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As Duke Becomes Nation's Largest Utility, Shareholders Raise Questions About Continued Reliance on Coal

Shareholders to Vote on Resolution Asking Duke to Issue Plan to Reduce Coal Risks on Thursday, May 3

On Thursday, May 3 at Duke Energy Corporation's annual meeting in Charlotte, NC, investors will vote on a [resolution](#), filed by the shareholder advocacy group [As You Sow](#), that asks the company to prepare a plan to reduce exposure to the costs and risks associated with continued reliance on coal, and to report to shareholders on progress in meeting the risk-reduction goals set in the plan.

Duke, which supplies electricity to approximately four million customers in the Carolinas and the Midwest, is in the process of merging with Progress Energy, a Southeastern utility. Once completed, the combined company will be the nation's largest utility, with more than seven million customers and approximately 57,000 MW of capacity. The company will depend on coal for 42% of its generating capacity, 11% of which lacks environmental controls.

Although Duke is retiring some older, dirtier coal plants, it is building two new coal-fired power plants in Cliffside, NC and Edwardsport, IN. Both of these projects are significantly over budget with combined construction cost overruns exceeding \$1.5 billion. Construction costs at Cliffside Unit 6 have risen to \$2.4 billion from the \$1.8 billion originally estimated. The Edwardsport IGCC plant's cost has skyrocketed from \$1.985 billion to \$3.3 billion.

The Company is seeking approval to pass the Edwardsport plant cost overruns on to Indiana customers, but an ethics scandal emerged, with [reports](#) of Duke executives and Indiana regulators engaging in back door conversations, putting this prospect into question. A former state utility regulator has been indicted and Duke executives are currently under investigation for possible fraud, concealment, and gross mismanagement related to the Edwardsport plant. This may leave shareholders on the hook for Duke's poor management decisions. Indiana's Governor has stated that Duke's shareholders, not ratepayers, should be responsible for nearly \$1 billion of Edwardsport's overruns.

"Duke is doubling down on coal. Its investments in new coal plants indicate that the Company will remain reliant on coal into the foreseeable future, exposing shareholders to significant risk," says Corinne Bendersky, As You Sow's Energy Program Manager. The As You Sow proxy memo detailing Duke's coal related risks is available at: http://www.asyousow.org/health_safety/coal.shtml.

According to Fitch Ratings, fully 25% of Duke's total coal capacity is at risk of retirement due to a lack of environmental controls. Pending regulations and more stringent enforcement of existing regulations make it highly likely that the Company will have to make additional large investments to bring their coal plants into compliance with evolving rules.

"Given the erosion in the competitiveness of coal-fired generation, investors need to see a plan for how the Company will address commodity, compliance, and construction risks," continues Bendersky. "We are concerned that Duke's new coal plants might never be economical to operate, like the new Spiritwood coal plant in North Dakota that was built with state-of-the-art controls, but was mothballed before it generated any electricity."

On April 24th, 9% of Ameren shareholders voted for a similar resolution, also filed by As You Sow, at their annual meeting. This strong vote for a first-year resolution indicates that investors recognize that coal poses significant financial risk to utilities, and want to see a plan detailing how companies will respond. FirstEnergy shareholders will also vote on a similar resolution at their annual meeting in Akron, OH on May 15th.

"These shareholder resolutions and As You Sow's work with coal-fired utilities reflect investors' concern with the economic viability of coal as an electricity-generating source," says As You Sow CEO Andrew Behar. "The economics of coal no longer make sense, and shareholders need to press companies for answers about the future of their investments."

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As You Sow is a nonprofit organization that promotes corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.