

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF DUKE ENERGY INDIANA,)
INC. SEEKING (1) APPROVAL OF AN ONGOING)
REVIEW PROGRESS REPORT PURSUANT TO I.C. 8-)
1-8.5 AND 8-1-8.7; (2) AUTHORITY TO REFLECT)
COSTS INCURRED FOR THE EDWARDSPORT)
INTEGRATED GASIFICATION COMBINED CYCLE)
GENERATING FACILITY ("IGCC PROJECT"))
PROPERTY UNDER CONSTRUCTION IN ITS RATES)
AND AUTHORITY TO RECOVER APPLICABLE)
RELATED COSTS THROUGH ITS INTEGRATED)
COAL GASIFICATION COMBINED CYCLE)
GENERATING FACILITY COST RECOVERY)
ADJUSTMENT, STANDARD CONTRACT RIDER NO.)
61 PURSUANT TO I.C. -1-8.8-11 AND -12; AND (3))
ESTABLISHMENT OF A SUBDOCKET)
PROCEEDING TO REVIEW THE COST ESTIMATE)
FOR THE IGCC PROJECT)**

CAUSE NO. 43114 IGCC 4 S

JOINT MOTION FOR FIELD HEARINGS

Intervenors Sierra Club, Citizens Action Coalition of Indiana, Save the Valley, and Valley Watch (collectively "Joint Movants") respectfully move the Commission to schedule at least two field hearings for this proceeding, with at least one in Bloomington, Indiana and one in Kokomo, Indiana. In support of their motion, Joint Movants would respectfully show the Commission:

1. On September 7, 2006, Duke Energy Indiana, Inc.'s ("DEI") petitioned for approval of a Certificate of Public Convenience and Necessity (CPCN) and a cost estimate of \$1.985 billion for Edwardsport IGCC Project in Cause Numbers 43114 and 43114 S1.
2. Following the Evidentiary Hearing Cause Numbers 43114 and 43114 S1, the Commission conducted one public field hearing on Wednesday August 29, 2007, in Bloomington, Indiana.
3. On November 20, 2007, the Commission issued an order approving the requested CPCN and cost estimate in Cause Numbers 43114 and 43114 S1 (the "CPCN Order").

4. On May 1, 2008, less than six months after the Commission approved a cost estimate of \$1.985 billion for the Edwardsport IGCC project, DEI petitioned in cause No. 43114 IGCC 1 for an eighteen percent increase in its approved cost estimate for the Edwardsport IGCC Project to \$2.35 billion. The Commission approved the increased cost estimate in its Order of January 7, 2009 in 43114 IGCC 1 (the “IGCC 1 Order”). The Commission did not conduct a field hearing in the 43114 IGCC 1 proceeding.

5. On November 24, 2009, just over ten months after the IGCC 1 Order approved the first increased cost estimate, Duke petitioned for a subdocket and a second increase in its cost estimate for the Edwardsport IGCC project (Cause Number 43114 IGCC 4). At the time of its petition, Duke estimated the increased costs at \$150 million. On January 27, 2010, the Commission granted the request for the subdocket and initiated this proceeding (Cause Number 43114 IGCC 4S).

6. On April 16, 2010, DEI filed in this proceeding its case-in-chief testimony not seeking an increase in the cost estimate of \$150 million, as originally suggested by its petition, but an increase of \$530 million, or an increase to a total cost estimate of \$2.88 billion for the Edwardsport IGCC Project.

7. On September 17, 2010, DEI submitted a settlement with the Office of Utility Consumer Counselor (“OUCC”), the Duke Energy Industrial Group (“DE-IG”), and Nucor Steel (“NUCOR”) that would effectively increase the approved cost estimate of the Edwardsport IGCC Project to \$2.975 billion, which is \$990 million or nearly fifty percent greater than the original cost estimate.

8. On October 14, 2010, the Commission issued a docket entry finding “that the continuing need for the Edwardsport IGCC project is a foundational issue” to cost increase and Settlement for which DEI is seeking approval and also determined to convene a Technical Conference on November 3, 2010, “to ensure the Commission and all parties have a full and complete understanding of Duke Energy Indiana, Inc.’s (“Petitioner”) Integrated Resource Plan (“IRP”), as updated in the prefiled

testimony.”

9. The Commission has conducted no field hearings on the cost or need of the Edwardsport IGCC Project since the original cost estimate was approved. However, the so-called “hard cap” of \$2.975 billion in the proposed settlement is \$990 million greater than the original estimate for which there were Field Hearings. Even if viewed solely in the context of DEI’s pre-settlement proposed cost estimate of \$2.88 billion, the increase would be greater than \$500 million more than the currently approved estimate of \$2.35 billion.

10. Pursuant to Ind. Code § 8-1-8.5-6.5, absent fraud, concealment, or gross mismanagement, and subject only to some limitations, DEI will be allowed to recover through rates in any future general rate order the actual costs it incurs in reliance on the CPCN and cost estimates approved by the Commission previously and/or in this proceeding. Therefore, any order approving the Settlement or an increase in the cost estimate would limit the ability of ratepayers to challenge the prudence and costs of the Edwardsport IGCC project in any future general rate proceeding and obligates them to significant rate increases.

11. Pursuant to Ind. Code § 8-1-2-61(b), “in any general rate proceeding . . . which requires a public hearing and in which an increase in revenues is sought which exceeds the sum of two million five hundred thousand dollars (\$2,500,000), the commission shall conduct at least one (1) public hearing in the largest municipality located within such utility’s service area.”

12. Although this is not a general rate proceeding *per se*, decision made in this proceeding may obligate ratepayers to pay a return of and on nearly three billion dollars in capital investments by DEI, including a return of and on \$990 more in projected capital investments that they arguably would be obligated to pay under the cost estimate approved since the last public Field Hearing on the Edwardsport IGCC Project.

13. Due to the extraordinary nature of DEI's request and the significant costs that ratepayers may be obligated to pay as a result from an order in this proceeding, it is reasonable, just, and in the public interest to provide a forum for individual ratepayers to express their views regarding the need for and escalating costs of the Edwardsport IGCC Project.

14. DEI directly supplies electric energy to over 760,000 customers located in 69 counties in the central, north central and southern parts of the State of Indiana. It also sells electric energy for resale to municipal utilities, Wabash Valley Power Association, Inc., Indiana Municipal Power Agency, and to other public utilities which in turn supply electric utility service to numerous customers in areas not served directly by Duke Energy Indiana. Therefore, although only one Field Hearing would be mandatory in a general rate proceeding, multiple Field Hearings are appropriate in this instance.

15. Joint Movants have gathered over 450 signatures and/or emails from Duke Ratepayers requesting that hearings be held (see attached Exhibit A).

WHEREFORE, Joint Movants respectfully request the Commission establish at least two Field Hearings in this proceeding, with at least one in Bloomington, Indiana and the another in Kokomo, Indiana, and for any and all other relief as may be just and proper.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by electronic mail or U.S. Mail, first class postage prepaid, this 28th day of October, 2010, to the following:

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