

DIRTY DUKE'S RATE CASE

WHAT YOU NEED TO KNOW

June 13, 2024

 **CITIZENS ACTION COALITION**
turning on citizen power 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 event.

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

LOW INCOME CUSTOMERS FACE HIGH ENERGY BURDENS, FEW PROTECTIONS

- **Low-income customers are experiencing extraordinary utility affordability challenges**
 - **2022 was the largest increase in poverty on record in the U.S.**, increasing from 7.8% to 12.4% of Americans, or 40.9 million Americans, due to expiring COVID policies.
 - **Federal funding for LIHEAP is falling:** \$6.1 billion (FY23) to \$4.1 billion (FY24), a 32% year-over-year decrease. LIHEAP benefits primarily help with winter bills.
 - **The proportion of households unable to pay an energy bill is increasing:**

Household was unable to pay an energy bill or unable to pay the full bill amount, at least one month in the last year

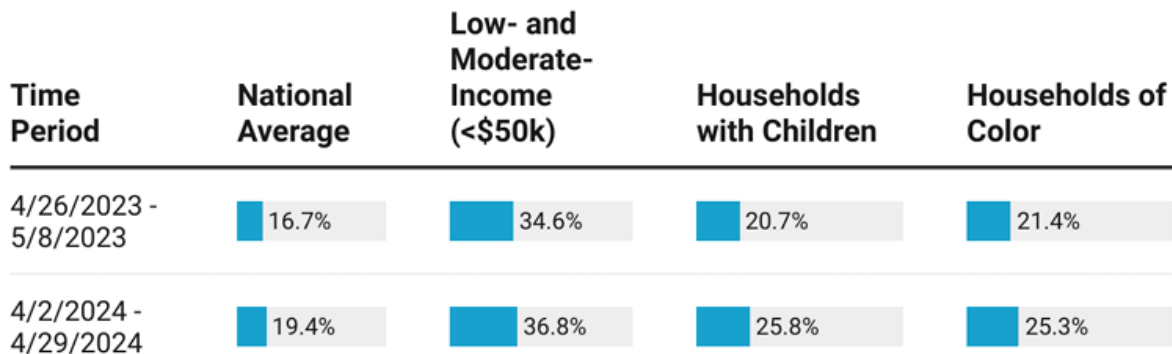


Table: NEADA • Source: Census Pulse Survey April 2024 • Created with Datawrapper

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 COAL-HEAVY ELECTRICITY MIX

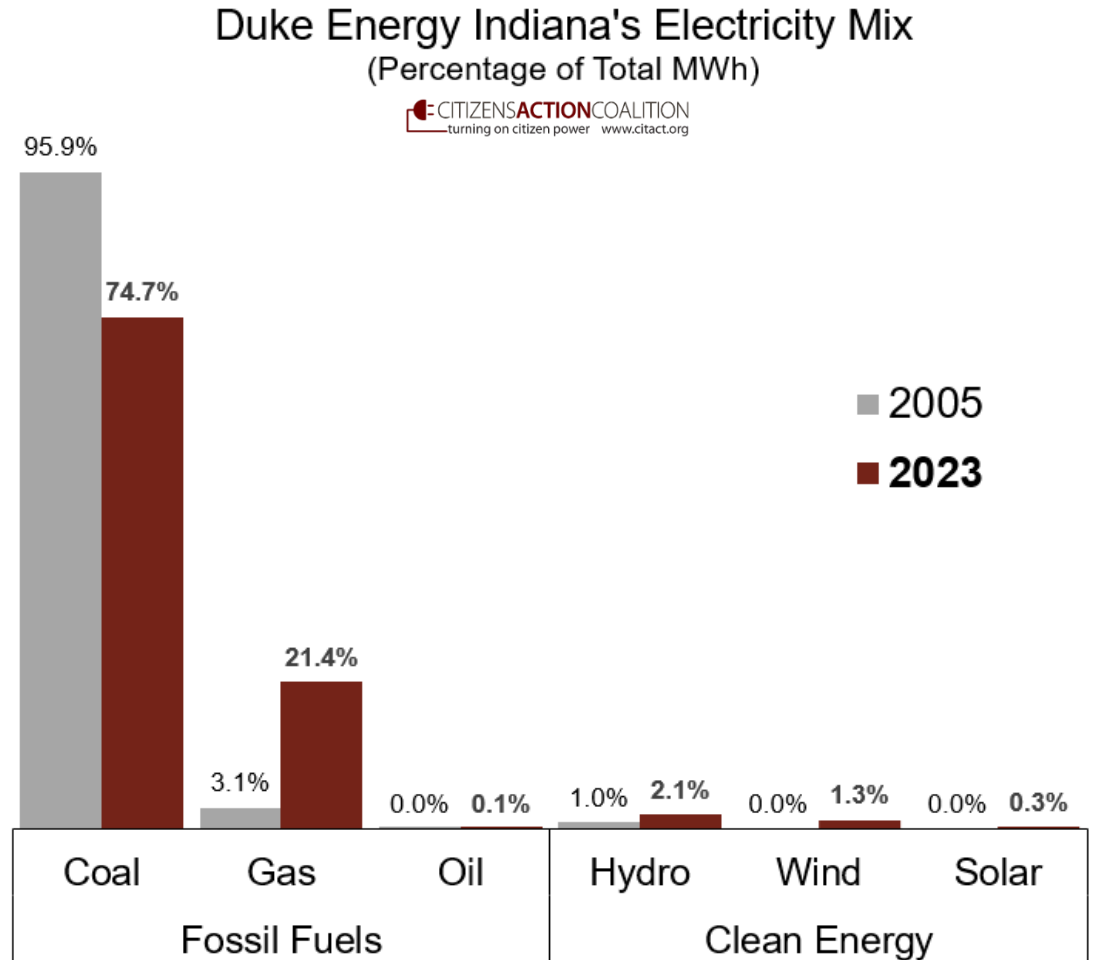
■ Fossil Fuels

- 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** that **changes every year**

Source: Duke Energy Indiana, 2024 IRP Meeting #2 Slides, p. 144.



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](#))
 - Only impacts Duke Energy Indiana's electric rates
- 2-Step Rate Increase:
 - (1) March 2025
 - (2) March 2026
- **This presentation summarizes key Duke proposals.**
 - A final IURC decision is not expected until early 2025.
 - IURC can approve, modify, or deny Duke's proposals

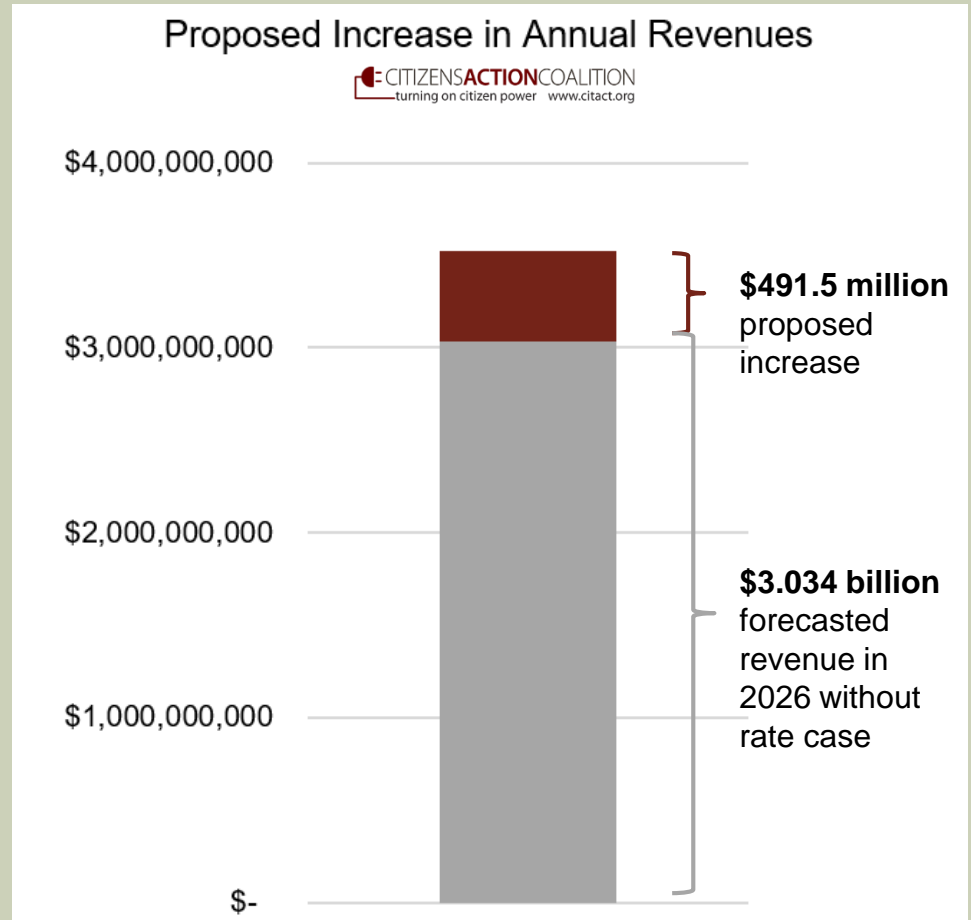


Aerial photo showing two coal ash landfills at the Cayuga power plant. Source: CN 46038, Attachment 19-B (TSH)

REVENUE REQUIREMENT

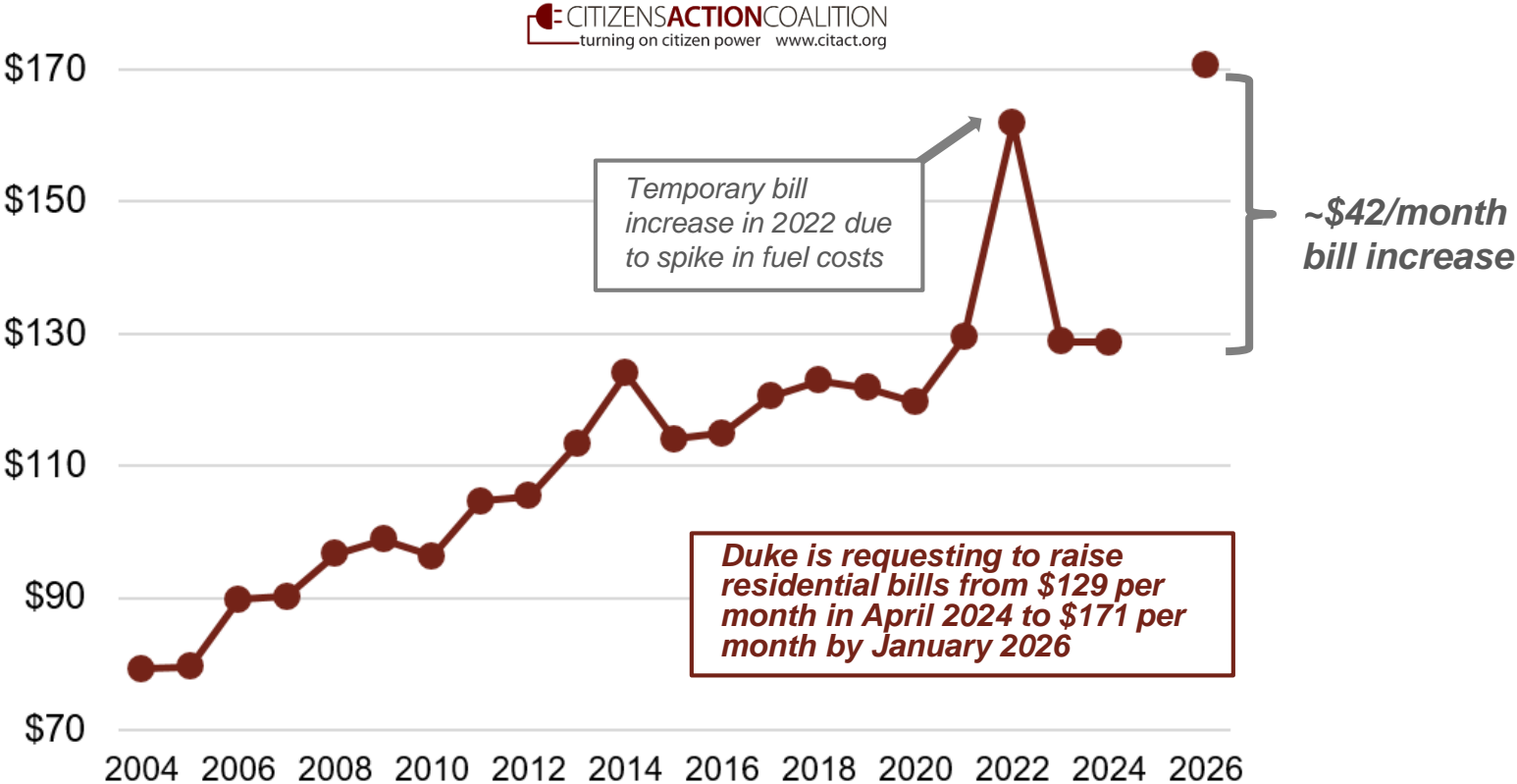
- **Total amount that Duke's rates are designed to collect from ratepayers each year:**

- **\$491.5 million increase (16.20%)** in annual revenue requirement by early 2026
- Proposal would allow Duke to set rates so that it can collect **\$3.5 billion total per year** from Hoosier ratepayers



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

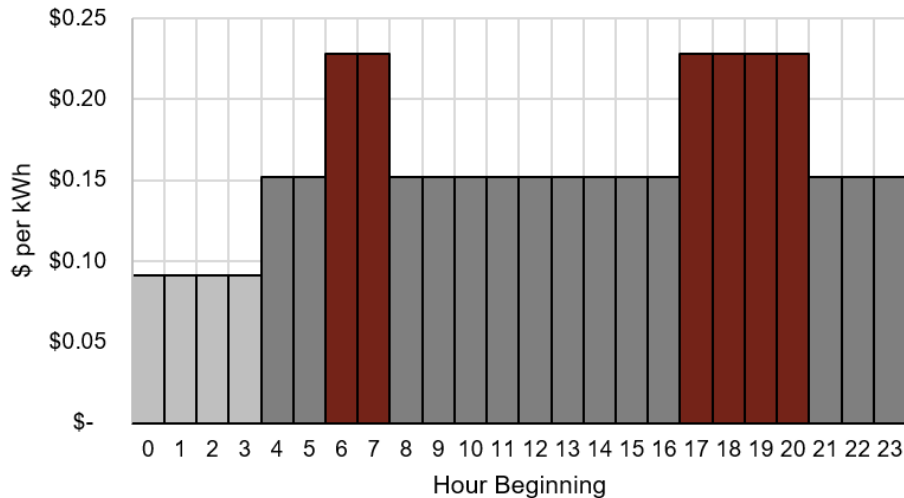
- **Monthly fixed charge increase (+30%)**
- **Declining block rates increase (+33%)**
 - The first 300 kWh you use each month has a higher price per kWh than the next 700 kWh you use, which has a higher price per kWh than usage above that
- **Continued use of various rate trackers (not shown here)**

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

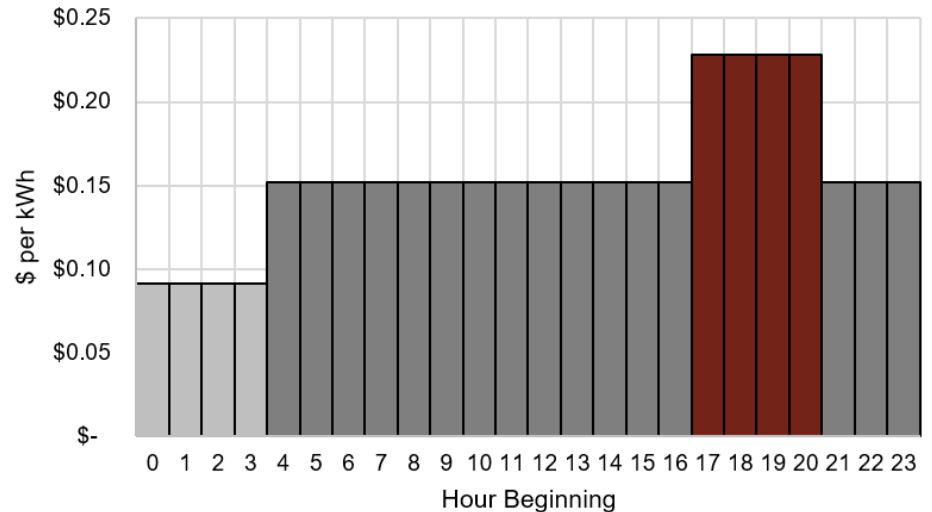
NEW OPTIONAL RESIDENTIAL TIME-VARYING RATE

- 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 vs. Summer), when the energy is consumed
 - Highest charges (22.8 cents per kWh) would be 5-9pm (all year) and 6-8am (Winter only)
 - Lowest charges (9.12 cents per kWh) would be 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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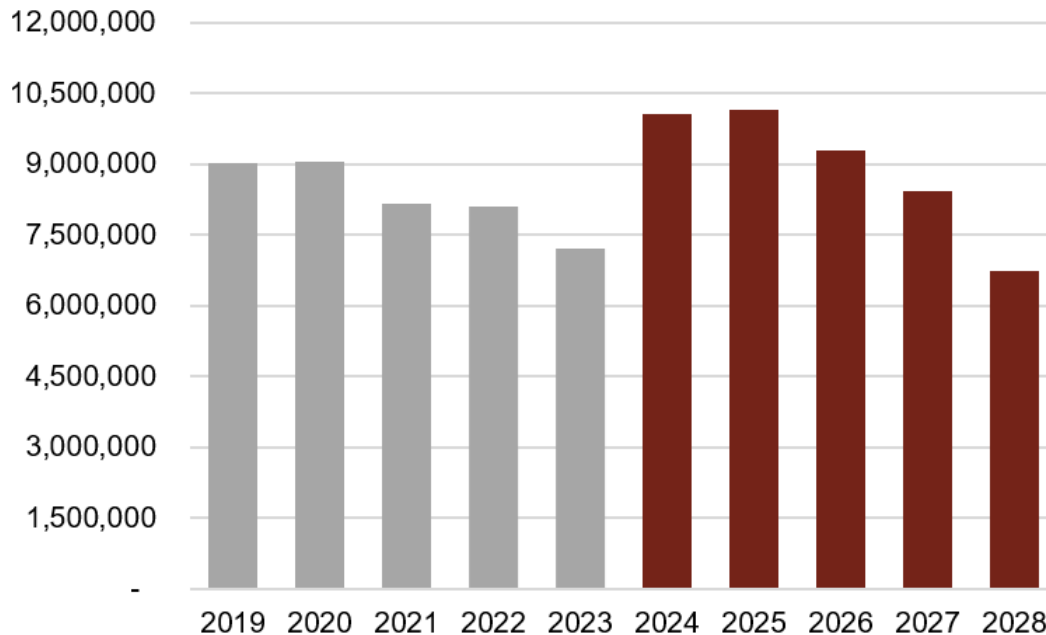


Figure: After years of steady decline, Duke is now planning to **increase coal-fired generation by roughly 40% in 2024!**

- **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”

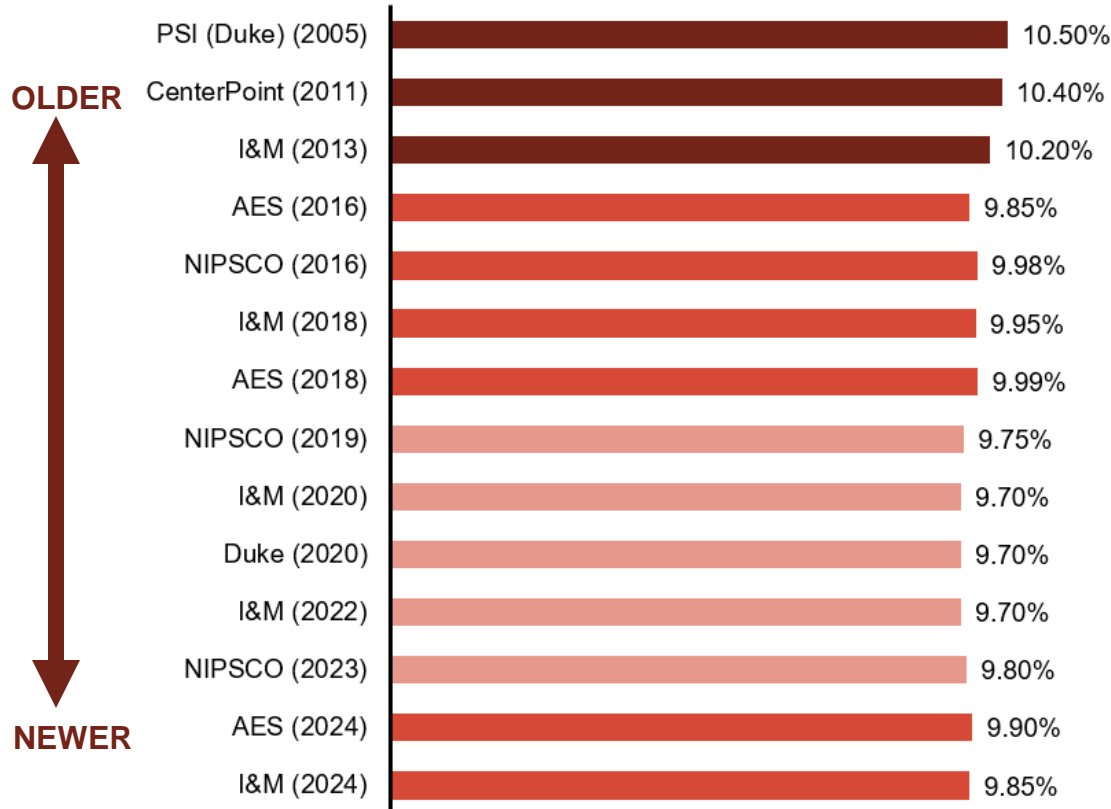
■ CCS FEED Study

- Post-combustion capture of up to 3.6 million tons per year of CO₂
- Injection onsite into Potosi Dolomite
- \$9.9 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
10.5% (proposed)	\$491.5 million

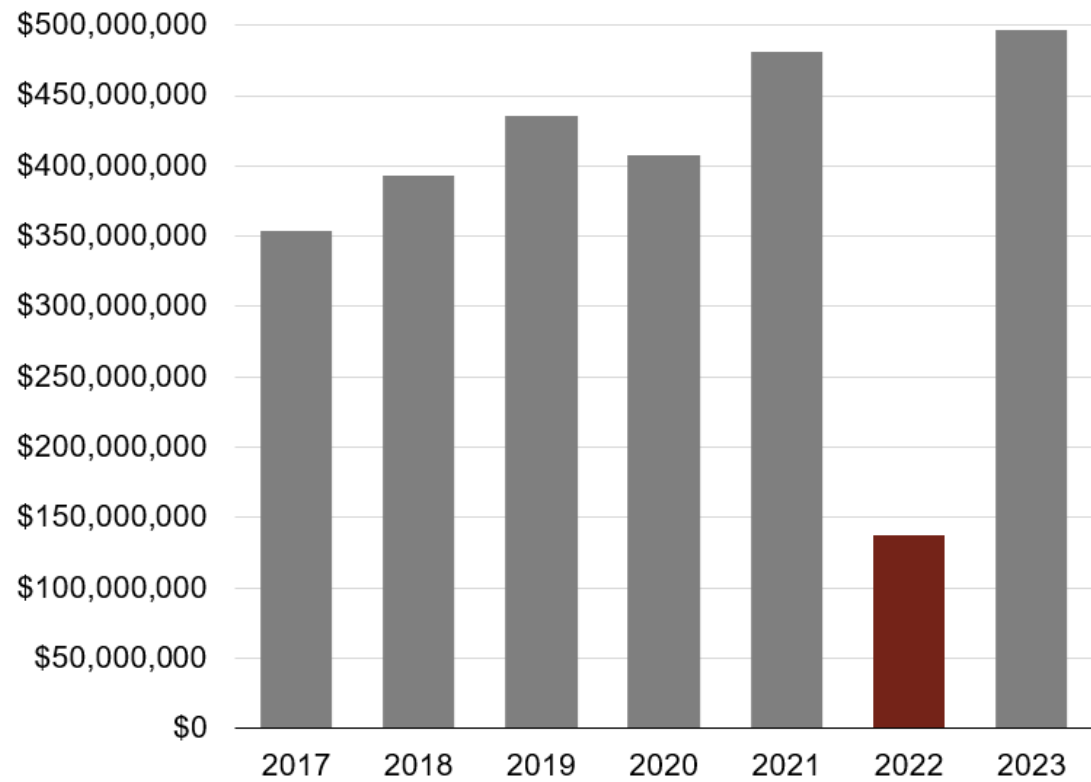
DUKE ENERGY INDIANA'S PROFIT

■ Net Income (Profit)

- Fell to \$137 million in 2022
 - Big factor: coal ash costs that Indiana Supreme Court 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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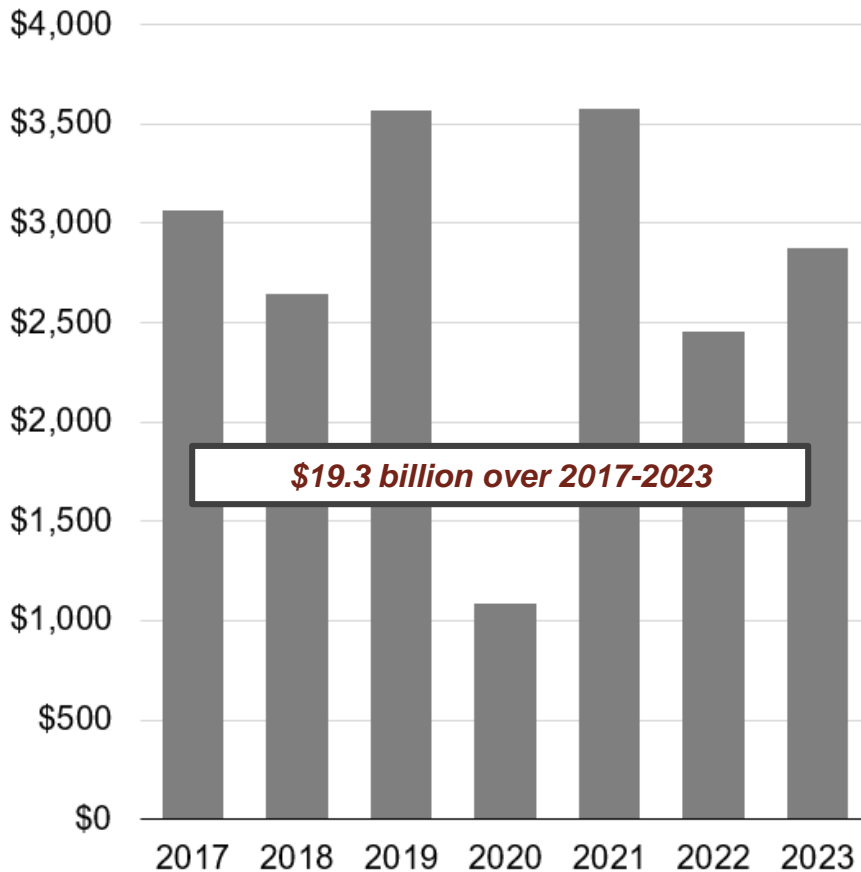


Source: Duke Energy Annual Reports

DUKE ENERGY CORPORATION'S PROFIT

Net Income (in millions)

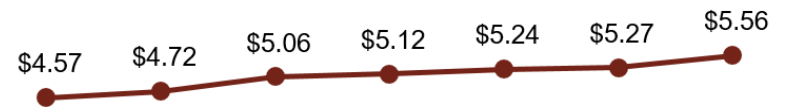
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Source: Duke Energy Annual Reports

Earnings per Share (Adjusted)

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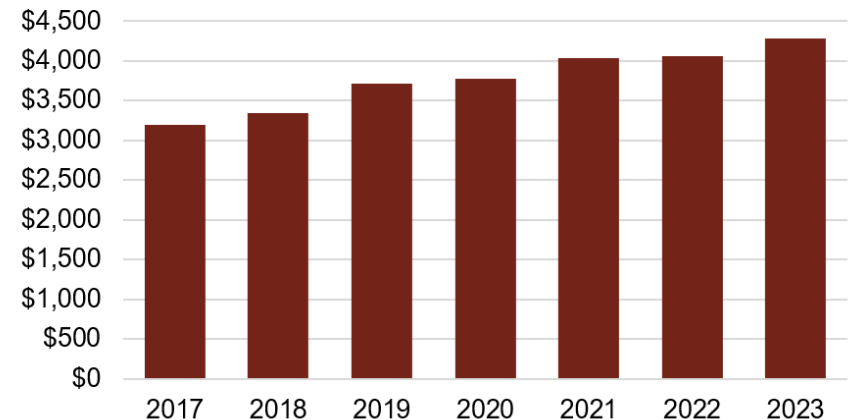


"This is the 98th consecutive year that Duke Energy has paid a quarterly cash dividend on its common stock."

2017 2018 2019 2020 2021 2022 2023

Earnings (Adjusted, in millions)

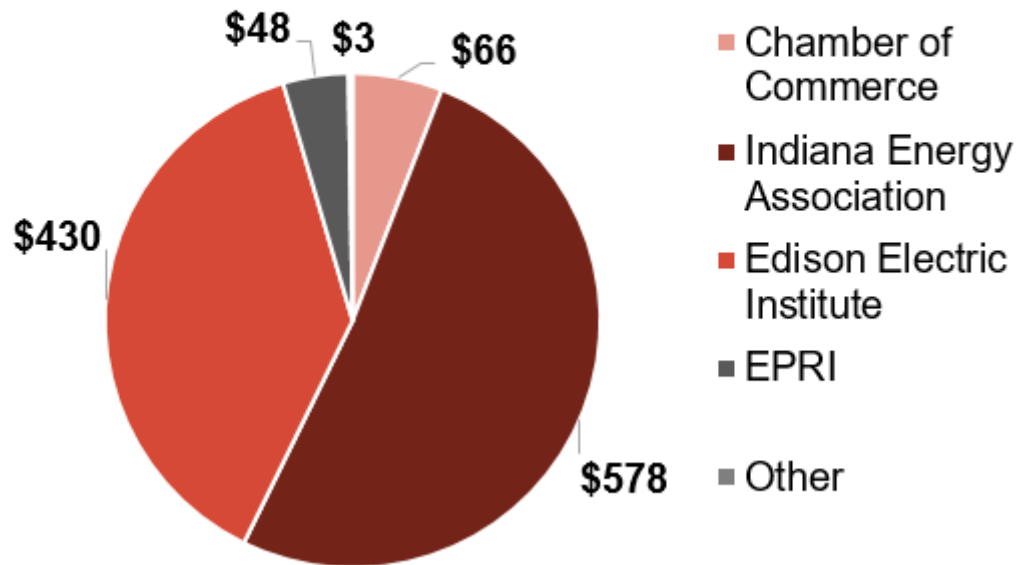
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INFLUENCING POLICYMAKERS

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 wants to make you pay for energy it doesn't sell**
 - **\$16.3 million in "lost revenues"** Duke estimates it will incur from ratepayers saving money by switching to optional time-of-use rates

OTHER CONCERNS



- **Duke wants you to chip in to pay for five helicopters and three Gulfstream private jets**
 - \$1.9 million per year in private aircraft costs
- **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'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

ACCESS TO AND DEPLOYMENT OF CLEAN ENERGY RESOURCES

Description	Duke offering?
Community solar	No
Solar net metering	No
Rapid increase in utility-scale renewables	No
Coal-free by 2030	No
Reduction in GHG Emissions from 2023 to 2025	No
Battery incentive	No
EV home charging rate	No
Energy efficiency incentives	Yes

HOW YOU CAN TAKE ACTION

RATE CASE: GET INVOLVED!

- **Attend the Bloomington public field hearing**

- **Date and time:** Thursday, June 20 at 6pm
- **Location:** Monroe Convention Center Olcott Young Room, 302 South College Avenue, Bloomington, IN 47403

- **Submit written comments**

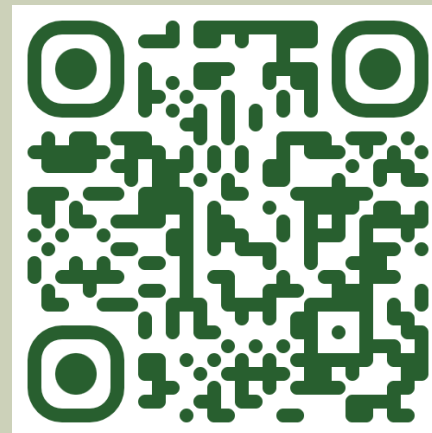
- Due July 5 to Office of Utility Consumer Counselor

- **Spread the word in your community**

- **Visit CAC's webpage to learn more**

- Submit written comments (use form on webpage or QR code)
- Sign up for emails and texts
- More rate case information and updates:
 - <https://www.citact.org/duke-rate-hike-2024>

Scan this QR code to visit act.citact.org/wmnfiqs and submit your written comments about Duke's rate hike.



PUBLIC FIELD HEARINGS

Your chance
to speak out!



PUBLIC FIELD 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
<p><u>Four Options:</u> June 6, 2024 – Terre Haute June 20, 2024 – Bloomington June 27, 2024 – Fishers TBD – New Albany</p>	<p><u>Public field hearings – <i>your opportunity to speak directly to the IURC and tell them to deny Duke's rate hike!</i></u></p>
July 5, 2024	Public written comments due to OUCC
July 11, 2024	CAC and other intervenors file testimony
August 8, 2024	Responding testimony by Duke and 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
March 2025	Step 1 rate increase takes effect
January 2026	Step 2 rate increase takes effect

Q&A

QUESTIONS & ANSWERS

- **Please raise your hand to ask a question.**
- **For more information, scan the QR code to visit CAC's webpage on this case: citact.org/duke-rate-hike-2024**
 - Find out about upcoming public field hearing dates and times
 - 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

