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Dr. Bradley Borum
Electricity Division Director
Indiana Utility Regulatory Commission
Attn: Research, Policy, Planning Division
101 W. Washington Street, Suite 1500 East
Indianapolis, IN 46204-3407

Via email: bborum@urc.in.gov

RE: Industrial Group Comments on Draft Director's Report for Duke's 2021 IRP

Dear Dr. Borum:

Thank you for the opportunity to provide comments to the draft Director's Report for Duke's 2021 IRP submission.

Initially, it is important to provide the background to Duke's current IRP. Below is the Director's response to the Industrial Group's comments from Duke's 2018 IRP:

DEI should have conducted a thorough evaluation of all its generating resources including both the potential retirement of the Edwardsport IGCC facility and in the alternative the operation of the facility on natural gas only with the gasification facilities no longer operating. Mr. Gorman offered suggested scenarios; however, the Director will defer to DEI. Regardless of the specific scenarios, DEI's next IRP should conduct the analysis of the IGCC unit. For the sake of the objective integrity of the IRP analysis, it is important to avoid, where possible, the hardwiring of existing or future resources.

Critically, when Duke actually modeled running Edwardsport on natural gas in the 2021 IRP, all of the optimized portfolios demonstrated that immediately switching Edwardsport to natural gas was the economic solution. However, Duke's preferred portfolio ignores these modeling results. Instead, in designing its preferred portfolio, Duke once again hardwired the operational parameters for Edwardsport, which resulted in a delay of Edwardsport's fuel switch to natural gas until 2035.

As explained in the Industrial Group's May 16, 2022 comments, this delay in switching Edwardsport to natural gas will have **an estimated net annual cost to ratepayers of about \$90 million a year, or about \$1 billion through 2035.** Yet despite this extraordinarily high cost,

Duke did not provide any quantitative analysis for any of the qualitative rationale it put forth in selecting its preferred portfolio. Further, Duke refused to perform any model runs comparing its preferred portfolio to an alternate one that moved up the fuel switch to 2023. These alternates could have been reviewed under the same set of scenarios that other portfolios were considered, but Duke did not do so, instead relying exclusively on its qualitative rationale to support its preferred outcome.

In the Draft Report, the Director's response to the Industrial Group's comments were as follows:

The Director concurs that qualitative factors in any planning exercise should be quantified to the extent reasonably possible. The Director notes, however, that even limited quantification of what had previously been purely qualitative factors involves itself a considerable degree of judgment in the development of any quantitative analysis. Also, any resource commitment involves numerous factors beyond cost as can be seen in even the most basic scorecard. Of course, cost is a critical component to any resource decision, but it is hardly sufficient in a complex planning and operating environment characterized by uncertainty across almost all key drivers or parameters of resource requirements.

Given the significant magnitude of the \$1 billion additional cost to operate Edwardsport on natural gas, reliance exclusively on qualitative factors to support continued operation on coal gasification is unwise. Instead, given these significant costs, evaluation of quantitative factors is prudent. Moreover, allowing sole reliance on qualitative factors, without requiring any effort to quantify the value of those factors, does not promote a transparent planning process, and simply allows the utility to hide behind any rationale it deems qualitative.

Furthermore, even Duke's purported quantitative factors are not persuasive. With respect to Edwardsport, Duke has cited to fuel diversity, potential future sequestration opportunities, and the relative age of Edwardsport as qualitative factors that support its decision to continue running Edwardsport on syngas. With respect to fuel diversity, Duke's generation is already heavily weighted in coal and will continue to be for the next decade. Switching Edwardsport to run on natural gas would promote more fuel diversity than continuing to run Edwardsport on coal. Regarding future sequestration opportunities, Duke's most recent analysis in the IGCC tracker proceedings showed that sequestration is not cost feasible for Edwardsport. Moreover, sequestration would not be necessary if Edwardsport were run on natural gas. Finally, since Duke first proposed Edwardsport, the availability and pricing of natural gas have changed the economics of how a dual fuel resource should be operated. The current annual O&M cost for Edwardsport included in base rates is \$106 million, which includes \$6.6 million of annualized expense for a major outage. A majority of that expense is linked to operation of the coal gasifiers, which would no longer be needed if Edwardsport were run on natural gas.

Duke's qualitative analysis also ignored known qualitative factors that do not support continued use of coal at Edwardsport. For example, the assurance of adequate fuel supply has long been considered a fundamental consideration supporting coal generation reliability and

resiliency. However, Duke has encountered serious problems obtaining and transporting coal to several of its coal-fired facilities, resulting in massive increases in Duke's Fuel Adjustment Charges over the last year. Given the strike potential for rail and coal production workforce, those issues remain concerns into the future. If Edwardsport were run on natural gas, then coal could be diverted/redirectioned from Edwardsport to Duke's other coal-fired generating facilities, thus alleviating some of the transportation and supply issues facing those facilities.

In conclusion, Duke's 2021 IRP (and its preferred portfolio) does not reflect a transparent or prudent planning effort. Instead, Duke should perform the additional analysis to show the impact of switching Edwardsport to natural gas would have under the various scenarios, and evaluate its preferred choice with a more robust quantitative analysis.

Regards,

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