

IURC News Release

Indiana Utility Regulatory Commission

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The IURC Approves the Recovery of Costs on Duke Energy's IGCC Project *New project costs and schedule found to be reasonable and necessary*

INDIANAPOLIS – Today the Indiana Utility Regulatory Commission (“IURC”) issued an order in Cause No. 43114 IGCC 1. The order found Duke Energy Indiana satisfied the statutory requirements to reflect in its rates additional costs incurred on the company’s Edwardsport Integrated Gasification Combined Cycle Generating Facility (“IGCC Project”); recover modified external costs through its previously approved tracker; and proceed with its study on carbon capture.

The initial estimate for the project was approved by the IURC at \$1.985 billion in November 2007. Due to increasing commodity and equipment costs, Duke Energy returned to the IURC for approval of updated estimated costs. The testimony in the proceeding reflected that the increased estimate is attributable to construction cost increases that have affected all types of power plants – including coal, gas and renewable resources such as wind. The estimated cost of construction for the IGCC Project was therefore approved by the Commission to a revised projected cost of \$2.350 billion.

Adjustments were also approved for Duke Energy’s IGCC Rider No. 61 (“adjustable rate mechanism or tracker”). The revenue adjustment applicable to the company’s charges for electric service will be effective immediately for all bills rendered until the Commission determines that this project is used and useful following a proceeding that involves the establishment or investigation of the company’s base electric rates and charges. The monthly bill of a residential customer using 1,000 kilowatt hours will increase by \$0.59 or approximately 0.8 percent.

When determining whether cost recovery was appropriate in this case, the Commission followed state statute IC § 8-1-8.8-12 (d), which states that “the commission [IURC] shall allow an eligible business to recover the costs associated with qualified utility system property if the eligible business provides substantial documentation that the expected costs associated with qualified utility system property and the schedule for incurring those costs are reasonable and necessary [sic].”

As required by an earlier IURC order, Duke also included a proposal to undertake a carbon capture study. Based on the evidence presented to the IURC, the Commission authorized Duke

Energy to proceed with the study for the IGCC Project for costs up to the \$17 million estimate presented in this case.

In addition to reviewing Duke Energy's requests, the Commission also revisited incentives previously awarded to the company. One such incentive was the deferred income tax incentive, which is tied to performance and based on the accurate estimate of costs to be incurred. In light of the testimony given by the intervenors and the revised cost estimate by Duke Energy, the IURC found that incentive treatment for deferred income taxes should be limited to the original estimate of \$1.985 billion and that it should not extend to costs that exceed that amount.

For more information or to access documents related to Cause No. 43114 IGCC 1, please visit the Electronic Document System located on our homepage: www.in.gov/iurc.

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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.