CITIZENS ACTION COALITION

**State Office**
603 E. Washington St., Suite 502
Indianapolis, IN 46204
Phone (317) 205-3535
Fax (317) 205-3599

**Northeast Office**
2250 Lake Ave, Suite 110
Fort Wayne, IN 46805
Phone (260) 399-1352
Fax (260) 420-8500

**Turning On Citizen Power**

**www.citact.org**

# Duke Energy Wants to Raise Rates For Experimental Studies

## Ratepayers should pay for service, not experiments!

Duke Energy put ratepayers on the hook to pay for its $2.35 billion coal-gasification plant in Edwardsport, Indiana. Wall Street will not finance Duke's project on its own because it's commercially unproven and too costly. Instead, State regulators approved CWIP (Construction Work in Progress), which will raise **your** electric rates as much as 25-30% to finance the full cost of the Edwardsport plant.

Duke won approval for the construction of this new plant on the false premise that it would eventually capture the carbon waste and sequester it by shooting it deep into the ground (known as CCS, or carbon capture and sequestration).

But Duke never designed its plant to capture carbon waste and is making ratepayers pay for a $17 million engineering study to see how or if it can be done. As if that wasn't enough, now they have come back AGAIN, asking for $121 million MORE for experimental research to see if carbon waste storage will even work. Who will pay? **YOU.**

## What Duke Energy wants <u>you</u> to pay for:

- **Initial cost estimate of Duke's Edwardsport plant: $2.35 billion without CCS (Duke wants $150 million more now and says it will be back in March for another cost increase)**
- **Request for additional funds to STUDY 15% to 20% carbon capture: $17 million (estimates for capture vary from 10- 40% increase in cost and 20 - 40% decrease in efficiency/output)**
- **Request for additional funds to STUDY carbon waste storage: $121 million**
- **Duke's estimate of the cost to capture and store 17% of its carbon waste: $500 million to $1 billion.**
- **Amount Duke has spent of its own money: $0 according to CEO Jim Rogers (60 Minutes, 04/09)**

Ratepayers are supposed to pay for the delivery and receipt of utility service, ***not*** research and development of theoretical technology. If approval of this plant was based on its eventual ability to capture and store carbon waste, then it is time to reconsider the plant altogether.

### What Duke Energy says about carbon waste capture and storage at Edwardsport:

- October 2006 Duke's preliminary studies showed that "a significant amount of sequestration potential exists within an area below and immediately surrounding the site." (Petitioner's Exhibit No. 4, pp. 11-12)
- July 2009 After more studies, Duke concluded: "The geological data...was not promising in terms of the required characteristics needed for carbon sequestration. Generally it was concluded that the sequestration potential was less than optimal." (Petitioner's Exhibit 5, pg. 5)
- July 2009 Duke states: "...there is no commercially available method for removing and storing C02 from a utility scale combustion process in the United States." (Petitioner's Exhibit A, pg. 14)

**You paid for this entire process! Ratepayers get no refunds if CCS technology ends up a dead end, or if the plant never goes online. However, Duke makes profit on every single one of your dollars they spend. So you take the financial risk, while Duke reaps the profits.**

## Mr. Rogers' Neighborhood

What does Duke Energy CEO Jim Rogers have to say about energy, coal and carbon waste capture and storage?

- "I can actually see a future where coal is not in the equation in 2050." (Washington Independent 9/16/09)
- "It's more likely that China will develop and bring CCS to scale. We're going to be buying their technology." (Washington Independent 9/16/09)
- "I've always viewed energy efficiency as the fifth fuel. We think that most environmentally benign plant you can build is the one you don't build." (grist.org 4/4/07)
- "We have not invested any dollars in the [CCS] technology, per se. We have spent a lot of time and money reviewing and analyzing the various technologies." (60 Minutes 4/26/09)

## Ratepayers should not be paying for Duke's R&D and a plant that's not needed.

The cost of coal and nuclear plants continues to rise while the cost of energy efficiency and renewable energy technology continues to fall. 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). Spending billions on huge new coal plants while energy demand is continually falling does nothing for ratepayers. It's simply a way to make more profits for utilities.

### Construction Costs per Kilowatt of Electric Energy Resources

**(source: Federal Energy Regulatory Commission, 2008*)**

- **Nuclear: $4500 - $7500**
- **IGCC: $2500 - $5500 (CCS excluded) (coal-gasification)**
- **Coal: $2300 - $4000 (CCS excluded)**
- **Solar Thermal: $3000 - $5000**
- **Geothermal: $2600 - $3400**
- **Wind: $1800 - $2600**

We can easily cut our energy use in half here in Indiana just by implementing more energy efficiency measures, and cut our costs in the process. Energy efficiency technology (more efficient lights, appliances, electric motors, pumps, heating and air conditioning, better insulation) can be installed at less than half the cost of the proposed Edwardsport plant.

Wind turbines in northwest Indiana are now being installed at half the kilowatt cost of the proposed coal-gasification plant in Edwardsport. The National Renewable Energy Laboratory (a division of the Department of Energy) estimates Indiana's potential wind capacity at 40,000 megawatts, almost double our current installed coal capacity. There is also no fuel cost for wind and solar.

Coal prices are becoming increasingly volatile, meaning neither the customers nor the company can rely on low, stable prices for coal over time. It is cheaper to stop construction of the plant now than to build and operate it.

# Take Action Now!!

The Indiana Utility Regulatory Commission approved the Edwardsport plant based on the promise of CCS technology. Now that there are questions about the viability and the cost of CCS, there is more than enough reason to question that decision.

Write Chairman David Hardy and demand that he:

1. **Deny Duke's request for cost recovery of studies for future Carbon Waste Capture and Storage!** Ratepayers pay for service, not science projects!
2. **Demand an updated cost estimate on the full cost of the Edwardsport plant, including CCS!** Ratepayers are already paying an additional $581 million despite the plant being only 20% complete. At the current rate, the real costs are $2.9 billion without CCS.
3. **Review the necessity of the plant!** The steady decline in energy demand, together with the availability of cheaper, cleaner alternatives such as energy efficiency and wind, place the necessity of this plant in question.

**Please reference cause # 43653 in your letter.**

### Indiana Utility Regulatory Commission

Attn: Commissioner David Hardy

110 W. Washington St.
Indianapolis, IN 46204
dlhardy@urc.in.gov
(317) 232-2702 ph
(317) 232.6758 fax