



Turning On Citizen Power

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Duke Energy's Edwardsport IGCC: Concealment & Gross Mismanagement (Masked by Collusion?)

The now \$3 billion Edwardsport Integrated Gasification Combined Cycle (IGCC) coal-fired power plant currently under construction by Duke Energy has been shrouded in controversy since Duke Energy first filed for approval before the IURC in 2006. The burgeoning ethics scandal has made the approval of this problem plagued power plant even more questionable.



Evidence was presented to the Commission that:

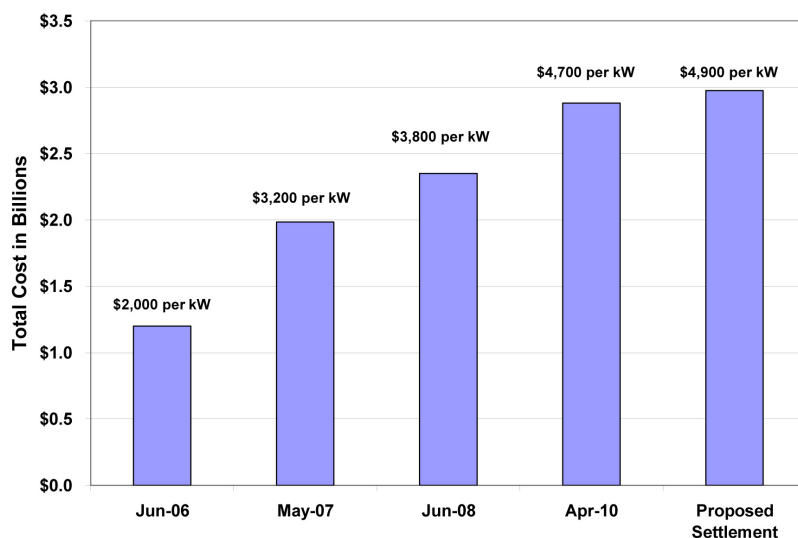
- Duke Energy does not need this power plant to serve the needs of their customers.
- IGCC technology was unproven, too risky, and far too expensive.
- Proven, cheaper, and cleaner alternatives exist that are available to meet the current and future needs of the ratepayers of Duke Energy.
- Cancelling the IGCC is the cheapest option for Duke's ratepayers (this evidence presented as recently as this year).

Proceedings pertaining to the IGCC continue despite all of this evidence and a major ethics scandal. The ethics scandal has resulted in 5 ongoing investigations, the termination of the IURC Chairman, and the hiring and firing by Duke Energy of two former IURC employees central to the original approval of this project. The Commission is currently considering a Settlement agreement between Duke Energy and the Utility Consumer Counselor that will effectively close the case on the IGCC and give Duke Energy more money than they are currently asking for. Ratepayers should not be asked to pay a single dime more of what may amount to illegitimate rate increases for a power plant that never should have been approved to begin with!

Evidence of Gross Mismanagement and Concealment:

- ♦ The Company clearly knew, even before beginning to build Edwardsport, the significant technology risks and potential for additional construction costs that a large scale, first-of-a-kind IGCC project presented.
- ♦ At the same time they were before Indiana regulators touting the promise of IGCC technology, they were arguing against IGCC in North Carolina, stating IGCC was too expensive, too risky, and unproven.
- ♦ Duke Energy has refused to analyze and acknowledge any of those risks in testimony before the Commission. In fact, Duke has indicated to the Commission in every step of the way that those risks were manageable and that costs were under control.
- ♦ Duke grossly underestimated the amount of pipe and wire it needed, chose the wrong kind of steel in some cases, and made miscalculations regarding many of the key components.

Figure 1: Changes in Edwardsport Capital Cost Estimates 2006-2010 (including AFUDC).



Take Action Now!!

Contact Chairman Jim Atterholt and demand that he take the following three steps:

1) Reject the proposed Settlement and any cost estimate increase in its entirety:

- ♦ The proposed Settlement does nothing to protect ratepayers.
- ♦ The only ones being protected by this proposed Settlement are Duke Energy and their shareholders.
- ♦ As evidenced by skyrocketing construction costs, Duke Energy has grossly mismanaged this project.
- ♦ This Settlement would actually REWARD Duke Energy for grossly mismanaging this project.

2) Immediately schedule a minimum of 2 field hearings throughout Duke service territory with ample notice so that the Duke ratepayers who are currently paying for this project have adequate time to adjust their schedules to attend one of the hearings:

- ♦ The ratepayers of Duke Energy have only had a single opportunity to express their views with respect to their current and future obligations imposed by the Commission to pay for the Edwardsport project. That single opportunity was over three years ago – in August, 2007.
- ♦ At the time that one hearing was held, the cost estimate for the IGCC was \$1.985 billion. Now the amount is approaching \$3 billion.
- ♦ Were this a general tax increase of any size, a majority vote by both Chambers of the General Assembly and approval by the Governor would be required. If this were property tax money, a public referendum would typically be required before the additional costs could be passed on to the taxpayers. Yet with respect to this decision to pass on a total of nearly \$3 billion to the ratepayers, only one opportunity has been afforded the public to be heard, and none offered to cast a vote on whether they should be required to assume such a payment obligation.

3) Allow all investigations to be completed and make the findings available to the public and part of the formal record before making decisions on the need and cost of the plant:

- ♦ The trust and confidence of the ratepaying public in the integrity of the regulatory process, especially relating to Edwardsport, has been damaged.
- ♦ To this point, 3 key employees have been terminated as a result of the scandal. One of those employees is facing a formal ethics complaint. That employee was the presiding Judge over every order in the case prior to August 2010, including the original order granting approval for the IGCC to be built.
- ♦ Governor Daniels issued a directive to ensure that no undue influence was exerted and that no laws were broken. That directive has yet to be fulfilled.
- ♦ Chairman Atterholt himself has publicly stated: "It is of the utmost importance to determine whether the cases were handled improperly or mismanaged in any way, and, if so, for us to take swift and corrective action immediately." The internal audit being conducted by his agency pertaining to previous orders in this case is not concluded. How can he possibly allow this proceeding to move forward?
- ♦ Chairman Atterholt himself has also publicly stated: "The process and the integrity of the Commission has understandably been brought into question by some recent events..." The lack of public trust and confidence will only be exasperated if he allows this case to move forward, while investigations of this proceeding and his agency are ongoing.
- ♦ U.S. Attorney Joe Hogsett, at the urging of CAC and Common Cause, has referred this matter to the Department of Justice.

Indiana Utility Regulatory Commission

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Make sure to reference Cause No. 43114-IGCC-4S1 in your correspondence.