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Turning On Citizen Power

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Edwardsport IGCC Settlement BAD for Ratepayers!
Tell the IURC to say NO! Ask the OUCC Why?

A recently filed settlement agreement with the Indiana Utility Regulatory Commission (IURC) between Duke Energy and the Office of Utility Consumer Counselor (OUCC) pertaining to the cost of the Edwardsport IGCC power plant is a bad deal for ratepayers. It does not protect ratepayers or provide “strict customer safeguards.”

First and foremost, the settlement ignores Duke’s own finding that the cheapest option is to cancel the plant.

A Brief History of Edwardsport IGCC cost:

- **Under Indiana law, once the IURC approves a cost estimate for a project like the Edwardsport plant, the utility can charge customers up to that amount even if the plant is never completed!**
- **The initial estimate for the project that Duke Energy provided to the General Assembly and the Public was $1.2 Billion.**
- **Duke increased its estimate to $1.985 Billion (a 65% increase from the original estimate) when it sought regulatory approval from the IURC in November 2007. The IURC approved that cost.**
- **Duke again increased its cost estimate $2.35 Billion (a 96% increase from the original estimate) in May 2008, and the IURC approved in January 2009.**
- **Duke is now seeking approval for another increase in the projects cost estimate— $2.88 Billion (a 140% increase from the original estimate). The OUCC originally opposed that increase.**
- **The new price agreed to by the OUCC in the settlement is $2.975 Billion (a 148% increase from the original estimate).**

What the settlement claims to give customers:

1. A “hard cap” at $2.975 billion, or $95 million more than the current cost estimate.
2. A reduced return on a portion of the plant’s costs or a 1.5% reduction in the allowed profit on the plant above $2.35 billion for the life of the plant.
3. Updated depreciation rates which are expected to save customers approximately $35 million per year for customers while in effect. Duke may propose new depreciation rates in next rate case in 2012.
4. Duke Energy will not file a base rate case before March 1, 2012. Duke will continue to increase rates through “trackers” for Construction Work in Progress (CWIP), fuel, power purchases, and other costs.

Why the settlement is a BAD deal for ratepayers:

1. **Duke admits that the cheapest option is to cancel the plant. So there is no reason for a settlement to continue construction in the first place.**
2. **Ratepayers are being forced to pay for Duke's mistakes. For example, Duke under-ordered key components, ordered the wrong steel, and has been reengineering key components.**
3. **The plant is even more costly and not needed than ever before. Duke says its electric demand is low and may not rebound until 2014 or 2015.**
4. **The settlement does not provide a "hard-cap" on the cost of the project as the settlement claims but still allows Duke to increase capital costs above their latest estimates.**
5. **The so-called "hard-cap" fails to include future environmental compliance costs, costs associated with governmental action, costs outside of Duke's control, or "acts of God". Again, this allows Duke to raise costs above the so called "cap". Carbon compliance costs alone could cost additional billions of dollars.**
6. **Limits prudency review of costs to only those above $2.75 billion, which is even higher than the estimate previously approved by the Commission.**
7. **Duke's acceptance of a "reduced" profit is limited to only costs above the already approved $2.35B cost estimate.**
8. **The self-imposed rate case moratorium until 2012 does nothing to protect consumers. Duke would be filing a rate case in 2012, when the plant is scheduled to come online, with or without the moratorium.**
9. **Proposed changes to depreciation and capital are short-lived as they can be lost in the next rate case in 2012.**

Take Action Now!!

Write the OUCC and ask:

1. Why did you agree to a settlement that gives Duke more than what they are currently asking for?
2. Why are you not calling for cancellation of the plant when Duke's own testimony shows that cancelling the plant is the cheapest option for ratepayers?
3. Why should ratepayers pay for Duke's mistakes?

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Please reference cause # 43114 IGCC-4S

The Indiana Utility Regulatory Commission is charged to equally protect the interests of the ratepayer and the utility. Approving this settlement is NOT in the interest of the ratepayer.

Write Chairman Jim Atterholt and demand that he:

1. Reject the settlement in its entirety.
2. Immediately halt construction of the plant.
3. Review the necessity of the plant. Duke Energy's sales in 2008 showed a 5.9% drop from the year earlier, including a 9% drop among residential customers (WSJ 11/21/08). Add the availability of cheaper, cleaner alternatives such as energy efficiency and wind, to the steady decline in energy demand, and the necessity of this plant is in question.

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