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May 16, 2022

Dr. Bradley Borum, Director  
c/o 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](mailto:bborum@urc.in.gov)

**RE: Duke Industrial Group Comments to Duke's 2021 Integrated Resource Plan**

Dear Dr. Borum:

The Duke Industrial Group, by counsel, appreciates the opportunity to comment on Duke's 2021 Integrated Resource Plan ("IRP"). The Duke Industrial Group remains concerned that Duke continues to ignore the excessive costs of operating Edwardsport IGCC on syngas, and Duke's analysis in this IRP fails to justify this billion-dollar cost to ratepayers through 2034. The Commission should require Duke to demonstrate the cost of its preferred portfolio using a 2023 date for conversion of Edwardsport to natural gas, and not allow Duke to simply rely on the unquantified, qualitative factors cited by Duke. Without including this analysis, Duke's 2021 IRP cannot reasonably be considered a credible planning effort.

While Duke has responded to criticism in the 2020 Director's Report to Duke's 2018 IRP by performing additional modeling of the impact of converting Edwardsport to natural gas operation, Duke's decision on its preferred portfolio ignored the results of this analysis and instead relied on its hard-keyed decisions as to how Edwardsport should be operated going

forward. Other than general, unquantified concerns about fuel diversity or the possibility of future carbon capture and sequestration opportunities, Duke's IRP decision lacks a credible and transparent rationale that will cost ratepayers hundreds of millions of dollars until Duke undertakes its next IRP decision in 2024, and over \$1.1 billion to 2035, the date that Duke's proposed IRP would convert Edwardsport.

Specifically, the Industrial Group submits the following comments to Duke's 2021 IRP:

1. In the current IRP, Duke modeled four optimized portfolios that all selected Edwardsport to run on natural gas starting in 2023, which was the earliest year Duke believed the operational change would be possible from a regulatory perspective.
2. However, for the hybrid portfolios, including Duke's preferred portfolio, none of the portfolios switched Edwardsport to natural gas before 2035.
3. Duke hard coded every output of the hybrid models, including its preferred portfolio. See Attachment 1 (Duke's 11/11/21 Revised Response to IG DR 2.3).
4. The 2020 Director's Report on Duke's 2018 IRP was critical of Duke's hardwiring of key information relating to Edwardsport. Duke's continued reliance on hard keyed outputs ignores the economic modeling that selects the most economic resource.
5. The total cost of O&M at Edwardsport currently embedded in base rates, excluding annualized outage expense, is \$99.4 million. *Duke Energy Indiana*, Cause No. 45253, at 97 (IURC, June 30, 2019).
6. For its 2021 IRP modeling, Duke used the operations expense for a generic combined cycle unit as a proxy for the cost of running Edwardsport on natural gas. See

Attachment 2 (Duke's 10/5/21 Response to IG DR 1.1; November 15, 2021 email from Duke).

While Duke indicated that its response is confidential, public data for combined cycle O&M expense from the Department of Energy indicates this cost is about \$10M annually, which is comparable to the number used by Duke. Accordingly, the annual delta between running Edwardsport on syngas versus natural gas is about \$90 million.

7. Delaying the conversion of Edwardsport to 2035 would therefore increase the cost to ratepayers by about \$1.1 billion in terms of current dollars over the 2023 to 2035 period, compared to a 2023 natural gas conversion for Edwardsport, all other things being equal.

8. Following the penultimate stakeholder meeting at which additional details of the hybrid portfolios (including what was ultimately determined to be Duke's preferred portfolio) were shared, we requested that Duke provide information on the hybrid portfolios and asked how the conversion of Edwardsport to natural gas in 2023 would affect the net PVRR, CO2 reduction, and level of market purchases for those hybrid portfolios. Duke objected to providing this information. See Attachment 3 (Duke's 10/28/21 Responses to IG DR 2.5, 2.6, and 2.7).

9. In its IRP, Duke states that its preferred portfolio was the result of "lessons learned" from the optimized portfolios and several key sensitivities. IRP Vol. 1 at 22. Instead, Duke appears to have simply ignored the lessons regarding Edwardsport, given that the optimized portfolios selected the conversion to natural gas in 2023, even for the High Gas scenarios. Deliberate indifference or ignorance to a problem is not consistent with a transparent and honest IRP process.

10. Given the significant financial impact of the Edwardsport plant on ratepayers, Duke should have conducted an IRP that was transparent and clearly quantified its decision matrix with respect to Edwardsport. In particular, Duke should be required, as part of the current IRP, to conduct IRP modeling of its preferred portfolio and report the results as follows:

a. Conduct the IRP analysis in a manner that compares Duke's preferred portfolio to one in which Edwardsport is immediately converted to natural gas operation to determine the PVRRs in both scenarios. In evaluating the option to run Edwardsport as a natural gas unit only, the model should include only the costs necessary to run Edwardsport as a natural gas unit, and remove other costs (including removing labor and other O&M costs, post-in-service capital costs, and other costs that are only necessary if the plant is run on syngas).

b. Duke must quantify the values it placed on fuel diversity and other factors it relied on in choosing to hard-key operation of Edwardsport on syngas through 2035. We believe that it is unlikely that any cost justification exists to delay conversion of Edwardsport to natural gas that would outweigh just the O&M savings of approximately \$90 million annually over the next 12 years.

c. Absent a credible cost-benefit analysis that demonstrates the factors that Duke considered in delaying the conversion of running Edwardsport on natural gas, Duke's decision to delay conversion is simply a hard-keyed outcome that is not supported by Duke's modeling and should be rejected.

Dr. Bradley Borum  
Director of Research, Policy, Planning Division  
Indiana Utility Regulatory Commission  
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11. Duke's failure to adequately address one of the major cost drivers in this IRP, following the 2018 IRP in which the same issue was not addressed, calls into question the legitimacy of Duke's preferred decision, which is based on an incomplete IRP analysis.

Sincerely,

LEWIS KAPPES

*Aaron Schmoll*

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# ATTACHMENT 1

IG  
Duke 2021 IRP  
Data Request Set No. 2  
Received: October 28, 2021

**REVISED RESPONSE 11/11/21**  
**Revised Information is in Bold**  
IG 2.3

**Request:**

Do any of the portfolios have components that are “hard keyed” into the inputs or results rather than being selected by the model based on costs? If so, please identify each such portfolio and its “hard keyed” components, or components that are otherwise selected for other reasons than cost.

**Objection:**

Duke Energy Indiana objects to this request as overly broad and unduly burdensome, particularly the portion of the request seeking Duke Energy Indiana to identify “hard keyed” components.

**Response:**

Subject to and without waiving or limiting its objections, Duke Energy Indiana responds as follows: Yes. The hybrid portfolios were not optimized and were developed to test a variety of resource strategies.

**Revised Response:**

**Subject to and without waiving or limiting its objections and after discussion with Counsel for IG, Duke Energy Indiana is providing the additional explanation: All of the outputs in the hybrid portfolios are hard coded.**

# ATTACHMENT 2



IG  
Duke 2021 IRP  
Data Request Set No. 1  
Received: October 5, 2021

IG 1.1

**Request:**

Please provide the assumed O&M expense DEI is using for modeling Edwardsport as a natural gas unit, by portfolio, along with other assumptions that go with the operation of Edwardsport on natural gas.

**Response:**

See Confidential Attachment IG 1.1-A.

From: "Heneghan, Beth" <Beth.Heneghan@duke-energy.com>  
To: "Aaron Schmoll" <ASchmoll@lewis-kappes.com>  
"Karn, Kelley A" <Kelley.Karn@duke-energy.com>  
Date: 11/15/2021 5:02:53 PM  
Subject: RE: [EXTERNAL] RE: [duke secure] DEI 2021 IRP - Duke Energy Indiana's response to IG 1.1

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Hi Aaron,

The O&M used in our 2021 IRP modeling is from the Generic Unit Study prepared by Burns & Mac. Therefore, the O&M used for modeling purposes is simply that of a generic CC, and is not Edwardsport specific. Because the Generic Unit Study was prepared by B&M, we'll need to check with them before agreeing to make their assumptions available publicly but don't mind checking with them if you'd like. Let me know if you want me to check.

I do want to make sure that you understand the figure you want to mention is a generic CC assumption, not an actual estimate of operating Edwardsport on natural gas.

Thanks,  
Beth

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From: Aaron Schmoll <ASchmoll@lewis-kappes.com>  
Sent: Monday, November 15, 2021 12:01 PM  
To: Karn, Kelley A <Kelley.Karn@duke-energy.com>  
Cc: Heneghan, Beth <Beth.Heneghan@duke-energy.com>; Park, Scott <Scott.Park@duke-energy.com>; Roseman, Paula M <Paula.Roseman@duke-energy.com>; 'jwashburn@citact.org' <jwashburn@citact.org>; Gay, Nancy L <Nancy.Gay@duke-energy.com>; Tabitha L. Balzer <TBalzer@lewis-kappes.com>  
Subject: [EXTERNAL] RE: [duke secure] DEI 2021 IRP - Duke Energy Indiana's response to IG 1.1

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Kelley and Beth-

With respect to the fixed O&M component of Edwardsport as a natural gas unit that was provided in response to IG DR 1.1, what level of detail is appropriate for public discussion? For example, would it be acceptable to say that Duke estimated for modeling purposes the cost to run Edwardsport on natural gas would be less than [REDACTED] annually?

Aaron

[website](#) | [map](#)

Aaron Schmoll

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Director

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From: Gay, Nancy L [<mailto:Nancy.Gay@duke-energy.com>]  
Sent: Tuesday, October 26, 2021 2:56 PM  
To: Aaron Schmoll <[ASchmoll@lewis-kappes.com](mailto:ASchmoll@lewis-kappes.com)>; 'jwashburn@citact.org' <[jwashburn@citact.org](mailto:jwashburn@citact.org)>  
Cc: Heneghan, Beth <[Beth.Heneghan@duke-energy.com](mailto:Beth.Heneghan@duke-energy.com)>; Karn, Kelley A <[Kelley.Karn@duke-energy.com](mailto:Kelley.Karn@duke-energy.com)>; Park, Scott <[Scott.Park@duke-energy.com](mailto:Scott.Park@duke-energy.com)>; Roseman, Paula M <[Paula.Roseman@duke-energy.com](mailto:Paula.Roseman@duke-energy.com)>  
Subject: [duke secure] DEI 2021 IRP - Duke Energy Indiana's response to IG 1.1

Attached please find Duke Energy Indiana's response to Industrial Group informal request 1.1.  
Please note, the confidential attachment is being provided subject to the executed confidentiality agreement in this matter.

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# ATTACHMENT 3

IG  
Duke 2021 IRP  
Data Request Set No. 1  
Received: October 28, 2021

IG 2.5

**Request:**

Please identify the 2030 and 2040 net PVRR of each “hybrid” portfolio if Edwardsport were run on natural gas instead of coal gasification starting in 2023. Please round your answer to the nearest million.

**Objection:**

Duke Energy Indiana objects to providing information not used by Duke Energy Indiana in the development of its 2021 Integrated Resource Plan as not reasonably calculated to lead to admissible evidence.

IG  
Duke 2021 IRP  
Data Request Set No. 1  
Received: October 28, 2021

IG 2.6

**Request:**

Please identify the CO2 Reduction through 2030 for each “hybrid” portfolio if Edwardsport were run on natural gas instead of coal gasification starting in 2023. Please separately provide the same information through 2040.

**Objection:**

Duke Energy Indiana objects to providing information not used by Duke Energy Indiana in the development of its 2021 Integrated Resource Plan as not reasonably calculated to lead to admissible evidence.

IG  
Duke 2021 IRP  
Data Request Set No. 1  
Received: October 28, 2021

IG 2.7

**Request:**

Please identify the average market purchases through 2030 and in the 2030-2040 period for each “hybrid” portfolio if Edwardsport were run on natural gas instead of coal gasification starting in 2023.

**Objection:**

Duke Energy Indiana objects to providing information not used by Duke Energy Indiana in the development of its 2021 Integrated Resource Plan as not reasonably calculated to lead to admissible evidence.