

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 IND.)
CODE §§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) CAUSE NOS. 43114 IGCC-4
TO RECOVER APPLICABLE RELATED COSTS) & 4S1
THROUGH ITS INTEGRATED COAL)
GASIFICATION COMBINED CYCLE GENERATING)
FACILITY COST RECOVERY ADJUSTMENT,)
STANDARD CONTRACT RIDER NO. 61 PURSUANT)
TO IND. CODE §§8-1-8.8-11 AND -12; (3))
ESTABLISHMENT A SUBDOCKET PROCEEDING)
TO REVIEW THE COST ESTIMATE FOR THE)
IGCC PROJECT; AND (4) APPROVAL OF A)
SETTLEMENT AGREEMENT FILED SEPTEMBER)
17,2010, INCLUDING A REQUEST TO UPDATE ITS)
DEPRECIATION RATES FOR PRODUCTION,)
TRANSMISSION, DISTRIBUTION AND GENERAL)
PLANT AND EQUIPMENT)

**JOINT MOVANTS SUBMITTAL OF AFFIDAVIT OF DAVID A. SCHLISSEL
IN FURTHER SUPPORT OF PENDING MOTION TO ESTABLISH A SUBDOCKET
AND INITIATE AN INVESTIGATION RE FRAUD, CONCEALMENT AND GROSS
MISMANAGEMENT IN THE PLANNING, DESIGN, ENGINEERING AND
CONSTRUCTION OF THE EDWARDSPORT PROJECT**

Intervenors Citizens Action Coalition of Indiana, Hoosier Chapter Sierra Club, Save the Valley and Valley Watch ("Joint Movants") respectfully submit the Affidavit of David A. Schlissel (including appended Exhibits A to N) in further support of their pending motion to establish a subdocket and initiate an investigation regarding fraud, concealment and gross mismanagement in the planning, design, engineering and construction of the Edwardsport project. In explanation of their Submittal, Joint Movants represent to the Commission:

1. Joint Movants filed their pending motion for subocket and investigation on November 22, 2010 based on evidence which their witness David A. Schlissel had prefiled on November 12, 2010.

2. On December 27 and December 30, 2010 and January 5, 2011, Joint Movants received responses from Duke Energy Indiana (DEI) to their Discovery Request Set No. 18, which had been served on December 2, 2010.

3. Many of those responses were provided pursuant to executed confidentiality agreements with DEI and its contractors and which DEI and/or its contractors assert are confidential and not for public disclosure. Joint Movants do not agree with the assertion that the information contained in the responses is, in fact, confidential and do not waive their right to challenge any motion to protect those responses as confidential or privileged. However, pursuant to the executed non-disclosure agreements, Joint movants have redacted the responses DEI asserts are confidential to provide DEI an opportunity to seek any appropriate protection from the Commission.

4. In Mr. Schlissel's opinion, certain of the DEI responses to Joint Movants' Discovery Request Set No. 18 further substantiate his previous testimony that the Company and its contractors grossly mismanaged the project by failing to properly plan for, to analyze on a timely basis the economic implications of, and to fully inform the Commission of the clearly foreseeable (and actually foreseen) risk that the capital cost of the Edwardsport project would substantially exceed both their initial and revised estimates. *See* Affidavit, ¶ 4.

5. With due regard for the confidentiality which DEI has asserted for the contents of most of the documents included in the exhibits appended to Mr. Schlissel's Affidavit, Joint Movants represent generally that the documents cited by Mr. Schlissel provide significant new

evidence regarding the reason(s) for the substantial delays and cost overruns experienced to date with the Edwardsport project and encourage the Commission to review for itself the roughly fifty pages of documents which Mr. Schlissel has abstracted from the many hundreds of pages of discovery he has reviewed. Of special but not exclusive significance, Joint Movants direct the Commission's attention particularly to the cited communications and meetings between DEI and its principal contractors Bechtel and GE.

6. In Mr. Schlissel's opinion, the evidence he cites further supports the need for the Commission to initiate a separate investigation and subdocket relating to matters of fraud, concealment and gross mismanagement in the planning, design, engineering, procurement and construction of the Edwardsport Project. *See* Affidavit, ¶ 6.

7. Again respecting the confidentiality which DEI has asserted with respect to most of the documents cited by Mr. Schlissel, Joint Movants represent to the Commission that the issues raised are substantial and serious and include (but are not limited to) at least the following:

A. Have DEI and its principal contractors known since March or April of 2007 that the initial cost estimate of \$1.85 billion excluded certain major contingencies for which the likelihood of occurrence during the subsequent course of the project was such that the initial estimate was unrealistically low?

B. Did Bechtel and GE woefully underestimate in the FEED Study the technical complexity, the schedule length, and the economic cost of "scaling up" the Polk reference plant in the planning, design, engineering, procurement and construction of Edwardsport?

C. Has DEI known since November, 2009 that the cost of completing Edwardsport as an IGCC plant would be at least \$2.75 billion?

D. Does the current estimate of \$2.88 billion as the cost of completing Edwardsport as

an IGCC plant include hundreds of millions of dollars which should be charges to DEI and/or its contractors and not charges to DEI ratepayers?

8. Accordingly, Joint Movants respectfully submit the Affidavit (including appended Exhibits A to N) of David A. Schlissel in further support of their pending motion to establish a subdocket and initiate an investigation regarding fraud, concealment and gross mismanagement in the planning, design, engineering and construction of the Edwardsport project.

Respectfully submitted,

Digitally signed by Jerome E. Polk

Jerome E. Polk
Polk & Associates LLC
101 W. Ohio Street, Suite 2000
Indianapolis, Indiana 46204
(317) 636-5165 [Phone]
(317) 636-5435 [Fax]
jpolk@polk-law.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing submittal and attached affidavit and exhibits were served by electronic mail or U.S. Mail, first class postage prepaid, this 13th day of January, 2011, to the following:

J. William DuMond
Kelley A. Karn
Duke Energy Indiana, Inc.
1000 East Main Street
Plainfield, IN 46168

Randal Helmen
Indiana Office of Utility Consumer Counselor
115 W. Washington Street, Suite 1500 South
Indianapolis, IN 46204

Peter J. Matheis
Shaun Mohler
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson St., N.W.
8th Floor, West Tower
Washington, D.C. 20007

Anne Becker
Richard E. Aikman
Stewart & Irwin, PC
Two Market Square, Suite 1100
251 East Ohio Street
Indianapolis, IN 46204

Jack Wickes
Timothy L Stewart
Lewis & Kappes
One American Square, Suite 2500
Indianapolis, IN 46282

Robert K. Johnson, Esq.
P.O. Box 329
Greenwood, Indiana 46143

Damon Xenopolous
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson St., N.W.
8th Floor, West Tower
Washington, D.C. 20007

Digitally signed by Jerome E. Polk

Jerome E. Polk

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 IND.)
CODE §§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) CAUSE NOS. 43114 IGCC-4
TO RECOVER APPLICABLE RELATED COSTS) & 4S1
THROUGH ITS INTEGRATED COAL)
GASIFICATION COMBINED CYCLE GENERATING)
FACILITY COST RECOVERY ADJUSTMENT,)
STANDARD CONTRACT RIDER NO. 61 PURSUANT)
TO IND. CODE §§8-1-8.8-11 AND -12; (3))
ESTABLISHMENT A SUBDOCKET PROCEEDING)
TO REVIEW THE COST ESTIMATE FOR THE)
IGCC PROJECT; AND (4) APPROVAL OF A)
SETTLEMENT AGREEMENT FILED SEPTEMBER)
17,2010, INCLUDING A REQUEST TO UPDATE ITS)
DEPRECIATION RATES FOR PRODUCTION,)
TRANSMISSION, DISTRIBUTION AND GENERAL)
PLANT AND EQUIPMENT)

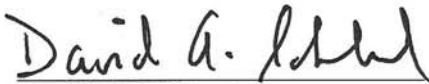
AFFIDAVIT OF DAVID A. SCHLISSEL

JANUARY 12, 2011

1. I am the President of Schlissel Technical Consulting, Inc. My business address is 45 Horace Road, Belmont, Massachusetts 02478.
2. I filed Direct Testimony in this Cause on July 30, 2010 and Surrebuttal and Settlement Testimony on November 12, 2010.
3. The following documents that are appended to this affidavit have been provided by Duke Energy Indiana since I filed my Surrebuttal and Settlement Testimony on November 12, 2010. In my opinion, these materials provide evidence in addition to that presented in my November 12, 2010 testimony of the Company's gross mismanagement of the Edwardsport Project and its failure to fully disclose critical information to the Indiana Utility Regulatory Commission. See attached exhibits A through N.
 - A. E-mails from Jeff Browning to Richard W. Haviland and Richard W. Haviland to Jim Turner, dated October 6, 2009, transmitting slides from Audit Committee meeting – Bates Page Numbers 090001510-007406 to 007409.
 - B. The notes of a November 12, 2009 meeting between Duke and Bechtel – Bates Page Numbers 090001510-007988 to 007992.
 - C. E-mails related to the lifting failure that occurred at Edwardsport on November 14, 2009 in the course of erecting the heat recovery steam generator - Bates Page Numbers 090001510-007451, 090001510-008257, 090001510-008262, 090001510-008269, 090001510-008280, 090001510-008283, 090001510-008286, 090001510-008293, 090001510-008299, 090001510-008300, 090001510-008301, 090001510-008303, 090001510-008304, 090001510-008305, 090001510-008307, 090001510-008308, 090001510-008326.
 - D. A November 23, 2009 e-mail from Jim Turner to Angeline S. Protogere on the subject of "How about this for a new first paragraph on the press release?" – Bates Page Number 090001510-007993.
 - E. E-mails between Jim Turner and Jim Rogers dated December 18, 2009 on the subject of Edwardsport – Bates Page Numbers 090001510-007463 and 007464.
 - F. A series of e-mails between Rick Haviland and Jim Turner at Duke and Jack Futchter and Bill Dudley at Bechtel from December 2009 and January 2010 – Bates Page Numbers 090001510-007616 to 007618.
 - G. E-mails between Jim Turner at Duke and Steve Bolze at GE dated February 12, 2010 and February 13, 2010– Bates Page Numbers 090001510-008085 and 008086.
 - H. A February 17, 2010 letter from W.N. Dudley, Jr., President and COO of Bechtel to Jim Turner at Duke - Bates Page Numbers 090001510-008068 and 008069.
 - I. E-mails between Mike Womack and Jim Turner dated March 23, 2010 and March 24, 2010 – Bates Page Numbers 090001510-008003 and 008004.
 - J. An e-mail from Jim Turner to Jim Rogers and the Company's Executive Staff

dated July 2, 2010 on the subject of Duke's nuclear history – Bates Page Numbers 090001510-008027 and 008028.

- K. A series of e-mails among Lynn J. Good, Jim Turner and Richard Haviland from August 2010 – Bates Page Numbers 090001510-007492 and 007493.
 - L. E-mail and other documents related to August 2010 steam turbine shell drop at Edwardsport – Bates Page Numbers 090001510-008154, 090001510-008180 to 008181, 090001510-008193, 090001510-008200 to 008202, 090001510-008249 to 008250
 - M. E-mails between Richard W. Haviland and Steve K. Young dated August 25, 2010 and August 26, 2010 – Bates Page Number 090001510-007724.
 - N. An October 5, 2010 letter to Michael Womack at Duke from Brian Hartman, Bechtel's Project Manager for Edwardsport - Bates Page Numbers 090001510-008426 and 008427.
- 4. This evidence further substantiates my previous testimony that the Company and its contractors grossly mismanaged the project by failing to properly plan for, to analyze on a timely basis the economic implications of, and to fully inform the Commission of the clearly foreseeable (and actually foreseen) risk that the capital cost of the Edwardsport project would substantially exceed both its initial and revised estimates.
 - 5. Because many of the appended documents have been classified by the Company as confidential, they are being submitted under seal.¹
 - 6. In my opinion, this evidence further supports the need for the IURC to initiate a separate investigation and subdocket relating to matters of fraud, concealment and gross mismanagement in the planning, design, engineering, procurement and construction of the Edwardsport Project.
 - 7. I affirm, under the penalties of perjury that the foregoing statements are true to the best of my knowledge, information and belief.



David A. Schlissel

¹ Exhibits B, C (in part), E (in part), F, H, I, L and N contain materials that the Company has classified as confidential.

STATE OF MASSACHUSETTS)
)
COUNTY OF MIDDLESEX) ss.

On this 13TH day of January 2011, before me, the undersigned notary public,
personally appeared David Schlissel, proved to me through
satisfactory evidence of identification, which were Mass. Driver's License, to be
the person whose name is signed on the preceding or attached document and acknowledged to
me that he signed it voluntarily for its stated purpose.

Notary Public

My commission expires:

Roseline Alexandre
Notary Public
Commonwealth of Massachusetts
My Commission Expires
May 12, 2011

Roseline Alexandre

Exhibit A

From: Haviland, Richard W
To: Turner, Jim
Sent: 10/6/2009 4:36:18 PM
Subject: FW: August AC Deck - Edwardsport
Attachments: FINAL CAS AC presentation.8.24.09 - Edwardsport.pptx

From: Browning, Jeff
Sent: Tuesday, October 06, 2009 1:20 PM
To: Haviland, Richard W
Subject: August AC Deck - Edwardsport

Rick,

Thanks for your time earlier today. As requested, here is the portion of the last Audit Committee meeting deck that addressed Edwardsport. I deleted the rest of the slides, as they deal with other audit areas in the Company that are not under your area of responsibility. That will also save you some time going through the deck. The third slide is the one that contains the Edwardsport information, and that is the slide that sparked the questions and observations from the Committee members.

Please let me know if you have questions.

Thanks,

Jeff

Exhibit B

**Page(s) redacted pending interim
determination of confidentiality**

Exhibit C

From: Haviland, Richard W
To: Turner, Jim
Sent: 12/8/2009 7:56:42 AM
Subject: Re: Rumour

This happened several weeks ago

May be back charge to vendor if lab tests say lug faulty

Or could be the way our contractor picked it

This is normal construction issue and wish this job was just blessed with these problems

Sent using BlackBerry

----- Original Message -----

From: Turner, Jim
To: Haviland, Richard W
Sent: Tue Dec 08 07:43:31 2009
Subject: Fw: Rumour

Our chairman knows stuff before I do . . .

----- Original Message -----

From: Hardy, David Lott <dlhardy@urc.IN.gov>
To: Turner, Jim
Sent: Tue Dec 08 07:42:12 2009
Subject: Fw: Rumour

Construction fun.

----- Original Message -----

From: Webb, Jerry
To: Hardy, David Lott
Cc: Veneck Jr., Robert; Ziegner, David
Sent: Tue Dec 08 07:11:14 2009
Subject: Re: Rumour

No rumour, I am afraid it is true. The lifting lug on a 40,000 lb , 100 ft column failed as column being raised from horizontal to vertical. Nobody hurt. It is in heat recovery steam generator area on critical path so will not help their schedule. We are at site today how about i drop in for briefiing wed thurs, fri at your convience?

----- Original Message -----

From: Hardy, David Lott
To: Webb, Jerry
Cc: Veneck Jr., Robert; Ziegner, David
Sent: Mon Dec 07 21:30:52 2009
Subject: Rumour

Hear they "dropped a vessel" @ Eport. You hear anything?

**Page(s) redacted pending interim
determination of confidentiality**

Exhibit D



----- Original Message -----

From: Turner, Jim

To: Protogere, Angeline S

Cc: Stanley, Jim; Karn, Kelley A; Toney, BT; Haviland, Richard W

Sent: Mon Nov 23 07:48:33 2009

Subject: How about this for a new first paragraph on the press release?

PLAINFIELD, Ind. - Duke Energy Indiana today said that design and scope growth at its Edwardsport coal gasification plant under construction in southwest Indiana will cause the project to exceed its current estimated cost by as much as 8% to 17%.

Exhibit E

From: Rogers, Jim
To: Turner, Jim
Sent: 12/18/2009 5:27:12 PM
Subject: Re: Edwardsport

Not to worry....this was relayed to me by Dan D who was talking to the CEO of Bechtel in a side-bar conversation in WH. Just a heads-up..... [REDACTED]

----- Original Message -----

From: Turner, Jim
To: Rogers, Jim
Sent: Fri Dec 18 17:11:47 2009
Subject: Re: Edwardsport

Ps as I've mentioned before, there are issues at the site that are not Bechtel's responsibility (e.g. The wastewater treatment system when we thought we could do deep well injection). But a significant amount of our problem is their failure to properly scope this thing.

Sorry to get wound up. But Dudley (COO) and Futchter owe me a response, and if their CEO calling you is the response, it's disrespectful at a certain level.

[REDACTED]

----- Original Message -----

From: Turner, Jim
To: Rogers, Jim
Sent: Fri Dec 18 17:01:27 2009
Subject: Re: Edwardsport

Thanks for the heads up.

[REDACTED]

Jack Futchter, Bechtel's president of power, admitted to me before Tgiving that they were using the TECO plant (300 MW IGCC) for design basis at EPort and Eport "is just a bigger plant" (no shit!).

Anyway, I will have you well prepared for the call. [REDACTED]

[REDACTED]

----- Original Message -----

From: Rogers, Jim
To: Turner, Jim
Sent: Fri Dec 18 16:33:07 2009
Subject: Edwardsport

I have been told that the CEO of Bechtel is going to call me to schedule a meeting after he sends his vice-chair to the site. He believes that I am not getting the full-story. Let's talk and don't share this with Rick yet.

**Page(s) redacted pending interim
determination of confidentiality**

Exhibit F

**Page(s) redacted pending interim
determination of confidentiality**

Exhibit G

From: Haviland, Richard W
To: Rogers, Jim; Turner, Jim
CC: Miller, Monica L
Sent: 6/8/2010 5:46:40 PM
Subject: Re: Just received a positive report re Edwardsport from Adrian who had promised to call and update me periodically.

Great

I was just there the week of the 24th --look forward to comparing notes

Sent using BlackBerry

----- Original Message -----

From: Rogers, Jim
To: Turner, Jim; Haviland, Richard W
Cc: Miller, Monica L
Sent: Tue Jun 08 16:47:31 2010
Subject: Just received a positive report re Edwardsport from Adrian who had promised to call and update me periodically.

I will be glad to debrief you'll tomorrow. Let's find a time toward the end of the day.

From: Tyndall, Bill
To: Turner, Jim; Rogers, Jim
Sent: 6/8/2010 2:12:37 PM
Subject: RE: Mike Reed

I think it would be ok for JER to reach out to Chu but we should let Jim M have a few days to talk to Chu before we bring it up as well. I would not recommend calling Sen Durbin since we were told directly not to do that until Secretary Chu spoke to him first. I will call over there later today and see if I can get any feedback on what their reaction to Turner's excellent pitch last night.

The only thing that I would add to Turner's description is that Markowsky mentioned again last night the importance of hitting the 90 percent removal number for Edwardsport and the need to do so on all or most of the emissions of the plant using an in line system that directly connects the IGCC with the capture and sequestration process.

Interestingly, Edwardsport \$250m grant was not mentioned last night...

-----Original Message-----

From: Turner, Jim
Sent: Tuesday, June 08, 2010 1:54 PM
To: Rogers, Jim
Cc: Tyndall, Bill
Subject: Re: Mike Reed

Chu probably better than Durbin in terms of possible movement.

Bill, would it make sense for Jim to reach out to chu, or should we let this run for a little while longer?

----- Original Message -----

From: Rogers, Jim
To: Turner, Jim
Cc: Tyndall, Bill
Sent: Tue Jun 08 13:14:41 2010
Subject: Re: Mike Reed

What do we need to do next to push it across the goal line? Durbin? Chu?

----- Original Message -----

From: Turner, Jim
To: Rogers, Jim
Cc: Tyndall, Bill
Sent: Tue Jun 08 13:01:34 2010
Subject: Re: Mike Reed

Very well, actually. We really hit it off personally.

I told him we share one common objective--to demonstrate the efficacy of CCS in the reasonably near future--but that Future Gen seemed unlikely to be successful under the existing structure (which he agrees with) and CCS at Edport is at risk becuz the IURC will be constrained to approve given the high cost of the base plant. The logical step would be to solve our

common objective with a more significant investment at Edport.

Exhibit - G

He's got a big political problem with Durbin, but from a logic standpoint, he clearly understands that making a significant commitment to CCS at Edport would make great sense. He's also starting to get pinged by OMB about the money he's sitting on that doesn't look like it's going to get deployed any time in the near future.

We discussed making Mattoon a strategic repository for CO2, and he liked the idea of it but doesn't believe it will be enough to satisfy Durbin's office. Bill T reinforced our willingness to do a much smaller but new technology venture at Mattoon in addition to CCS at Edport, which he appreciated.

Bottom line: he's chewing on it with a lot swirling in his mind. If the decision were totally up to him, I think it would have been made last night.

Bill T, anything else to add?

----- Original Message -----

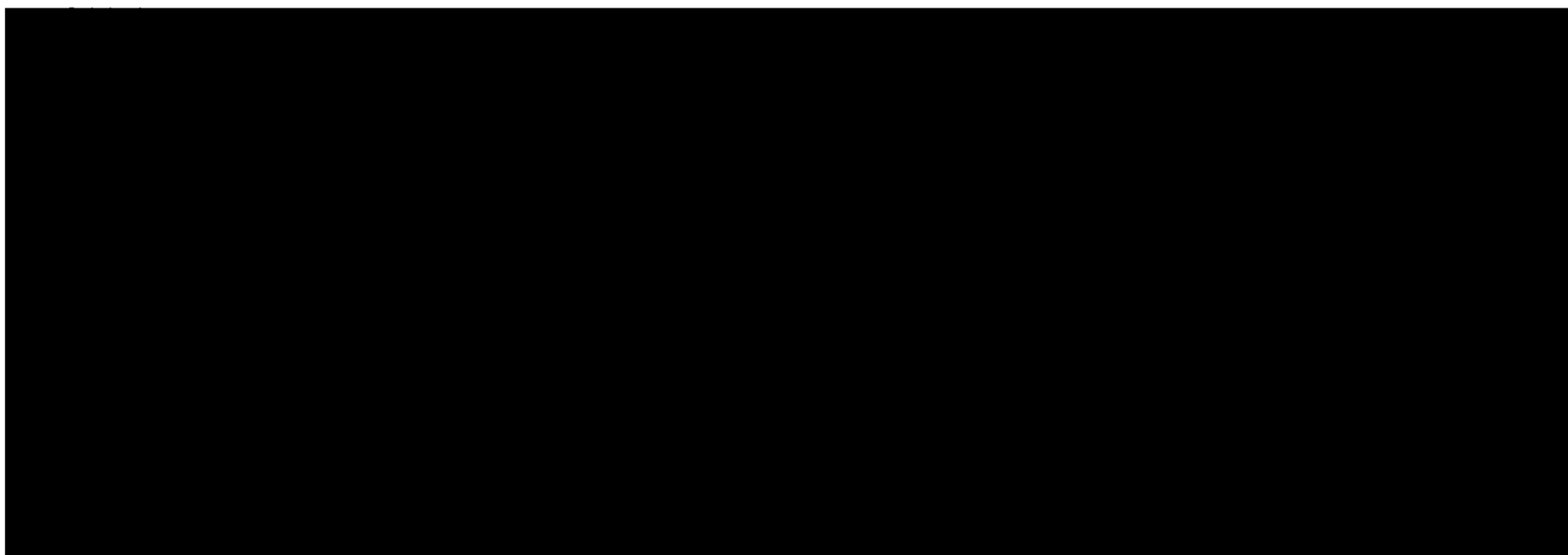
From: Rogers, Jim

To: Turner, Jim

Sent: Tue Jun 08 12:37:18 2010

Subject: Re: Mike Reed

How did the meeting go with DOE/Markowsky last night?



s with investors at the Citi

Exhibit H

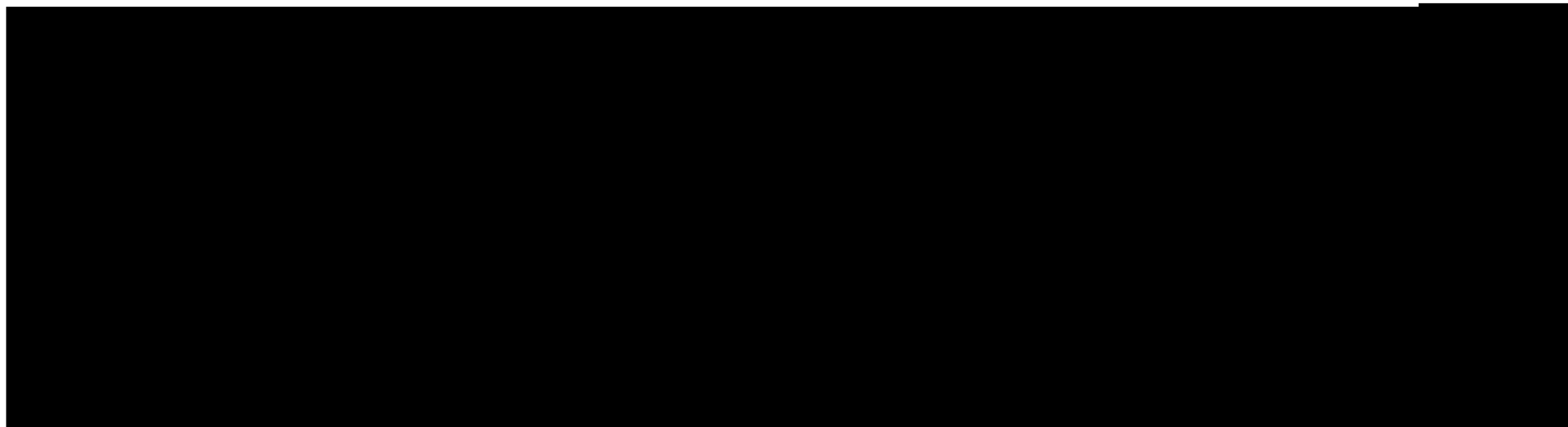
**Page(s) redacted pending interim
determination of confidentiality**

Exhibit I

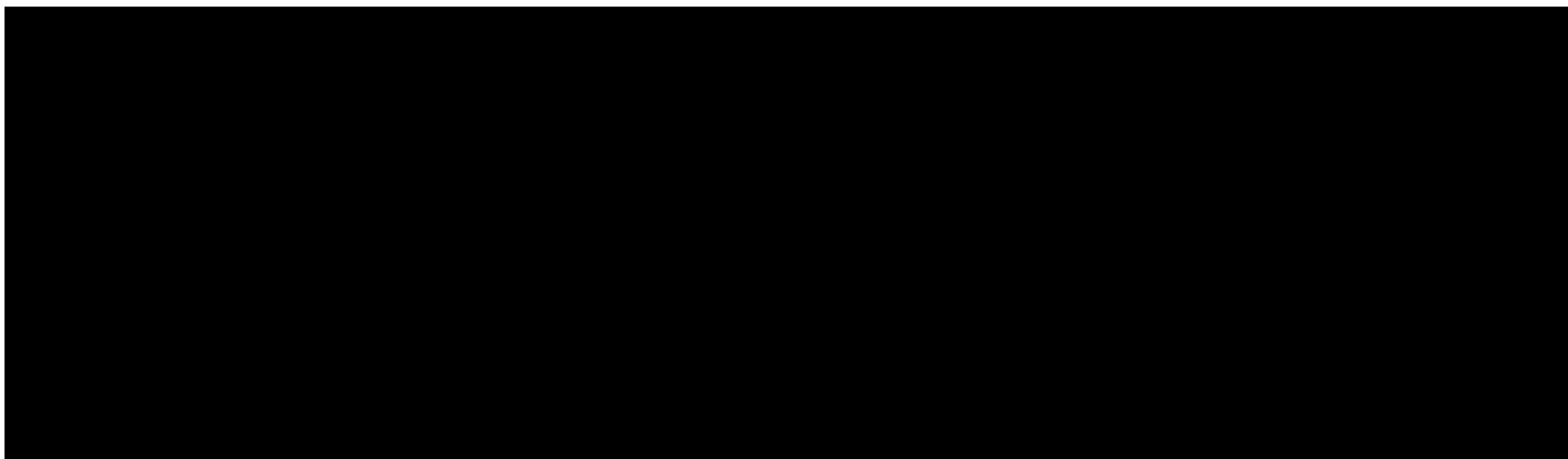
**Page(s) redacted pending interim
determination of confidentiality**

Exhibit J

From: Turner, Jim
To: Rogers, Jim; Executive Staff
CC: Currence, Kathy K; Toney, BT
Sent: 7/2/2010 9:20:05 AM
Subject: RE: Duke's nuclear history



Obviously, the “design it once, build it many times” philosophy that underpins the AP 1000 design substantially reduces the likelihood of overruns in the 340% to 450% range, but it is not unreasonable to assume and plan for costs to be as high as 40%- 50% above current estimates (see, for example, Cliffside and Edwardsport).



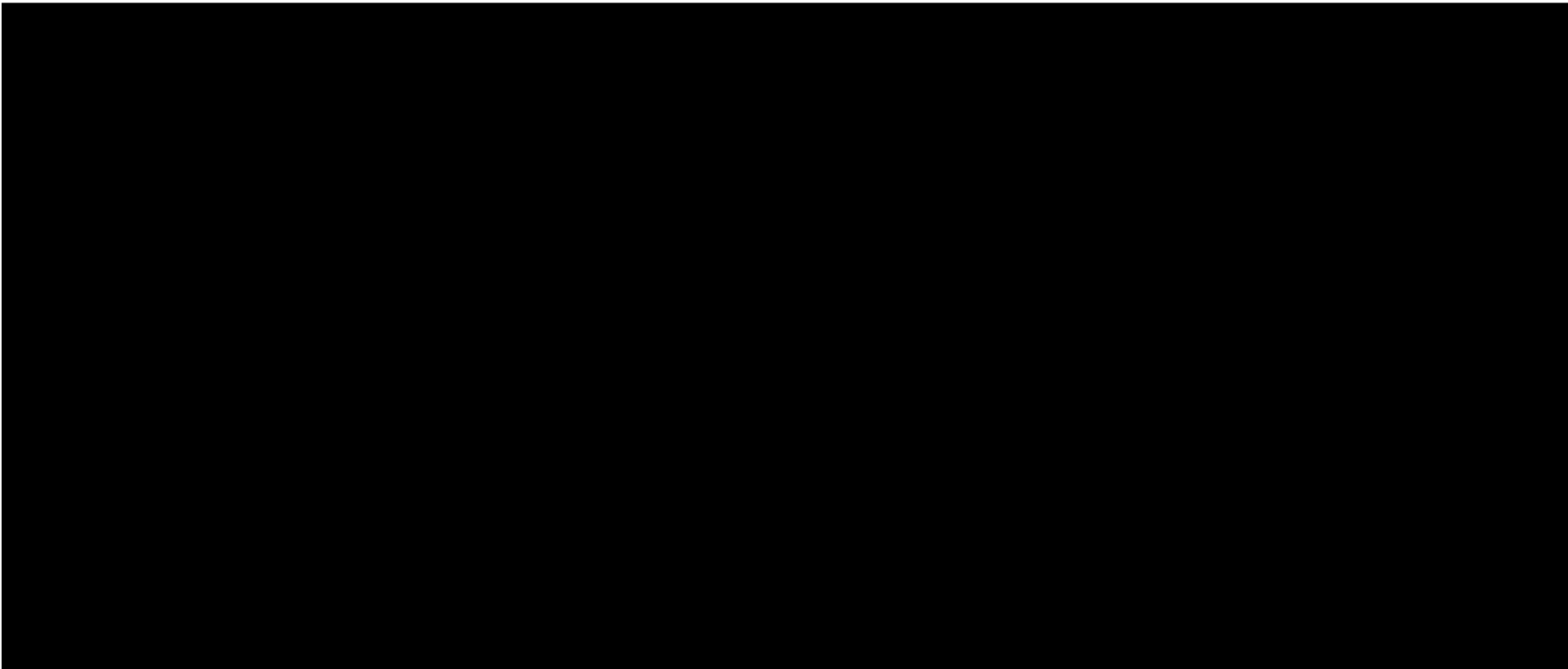


Exhibit K

From: Turner, Jim
To: Haviland, Richard W; Good, Lynn J
CC: Toney, BT
Sent: 8/3/2010 10:02:16 AM
Subject: RE: A few thoughts

Thanks Rick.

I think a more precise way of saying the third point is we don't want construction disputes to cloud the essential mission of getting the project done as efficiently and cost effective as possible. We'll deal with GE/Bechtel issues at the end (ie would not tie it to IURC proceeding)

-----Original Message-----

From: Haviland, Richard W
Sent: Tuesday, August 03, 2010 1:07 AM
To: Turner, Jim; Good, Lynn J
Cc: Toney, BT
Subject: RE: A few thoughts

hope this helps

Jim--do you want me to forward the Edport status to Lynn I sent you this weekend??

From: Turner, Jim
Sent: Monday, August 02, 2010 10:23 PM
To: Haviland, Richard W
Cc: Toney, BT
Subject: Fw: A few thoughts

See Lynn's thoughts re potential questions. Any thoughts on her first few?

----- Original Message -----

From: Good, Lynn J
To: Turner, Jim
Sent: Mon Aug 02 19:46:27 2010
Subject: A few thoughts

On Edwardsport -- a few questions that we may get:

Where are you in the procurement cycle and how much of the estimate is fixed at this time? procurement cycle is essentially complete--the majority of the to-go costs are construction and those are primarily cost reimburseable

Where is your greatest risk of potential cost overruns? construction craft labor and any problems that occur with startup/commissioning of new technology

What risk does Bechtel have on the project -- just saw the turn key deal at the Prairie plant? Bechtel has little risk in their contract--they have caused us harm and we were pursuing them on a fairness claim--we decided to put any claims to Bechtel/GE on the side for the moment until we get through the pending cost subdocket with IURC--also see below my thoughts vis-a-vis Prairie States

Has Black and Veatch weighed in on the estimate -- what type of feedback have you received from them on the project, completion, cost, etc.? B&V has not and will not give us any feedback on the estimate--we have asked

Just a few thoughts.

My response to Bill C. on Prairie States

I would not get into a comparison of Prairie States and Cside--if asked I would just say we do not know the scope of Prairie States well enough for a comparison

we still believe we will be within the budget with AFUDC for CSide

BTW the savings is not all that great for 2 units vs. 1 unit--probably 10% max.

and also we are lower cost than Prairie States (I believe) if you take out Unit 5 scrubber

+++I think the bigger question that may be asked is if Bechtel will fix PS why won't they fix Edport?? Bechtel told me they fixed PS because the owners were going to terminate them....

Exhibit - K

From: Currens, Bill
Sent: Saturday, July 31, 2010 4:27 PM
To: Haviland, Richard W
Subject:

Rick – I am attaching a summary we prepared for the Prairie State 1,600-MW pulverized coal unit being built by Peabody and others. They recently announced a significant cost increase (to \$4 billion or \$2,500/Mw). If we are asked about this project and its relevance to Cliffside (are we experiencing similar cost pressures?), how would you prefer we respond? My thought was that our cost/kW for Cliffside is higher than the cost/kW for Prairie State, but the Prairie State project is double the size of Cliffside (therefore, there are some efficiencies, but the projects are not entirely comparable). This was our argument as well when regulators did not approve the two units we had originally proposed. I seem to recall that our original cost estimate for the two-unit project was around \$3 billion.

Any thoughts?

Exhibit L

**Page(s) redacted pending interim
determination of confidentiality**

Exhibit M

From: Haviland, Richard W
To: Young, Steve K
BCC: jim.turner@duke-energy.com; mike.womack@duke-energy.com
Sent: 8/26/2010 3:21:16 PM
Subject: Re: Gas Line Costs

Steve

I either did not explain myself well or you missed the point

We are looking for a way for the project not to be charged because of the capital situation

I was asking for some creativity In restructuring the deal or whatever it takes

We can certainly pass thru fuel costs--that may not ultimately be true for capital

Sent using BlackBerry

From: Young, Steve K
To: Haviland, Richard W
Sent: Wed Aug 25 15:24:50 2010
Subject: Gas Line Costs

I gave you a call earlier but was not able to reach you. I wanted to get back to you on your forwarded notes regarding the cost of the lateral pipeline that will be built for Edwardsport. A couple of items:

1. The arrangement is clearly a capital lease associated with the cost of the plant (capitalized cost is the NPV of the lease payments).
2. The actual lease payments are incorporated into the fuel recovery clause and base rates would exclude the capitalized lease from rates via a pro-forma adjustment to the rate base (common practice in rate setting for this type of situation), thus double charging customers can be dealt with appropriately.

Regarding the issue of the cost of Edwardsport - If the issue is that this cost amounts to a cost overrun then the ABT policy requires an overrun of this amount (approximately \$5-\$10 million) to be approved by Rogers but not the Board. The most recent cost approved by the Board of \$2.88 billion includes \$126 million of contingency. If the cost of the lateral pipe can be included within the contingency then no additional approvals are needed. If not, then the overrun appears to be at a level that would require Roger's approval.

I don't know if this hits on the issue for you so please contact me with any questions.

Exhibit N

**Page(s) redacted pending interim
determination of confidentiality**