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Duke Edwardsport Plant (Still) Overpaying and Underperforming

Enough is Enough, End the "Economic Catastrophe"

INDIANAPOLIS— Since June 2013, when the Edwardsport IGCC power plant in Knox County, Indiana, was declared "in-service", by Duke Energy, its captive ratepayers have doled out nearly $1.8 billion to pay for the inconsistent and unreliable operations of the plant. According to expert testimony filed on Tuesday by the Citizens Action Coalition (CAC) before the Indiana Utility Regulatory Commission (IURC), this represents $1.4 billion more than ratepayers would have paid for electricity on the wholesale market, a huge subsidy to the monopoly utility Duke Energy and a massive economic loss for captive ratepayers.

The testimony was filed on behalf of CAC by David A. Schlissel, President of Schlissel Technical Consulting and Director of Resource Planning Analysis for The Institute for Energy Economics and Financial Analysis (IEEFA). "Building and operating Edwardsport has been an economic catastrophe for Duke's ratepayers. And Edwardsport will continue to be a catastrophe for ratepayers unless the IURC takes strong and effective actions to protect them," stated Mr. Schlissel.

Duke recovers costs for the Edwardsport IGCC plant on customer's monthly bills through an adjustable rate mechanism or "tracker" called Rider 61 or the "IGCC Generating Facility Revenue Adjustment". Currently a household using 1000 kWh per month is paying $14.81 every month, which does not include any fuel charges attributable to the IGCC project.

"While it is able to use natural gas as a fuel source, the fact remains that Edwardsport was sold to the IURC and the State of Indiana as an Integrated *Gasification* Combined Cycle plant that would burn gasified coal, also known as syngas," stated Kerwin Olson, Executive Director of CAC. **"This coal-to-synthetic gas part of the plant is a Rube Goldberg Machine, funded by unwilling ratepayers forced to pay excessive and unreasonable utility rates. When is enough, enough?"**

The plant's performance has been nowhere near what Duke Energy promised to regulators and the State of Indiana. During its first 55 months of operations, the plant lost a significant portion of its generation due to gasifier equipment problems, resulting in an extremely poor 40% capacity factor on syngas, far below the 79% average projected by Duke. In 2017, the plant's capacity factor on syngas only slightly improved to just 60%, again far below the 79% Duke promised.

"By any reasonable measure such as heat rate, capacity factor, equivalent forced outage rate and availability on syngas, Edwardsport's operating performance to date has been significantly worse than the Company repeatedly told the IURC it would be," said Mr. Schlissel.

When operating on syngas, the plant itself consumed 28% of the energy it generated. This "parasitic load" is used to run the equipment within the power plant, instead of being put onto the electric grid for use by customers. This is ten times higher than the average gas plant and three to four times higher than the average coal plant.

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While Duke promised the plant would realize "high efficiency" and turn "fuel into energy at a lower cost" than other power plants, the data shows otherwise. The efficiency of a power plant is measured by its heat rate. The higher the heat rate, the more fuel the plant will burn to generate electricity. Despite Duke's promised heat rate of 9,313 BTU/kWh, Mr. Schlissel found it has been nearly 12,000 BTU/kWh, or 29% higher than Duke promised. This heat rate is 16% higher than the typical coal plant and 64% higher than the typical gas plant.

CAC and its expert Mr. Schlissel are recommending the IURC:

1) Use the authority granted to them by the state legislature to modify or revoke the approval of the plant because this so-called "clean coal" technology does not serve the public convenience and necessity; OR,
2) Require Duke Energy to file a rate case to determine how much of the investment in Edwardsport is actually "used and useful"; OR,
3) Initiate a special proceeding to consider options that would ensure that the fully embedded cost of the electricity from Edwardsport is comparable to the cost of alternative sources such as the wholesale markets and/or elsewhere on the Company's system.

Additionally, CAC and Mr. Schlissel recommend that the IURC:

1) Remove any incentives previously awarded Duke Energy as it continues to miss milestones and break performance promises; AND,
2) Cap the amount Duke Energy can charge ratepayers at a level equivalent to the average operating expenses at Duke's existing Indiana coal plants and the five gas plants Duke has added to their national system during the construction period of Edwardsport, until such time that the IURC can modify or revoke approval of the plant, issue a rate case order to determine if Edwardsport is actually "used and useful", or issue an order in a special proceeding.

The testimony filed on behalf of CAC is available upon request.

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