

Duke Energy's Edwardsport IGCC Power Plant: Fraud, Concealment & Gross Mismanagement

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. From the beginning, the plant has been shrouded in controversy with the price tag soaring to \$3.55 billion.

Fraud: The Duke and IURC Ethics Scandal

The approval of this problem-plagued power plant is even more questionable with the blatant ethics scandal between Duke and the IURC that was exposed in 2010. IURC General Counsel Scott Storms was found guilty of ethics violations after it was revealed that he was negotiating for employment with Duke Energy *while* hearing and issuing orders on Duke Energy cases. Gov. Daniels fired IURC Chairman David Lott Hardy for his inappropriate behavior and involvement in the matter. Hardy was indicted on multiple felony counts of official misconduct. Unfortunately, because of a loophole in Indiana law specifically created for Hardy in 2012, his charges were dismissed. Both Storms and Hardy were key to the IURC's approval of the plant in 2007.



In December 2012, the Commission approved a Settlement agreement between Duke Energy, the Indiana Industrial Group, and the Indiana Office of Utility Consumer Counselor (OUCC) that effectively sweeps the ethics scandal under the rug and forces ratepayers to pay the price for an illegitimate power plant that never should have been approved in the first place!

Concealment: Duke Is NOT Telling the Whole Story

For more than seven years now, Duke and the Indiana Utility Regulatory Commission have conveniently left out information that they prefer the public not be told, as perhaps the truth is too embarrassing. It's once again time to set the record straight and fill in the blanks.

As of June 7, 2013, Duke declared the plant "in-service." The term "in-service" leaves the impression that the Edwardsport plant is up and running at full capacity. In reality, to declare the plant "in-service," Duke only had to turn the plant on long enough to put a few kilowatts of electricity onto the grid. The plant has not yet run at full capacity, and there are still questions as to whether it will *ever* run at full capacity.

To date, Duke customers have already seen a 9% increase on their electric bills. Duke, along with the IURC, continues to perpetuate the myth that the plant will end up resulting in just a 14.5% rate increase. The reality is that the 14.5% merely represents the approximately \$665 million in construction-work-in-progress charges (CWIP), a tracker or extra fee tacked onto the bill of captive Duke ratepayers. Unfortunately, this is just the tip of the iceberg. Additional financing costs of at least \$320 million and the actual construction costs currently "capped" at \$2.595 billion are not included in the 14.5% rate increase claimed by Duke and the IURC ... it will be much more than that.

Duke is already collecting approximately \$30 million per month from ratepayers just for financing costs. In fact, Duke ratepayers will pay more just for the financing charges for the Edwardsport fiasco than Indianapolis Power & Light is seeking in total for its proposed natural gas plant in Morgan County, a plant that will produce approximately the same amount of power.

Cost Cap Is Really a Firm Floor

Duke claims its construction costs are capped at \$2.595 billion, but that isn't accurate. Duke declared the plant "in-service" on June 7, 2013, which effectively marks the end of this so-called "cost cap" from the Settlement. From this date forward, ratepayers can potentially be stuck with every dollar that Duke spends on the plant, and there remains a lengthy "punch-list" of items that are yet to be completed. So, the Settlement, widely touted as having strong consumer protections, effectively exposes consumers to the likelihood of significant costs *in excess* of the cap.

Gross Mismanagement: Duke Doesn't Know What They're Doing

The IURC has declined to protect consumers by refusing to place any operational or performance requirements on the Edwardsport plant. The IGCC plant was originally supposed to be operational by Summer 2011. However, it has been fraught with technical problems which were the result of human errors, equipment failures, or combinations of the two, causing multiple delays and increasing the amount that ratepayers are forced to pay for the plant. Duke blames GE and Bechtel, the companies they contracted with to design and help build the plant. The three companies are now in legal arbitration but even if Duke wins the \$650+ million they're asking for, that money will go to shareholders ... Duke ratepayers will not see a dime.

This plant is the first of its kind, never built or operated at this scale anywhere in the world. If it operates at less than the 85% capacity factor that Duke claims it will achieve, or even if it NEVER works, Duke ratepayers are stuck with the bill, no questions asked. As long as the plant runs for even a minute, Duke customers will have to pay the full amount for it.

With Duke already collecting more than \$30 million per month from customers for this plant, which is already two years behind schedule, Duke indicates that it will be another 15 months before the plant is expected to have its "long-term level of availability" — whatever that means.



Duke has been less than forthcoming every step of the way - why should anyone believe them now? CAC will continue to fight to ensure the truth is told and that justice prevails.

CAC, Sierra Club, Save the Valley, and Valley Watch have appealed the Settlement approved by the IURC in 2012, and that case is now going to the Indiana Court of Appeals.

Additionally, every time Duke Energy files to recover more money through their construction work in progress (CWIP) tracker, CAC and its allies will intervene in those cases before the IURC and continue to argue that Duke ratepayers should not have to pay for this plant.

Take Action Now!!

While the biggest part of this case has been settled, there are still open dockets before the IURC, which means there is still time to contact the Office of Utility Consumer Counselor and let them know how you feel!

Contact the OUCC: Tell them that you don't want to pay for an illegitimate, scandal ridden power plant that we don't need, can't afford, and that never should have been approved in the first place!

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, even though it is not fully operational.

Indiana Office of Utility Consumer Counselor

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