duke proposed a **\$42/month bill increase** in its April 2024 rate case filing (IURC Cause No. [46038](#))
- 2-Step Rate Increase:
  - (1) March 2025
  - (2) January 2026
- **This presentation summarizes key proposals by Duke.** A final IURC decision is not expected until early 2025.



Aerial photo showing two coal ash landfills at the Cayuga power plant. Source: CN 46038, Attachment 19-B (TSH)

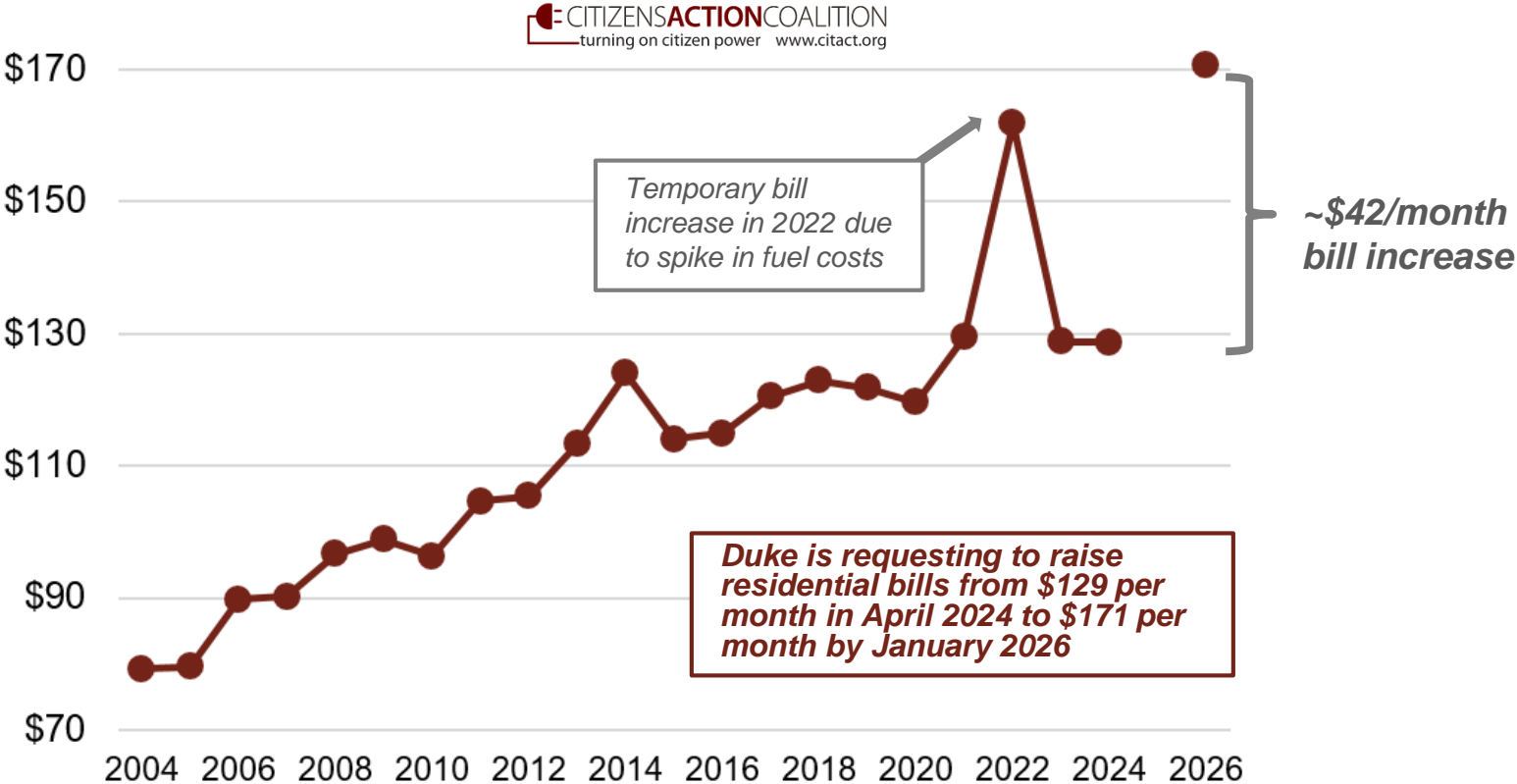
# REVENUE REQUIREMENT

- **Total amount that Duke's rates are designed to collect from ratepayers each year:**
  - **\$491.5 million increase (16.20%)** in annual revenue requirement by early 2026
  - Proposal would allow Duke to charge Hoosiers **\$3.5 billion total per year**



# RESIDENTIAL BILL INCREASE


Bill for Duke Energy Indiana Residential Customer  
(1,000 kWh per Month)



Sources: IURC Residential Electric Bill Survey; Cause No. 46038; DEI tariffs as of April 6, 2024

# RESIDENTIAL RATES

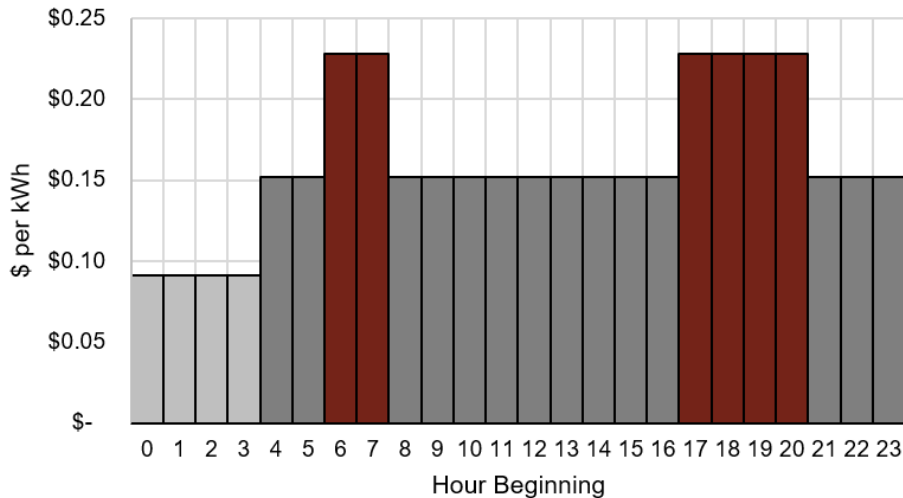
- **Monthly fixed charge increase (+30%)**
- **Declining block rates increase (+33%)**
  - The first 300 kWh you use each month has a higher price per kWh than the next 700 kWh you use, which has a higher price per kWh than usage above that
- **Continued use of various rate trackers (not shown here)**

 Description	Current Base Rates (April 2024)	Proposed Base Rates (January 2026)	Change
Customer Facilities Charge (per month)	\$10.54	\$13.70	<b>+30%</b>
Energy Charges			
<i>First 300 kWh</i>	14.9 cents / kWh	19.8 cents / kWh	<b>+33%</b>
<i>Next 700 kWh</i>	10.8 cents / kWh	14.4 cents / kWh	<b>+33%</b>
<i>Over 1,000 kWh</i>	9.8 cents / kWh	13.0 cents / kWh	<b>+33%</b>

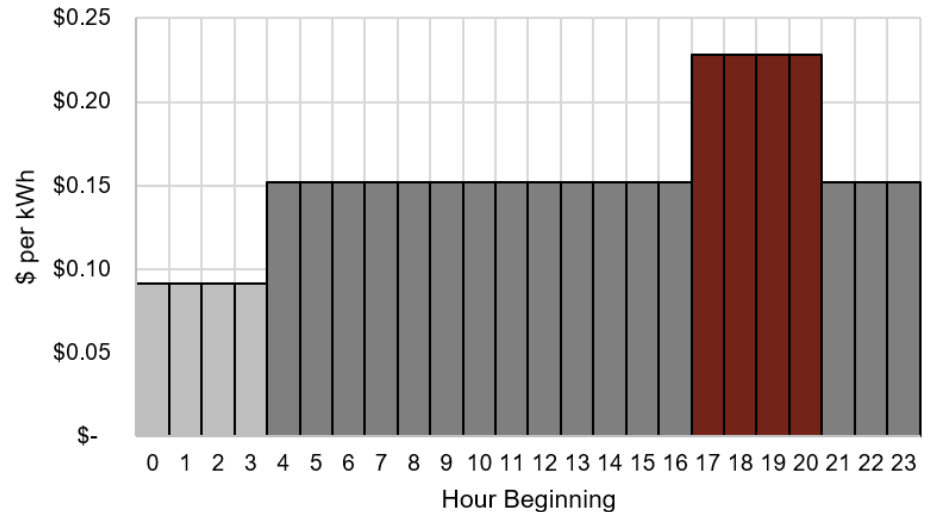
# NEW OPTIONAL RESIDENTIAL TIME-VARYING RATE

- Same fixed charge proposal as standard residential rates (\$13.70 per month)
- Energy charge (\$ per kWh) would vary by the *time of day*, and by the *season of the year* (Winter, Summer), when the energy is consumed
  - Highest charges (22.8 cents per kWh) are 5-9pm (all year) and 6-8am (Winter only)
  - Lowest charges (9.12 cents per kWh) are midnight through 4am (all year)

Winter Rates  
Early November - Mid-March



Summer Rates  
Mid-March - Early November



# DUKE'S BAD BETS ON COAL



## ■ Cayuga Generating Station

- Units: 2
- Began operating: 1970-1972
- Size: 995 MW
- Generation (2023): 4.3 million MWh



## ■ Edwardsport Generating Station

- Units: 1
- Began operating: 2013
- Size: 555 MW
- Generation (2023): 3.3 million MWh



## ■ Gibson Generating Station

- Units: 5
- Began operating: 1976-1982
- Size: 3,132 MW
- Generation (2023): 8.0 million MWh

## Coal investments that Duke still wants to recover from ratepayers (Net Book Value):

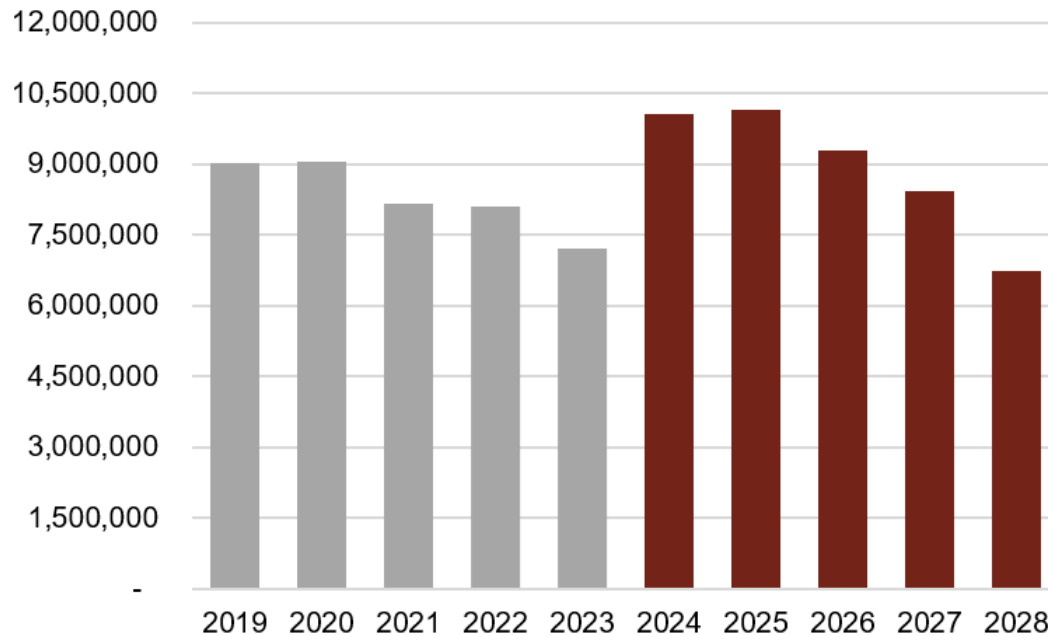
- Cayuga: **\$0.5 billion**
- Edwardsport: **\$1.8 billion**
- Gibson: **\$1.7 billion**



# MORE COAL → HIGHER BILLS

## DEI Coal Burns (Tons)

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*Figure:* After years of steady decline, Duke is now planning to **increase coal-fired generation by roughly 40% in 2024!**

- Duke plans to burn a lot more coal in 2024-2025
  - Duke entered into **bad long-term coal supply contracts** in 2021-2022
- Duke wants to earn an extra profit when its coal piles get too big
  - Duke earns a profit on 45 days of coal inventory
  - Requesting permission to **raise bills when it buys too much coal**, so it can earn a profit on coal piles that are more than 45 days
- Duke is proposing to delay coal plant retirements
  - Gibson Units 3&4: 2029 → 2031
  - Gibson Unit 5: 2026 → 2030
  - Cayuga Unit 2: 2028 → 2029

# COAL ASH: YOU PAY FOR DUKE'S MESS



Photo: Dan River coal ash spill in North Carolina. Credit: US EPA.

- **Massive coal ash costs added to rates**
  - **\$223.5 million** in coal ash cleanup costs included in depreciation rates
    - Including \$92 million in costs *previously disallowed* by Indiana Court of Appeals
  - **\$327 million** in other coal ash costs cleanup costs were recently approved in separate IURC case
  - Millions more in closure costs previously approved
  - **Even *more* coal ash costs expected in the future!**

# CARBON CAPTURE & SEQUESTRATION (CCS) STUDY AT EDWARDSPORT



*Photo: John Blair; from “THE EDWARDSPORT IGCC PLANT: A monument to cost overruns, concealment, mismanagement and malfeasance”*

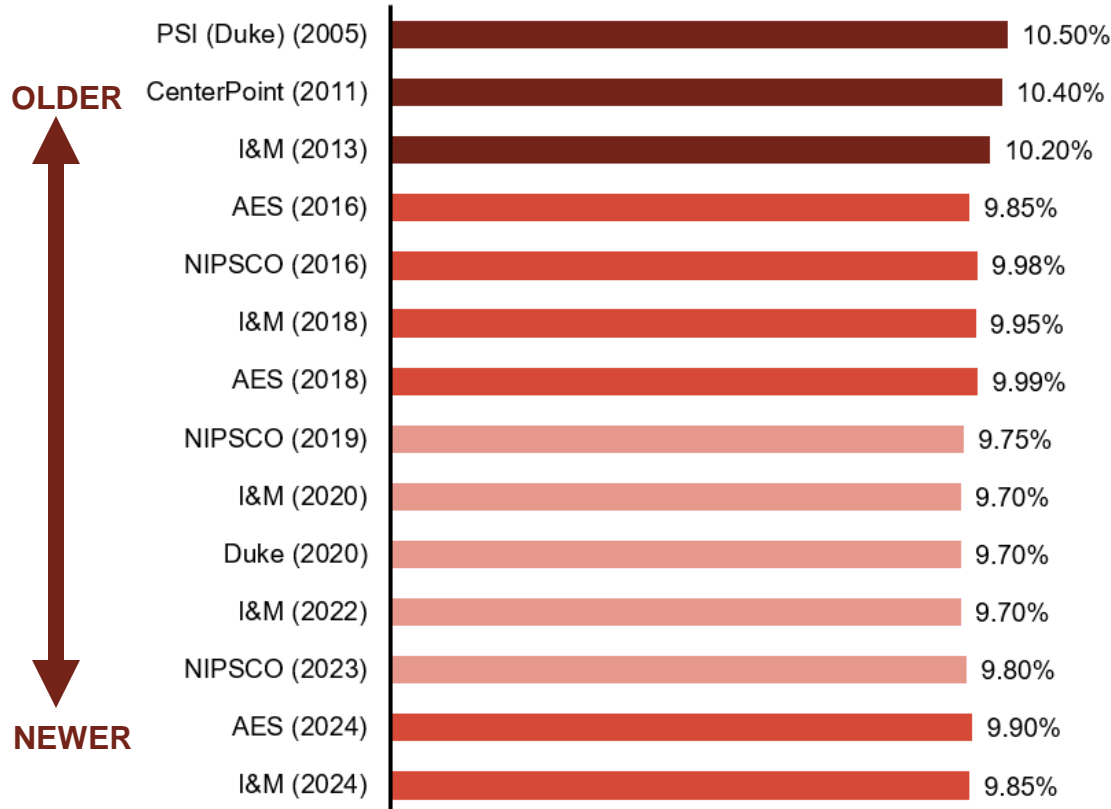
## ■ CCS FEED Study

- Post-combustion capture of up to 3.6 million tons per year of CO<sub>2</sub>
- Injection onsite into Potosi Dolomite
- \$8.9 million in study costs would be recovered from ratepayers in a *future* case
- CCS would be extremely expensive, risky, energy-intensive and environmentally unsound – **ratepayers should not have to pay for this pointless study!**

# RETURN ON EQUITY (ROE)

Indiana Electric IOU Authorized ROEs  
By year of rate case decision, older to most recent

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- Duke is proposing to increase its profit margin for its investors, or ROE, from **9.7% to 10.5%**—the most expensive of any investor-owned electric utility in Indiana.
- Seemingly small ROE changes have a very big impact on your rates:

ROE	Annual Revenue Increase Needed
9.0%	\$382.9 million
9.7% (current)	\$433.0 million
<b>10.5% (proposed)</b>	<b>\$491.5 million</b>

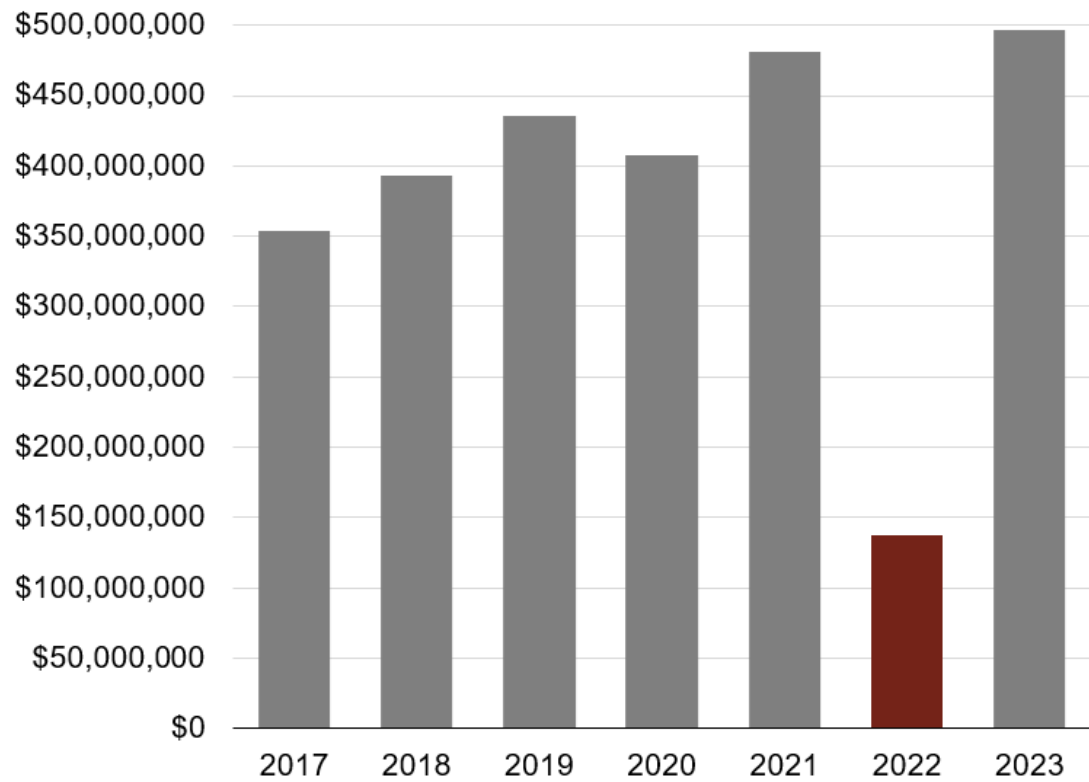
# DUKE ENERGY INDIANA'S PROFIT

## ■ Net Income (Profit)

- Fell to \$137 million in 2022
  - Big factor: coal ash costs that Indiana courts ruled could not be collected from ratepayers
- Rebounded to **\$497 million in 2023**
- 2017-2023: \$2.7 billion

Duke Energy Indiana's Net Income

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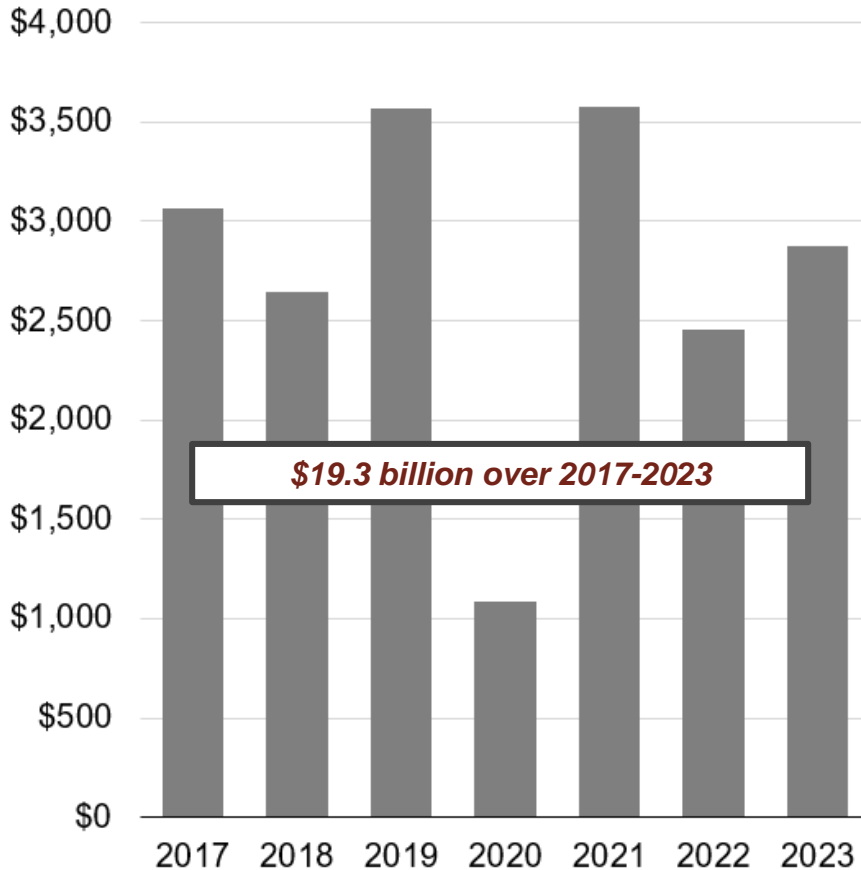


Source: Duke Energy Annual Reports

# DUKE ENERGY CORPORATION'S PROFIT

## Net Income (in millions)

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Source: Duke Energy Annual Reports

## Earnings per Share (Adjusted)

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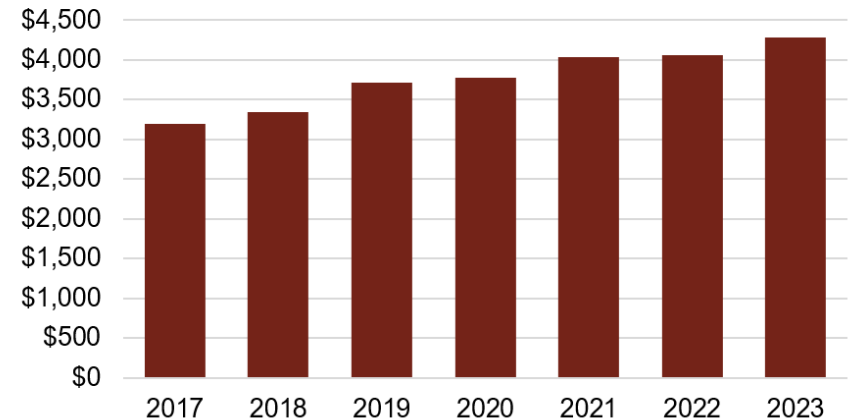


*This is the 98th consecutive year that Duke Energy has paid a quarterly cash dividend on its common stock.*

2017 2018 2019 2020 2021 2022 2023

## Earnings (Adjusted, in millions)

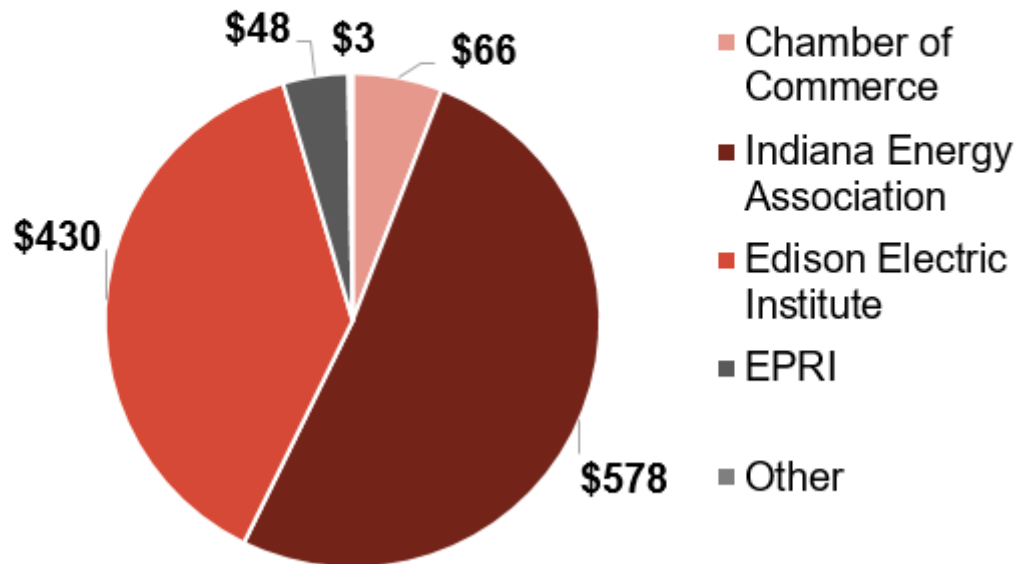
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# LOBBYING AND TRADE ASSOCIATIONS

## 2025 Trade Association Dues (Thousands of Dollars)

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Source: Duke Energy Indiana, MSFRs Part 2, 1-5-8(a)(23) Att. 1

- **Duke’s policy advocacy is often paid for by ratepayers—even when the policies it advocates for are bad for ratepayers (and good for shareholders)**
  - Duke only excludes from rates a small portion of its total costs related to activities aimed at influencing policymakers that meet a narrow legal definition of “lobbying.”
  - **\$1.1 million per year** in trade association dues is an example of ratepayers being forced to fund Duke’s policy advocacy.
  - **Many other influence activities** – litigation costs, lawyers and experts in regulatory cases, regulatory and legislative “education,” public relations, etc. – **are also included in your rates!**

# OTHER CONCERNS

- **Families are being forced to subsidize wealthy industrial customers**
  - Families forced to pay for coal ash clean up costs associated with coal ash that was created to power large industrial customers, not residential homes.
  - Families forced to pay for unfairly large portion of Duke's investments in power plants, subsidizing industrial customer rates
- **Duke is charging you millions for this rate case!**
  - \$2.5 million total, including:
    - \$1.2 million for lawyers to argue for higher rates
    - \$75,000 for Duke's outside expert arguing for a higher ROE
    - \$150,000 for "Witness Training Consultants"
- **Duke wants to make you pay for phantom "Lost Revenues"**
  - \$16.3 million in lost revenues Duke estimates it will incur from ratepayers saving money by switching to optional time-of-use rates
- **Duke wants you to chip in to pay for its private aircraft**
  - \$1.9 million per year in private aircraft costs



# DUKE'S EXECUTIVE COMPENSATION



## ■ Lynn Good (President and CEO)

- \$20.6 million in total 2023 compensation
- Owns \$48.6 million in Duke stock

## ■ Brian Savory (CFO)

- \$3.5 million in total 2023 compensation
- Owns \$2.6 million in Duke stock

## ■ Steven Young (CCO)

- \$3.7 million in total 2023 compensation
- Owns \$13.0 million in Duke stock

## ■ Julia Janson (CEO, DE Carolinas)

- \$4.4 million in total 2023 compensation
- Owns \$5.8 million in Duke stock

## ■ Kodwo Ghartey-Tagoe (CLO)

- \$3.8 million in total 2023 compensation
- Owns \$2.7 million in Duke stock

## ■ Dhiaa Jamil (COO)

- \$4.3 million in total 2023 compensation
- Owns \$5.5 million in Duke stock

# PROGRAMS TO BENEFIT CUSTOMERS

Program type	Duke offering?
<b>Affordability / Protections for Low Income Households</b>	
Discounted rate	No
Year-round shutoff protection	No
Reduced security deposit	Yes
<b>Access to Clean Energy Solutions</b>	
Community solar	No
Solar net metering	No
Battery incentive	No
EV home charging rate	No
Green tariff	Proposed
Energy efficiency incentives	Yes

# HOW YOU CAN TAKE ACTION

# RATE CASE: GET INVOLVED!

- **Attend the public field hearings**
  - June / July? Timing TBD.
- **Submit written comments**
  - Due July 5 to Office of Utility Consumer Counselor
- **Spread the word in your community**
  
- **Visit CAC's webpage to learn more**
  - One click to submit written comments
  - Sign up for emails and texts
  - More rate case information and updates:
    - <https://www.citact.org/duke-rate-hike-2024>

# PUBLIC FIELD HEARINGS



# PUBLIC HEARINGS – WHAT TO SAY

- **This is your opportunity to tell the Commission what you think about Duke's rate increase proposal**
  - **Share your story.** It is important for Commissioners to hear how this rate increase impacts people like you and your communities and why Duke should not get a coal bailout!
  - **You can read written comments aloud.** Consider writing down your comments in advance and reading them aloud so you don't forget anything important and you stick to your key points.
  - **Be polite, concise, and stick to your key points.** We want to convince regulators to our point of view – not make them defensive.

# RATE CASE TIMELINE

Date	Description
April 4, 2024	Duke filing
<b>June 2024 (dates TBD)</b>	<b>Public field hearings – <u><i>your opportunity to speak directly to the IURC!</i></u></b>
<b>July 5, 2024</b>	<b>Public written comments due to OUCC</b>
July 11, 2024	CAC and other intervenors file testimony
August 8, 2024	Responding testimony by Duke, CAC & other intervenors
August 29-September 26, 2024	Evidentiary hearing— <i>similar to a trial, where expert witnesses are cross-examined by lawyers and evidence is submitted into the official record</i>
October 2024	Legal briefs and proposed orders
February 2025	IURC Order
<b>March 2025</b>	<b>Step 1 rate increase takes effect</b>
<b>January 2026</b>	<b>Step 2 rate increase takes effect</b>

# Q&A



# QUESTIONS & ANSWERS

- Please use the Zoom Q&A feature at the bottom of your screen to type your question.
- For more information, scan the QR code to visit CAC's webpage on this case: [citact.org/duke-rate-hike-2024](https://citact.org/duke-rate-hike-2024)
  - Find out about upcoming public field hearing dates and times when they are announced by the IURC
  - Download a copy of this presentation and find additional resources
  - Submit official written comments easily and quickly through “one click” action
  - Sign up for emails and texts to stay in the loop on this and other important cases

