Citizens Action Coaliton of IN

The depreciation argument is being used in the hallways to defend HB1414. The argument being that when coal plants close down without fully depreciating, customers will actually be paying more because they are still paying for that and the new energy source.

<u>Depreciation Talking Points --- Let's stop throwing good money after bad!</u>

1) The above argument sounds true, but it makes the fundamentally flawed assumption that running plants until they're fully depreciated is "free", or at a minimum, comes at little to no additional costs to consumers. Not true in most cases.

> A) It ignores fuel costs, which for Duke Energy Indiana alone are over $500M a year.
>
> B) It ignores ongoing O&M, including ongoing costs like chemicals, treatment products for scrubbers, etc…and new capital costs which add value, thus additional depreciation.
>
> C) It ignores any retrofits or upgrades, which are inevitable and add additional costs to bills through trackers, and which also add value, thus additional depreciation.
>
> D) It ignores that while we continue to run the plants we're adding to depreciation and adding additional expenses, at the same time that we're trying to pay it off. Additional fees, interest, taxes, etc…keep pancaking, and ultimately never go away as long is the plant is operational.

2) Depreciation rates are included and being taken into account in the PVRR (present value revenue requirement or the total cost to customers over the 20-year timeline) in the IRPs. It affects both retirement and non-retirement equally. We can either choose to include in both or ignore it in both. And retirement is showing up as MORE economic even accounting for depreciation.

3) Customers will pay remaining depreciation regardless of when the plant is retired. The question is how quickly will customers have to pay it back. This question is not answered as part of the IRP.

4) How to answer that question and deal with any "acceleration" of depreciation in customer bills and rates is decided in a heavily litigated proceeding at the IURC. More often than not, those cases are settled. Looking at recent NIPSCO rate case, despite Schahfer scheduled to retire in 2023, and Michigan City in 2028, the revenue requirement settlement reached among all parties stretched the amortization out until 2032 to mitigate the rate hikes to customers.

5) Continuing to run and invest in coal, NOT retiring coal, has caused Indiana bills to rise significantly over the last 10 years.

6) And truth be told, coal will continue to drive up bills for the next 10 years. BUT, bills will increase less over time if we shut down the coal plants sooner rather than later and transition to cleaner, cheaper resources. **<u>Let's stop throwing good money after bad!</u>**