



Indiana Office of Utility Consumer Counselor

115 West Washington St.
Suite 1500 South
Indianapolis, IN 46204
uccinfo@oucc.IN.gov
www.IN.gov/OUCC

Toll-free: 1-888-441-2494
Voice/TDD: 1-317-232-2494
Fax: 1-317-232-5923

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Contact: Anthony Swinger
1-317-233-2747

State Utility Consumer Advocate Recommends Customer Rate Relief Regarding Edwardsport Costs

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending \$114.8 million in rate relief for Duke Energy customers, in connection with ongoing cost recovery for the utility's Edwardsport power plant.

In testimony filed Monday, the OUCC is asking the Indiana Utility Regulatory Commission (IURC) to require Duke Energy to refund approximately \$51.6 million to Indiana customers based on projected estimates of the plant's expenses once it was technically "in service." Those costs have been included in the utility's rates since September 2013. The OUCC also recommends that the IURC disallow about \$63.2 million in costs Duke Energy is currently seeking to recover from Indiana customers through rates.

Indiana law allows Duke Energy to seek rate adjustments every six months to pay for construction and financing costs for the Edwardsport integrated gasification combined cycle (IGCC) generating station.

A 2012 settlement agreement among the OUCC, Duke Energy, and industrial customers caps the total construction cost amount Duke Energy may recover from ratepayers for the Edwardsport project. Among other provisions, the agreement states that costs related to "startup, testing, validation, and commissioning" should be borne by Duke Energy shareholders and not by the utility's Indiana ratepayers.

The key disagreement in the pending cost recovery case focuses on when the Edwardsport plant was actually placed "in service." Duke Energy, in its testimony, considers the plant "in service" and fully operational as of June 7, 2013. However, the OUCC's testimony contends that the plant remained in a "start-up" status before and after the alleged "in-service" date, and all throughout the periods that are currently being reviewed for cost recovery.

"While state law allows a utility to recover costs through rates for a plant that is fully operational and providing electricity to customers, these costs do not rise to that level," said Indiana Utility Consumer Counselor David Stippler. "The Edwardsport settlement agreement specifically bars Duke Energy from billing ratepayers for testing and startup costs. The OUCC continues to closely scrutinize all costs related to this project, and we will continue with our efforts on behalf of ratepayers to hold Duke Energy accountable to the terms of the agreement."

Duke Energy has until January 15, 2015 to file rebuttal testimony in this case, with an IURC evidentiary hearing scheduled to start on February 2, 2015.

(IURC Cause Nos. 41134 IGCC-12 & 43114 IGCC-13)

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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