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**News Release**  
**For Immediate Release**

**State reaches agreement on plans to build SNG facility, bring jobs to southern Indiana**

ROCKPORT, Indiana (December 16, 2010) – After four years of planning and negotiation, Indiana’s program to become a national leader in homegrown clean energy production took a big step forward today.

Governor Mitch Daniels made the announcement after the Indiana Finance Authority (IFA) Board voted unanimously to approve a \$2.65 billion project to build a new generation substitute natural gas plant in Spencer County, bringing hundreds of permanent and 1,000 construction jobs to southern Indiana and providing savings to energy customers.

“We’re out to pay Hoosiers instead of people elsewhere for the energy we need. We’re out to protect ratepayers against the likelihood of higher long-term gas prices. We’re out to put people to work in rural Indiana. And we’re out to become a leader in the high-tech field of cleaner energy. This project does all that, and it was worth all the work of the four years it took to get here,” said the governor.

The proposed substitute natural gas (SNG) plant would:

- Bring \$2.65 billion in private investment to southern Indiana for the plant.
- Guarantee at least \$100 million of savings in today’s dollars but likely be substantially more based on existing public forecasts.
- Produce 1,000 construction jobs, 200 full-time jobs at the plant, and 300 mining jobs.
- Operate with 99 percent fewer pollutants than a traditional coal plant.
- Be designed to capture 90 percent of its carbon dioxide emissions.

According to the agreement, IFA will enter into a 30-year contract with Indiana Gasification, LLC, a subsidiary of Leucadia National Corporation, to purchase 38 million MMBtus of substitute natural gas – approximately 17 percent of the total used by non-industrial customers in the state—when SNG production begins in late 2015.

Among the benefits of the plant:

- IFA will purchase gas at a formulaic price for 30 years, providing Hoosier energy customers an insurance policy against jumps in the price of natural gas.
- The plant will be built and operated by Indiana Gasification, which will assume the entire risk for construction and operation.
- Indiana Gasification is required to provide a \$150 million reserve to protect Indiana ratepayers during times when the price of SNG goes above the market price for natural gas.

- Indiana's coal resources will be used to produce SNG, essentially the same as the natural gas which is currently used to heat many Hoosier homes.
- In addition to SNG sold under contract to the IFA, the plant will produce additional SNG and other byproducts (sulfuric acid, argon, and other rare gases) that will be sold to generate incremental revenues, half of which will be passed on to benefit the ratepayer.
- Vitreous slag, which is one of the byproducts of the facility, will be given to the state for free and used for other processes such as building roads.
- In a state emergency, the IFA has the right to direct the physical gas for use anywhere it deems necessary in the state.
- The plant is designed to capture 90 percent of the carbon dioxide it produces as a co-product with the SNG. Indiana Gasification intends to sell compressed carbon dioxide as a liquid and transport it to the Gulf Coast to be used in enhanced oil recovery.

In 2006, Daniels began discussions with a group about constructing a SNG facility in Indiana. Subsequently, legislative sessions of the general assembly enabled the contract, which was announced today. The enacted legislation authorizes the IFA, on behalf of the state, to enter into negotiations for 30-year contracts for the purchase and sale of SNG for the benefit of Indiana customers.

The IFA has now completed its negotiations and will file a petition to the Indiana Utility Regulatory Commission (IURC) for approval of the agreements related to this project. Indiana Gasification is in the final stages of negotiating its loan guarantee with the U.S. Department of Energy, which is critical to meet the terms established in the agreement. Depending on the completion of the IURC process and the federally mandated environmental impact study, construction is set to commence in early 2012.

An executive summary along with the forms of agreements may be found on the IFA's website at: <http://www.in.gov/ifa>

Audio from today's announcement, which the governor participated in live via Skype, can be found at the following link: <http://www.in.gov/gov/files/Audio/121610.mp3> Included is a question and answer session with Governor Daniels and Indiana Public Finance Director Jennifer Alvey.

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