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New agreement on Edwardsport plant: \$85 million in additional rate relief with increased consumer benefits

A newly reached settlement agreement, if approved, will mean additional savings for Duke Energy customers regarding ongoing cost recovery for the utility's Edwardsport power plant, increasing total ratepayer savings to nearly \$1 billion.

The Indiana Office of Utility Consumer Counselor (OUCC), Duke Energy Indiana Industrial Group (including five large-volume customers), Nucor Steel-Indiana, and Duke Energy have reached the settlement, filed today with the Indiana Utility Regulatory Commission (IURC).

A 2012 settlement agreement among the OUCC, Duke Energy, and industrial customers placed a cap on the plant's construction and financing costs that has saved customers \$897 million thus far.

More recent proceedings before the IURC have focused on the date that the Edwardsport integrated gasification combined cycle (IGCC) plant went into service. Duke Energy has considered the plant "in service" since June 7, 2013. The OUCC and other parties contested that date arguing that the plant remained in the start-up and testing phases before and after the date. The 2012 settlement agreement calls for Duke shareholders to bear all startup and testing costs.

In December 2014, the OUCC filed litigation testimony recommending nearly \$115 million in rate relief. Under the newly reached agreement, the parties agree to designate June 7, 2013 as the start-up date for accounting and ratemaking purposes. In exchange, however, Duke Energy agrees that shareholder funds will fully cover an additional \$85 million in operating costs while providing additional benefits:

- An immediate \$1 million rate credit to residential customers, in addition to the \$85 million in savings.
- \$250,000 to the OUCC to fund expert witnesses and related expenses.
- A \$500,000 contribution from Duke Energy shareholders to the Battery Innovation Center in southern Indiana to further advance research of renewable energy storage systems. This funding is in addition to a \$1 million contribution to the center included in the 2012 agreement.
- A \$500,000 shareholder contribution to the Indiana Utility Ratepayer Trust (in addition to a \$2 million contribution in the 2012 settlement).
- A \$100,000 shareholder contribution to the Indiana Low Income Home Energy Assistance Program (LIHEAP) to benefit Duke Energy customers (in addition to \$3.5 million contributed under the 2012 agreement).
- An eight-year rate amortization of the IGCC plant's costs (compared to the currently authorized three-year amortization), reducing the rate impact.
- Caps on rate recovery of future costs for the plant's daily operations and for capital costs through 2017.

(Continued)

“The Edwardsport plant has not met its performance expectations during the last two years while operating costs have risen,” said Indiana Utility Consumer Counselor David Stippler. “This agreement ensures that a significant portion of those rising costs will not be borne by Duke Energy’s Indiana customers, while providing the utility with the chance to continue to address the plant’s level of operations. It also does not waive our rights to object to future costs if the plant fails to perform at an acceptable level.”

The IURC may approve, modify, or reject any agreement filed before it.

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(IURC Cause Nos. 43114 IGCC 11-15, 38707 FAC 99-101)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC’s mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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