

# IURC News Release

Indiana Utility Regulatory Commission

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## **IURC Decision Limits Cost Recovery on Duke Energy Edwardsport Plant**

*Commission approves modified settlement agreement and credits ratepayers an additional \$28 million*

INDIANAPOLIS – Today the Indiana Utility Regulatory Commission (IURC) modified and approved a settlement agreement reached in the Duke Energy Indiana case involving the revised cost estimate for the electric utility's new integrated gasification combined cycle facility (IGCC) in Edwardsport, Ind.

The settlement agreement set a hard cost cap for the project at \$2.595 billion (as of June 30, 2012), which prohibits Duke Energy from recovering project construction costs above this amount from retail electric customers, excluding costs related to force majeure situations defined in the agreement. It also requires the utility to absorb nearly \$900 million in cost overruns given the plant is now projected to cost approximately \$3.5 billion.

Although Duke Energy is limited in its recovery of project costs, the settlement agreement does allow the utility to recover financing charges accrued to fund the project's construction. This arrangement is otherwise known as allowance for funds used during construction (AFUDC) and has been approved thus far in this case in accordance with state law.

Through a modification to the settlement agreement, the IURC also provided \$28 million in additional value to ratepayers by directing Duke Energy to credit customers for cost control incentive payments found to be unwarranted, given the delays that arose from the project cost overruns. The IURC also modified the settlement agreement in such a way that if Duke Energy should recover through litigation claims more than the IGCC project costs absorbed by its shareholders, any surplus recovery is required to be returned to ratepayers.

The investment recovery sharing coupled with the other terms of the settlement agreement created value that was found to be in the public interest. The settlement agreement was reached by the utility, Nucor Steel Indiana, the Duke industrial group, and the Indiana Office of Utility Consumer Counselor. Packaged with the settlement agreement is also a guarantee by Duke Energy that it will not file a rate case prior to March 2013, nor implement one before April 2014.

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For your reference, the IURC's decision under Cause No. 43114 IGCC 4 S1 can be found online at [www.in.gov/iurc](http://www.in.gov/iurc). To read the "Commission Discussion and Findings" section, please go to page 109. If you need to access other case-related documents, visit our Electronic Document System at <https://myweb.in.gov/IURC/eds/>. Instructions on how to best use this database can be found at [www.in.gov/iurc/2666.htm](http://www.in.gov/iurc/2666.htm).

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*The Commission is a fact-finding body that hears evidence in cases filed before it and makes decisions based on the evidence presented in those cases. An advocate of neither the public nor the utilities, the IURC is required by state statute to make decisions that balance the interests of all parties to ensure the utilities provide adequate and reliable service at reasonable prices.*

*For more information, please visit: [www.in.gov/iurc](http://www.in.gov/iurc).*