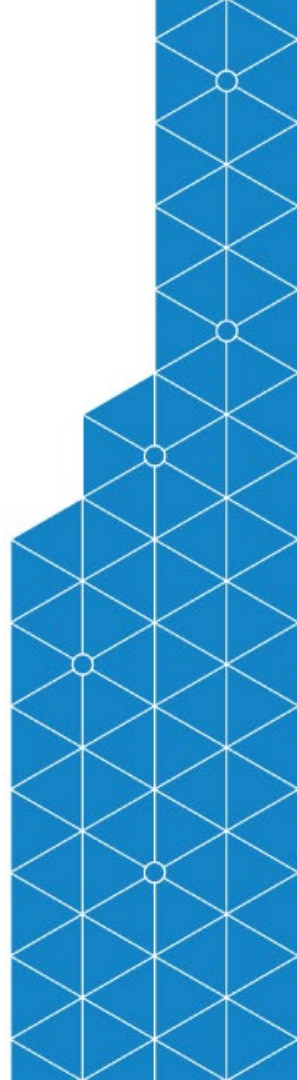




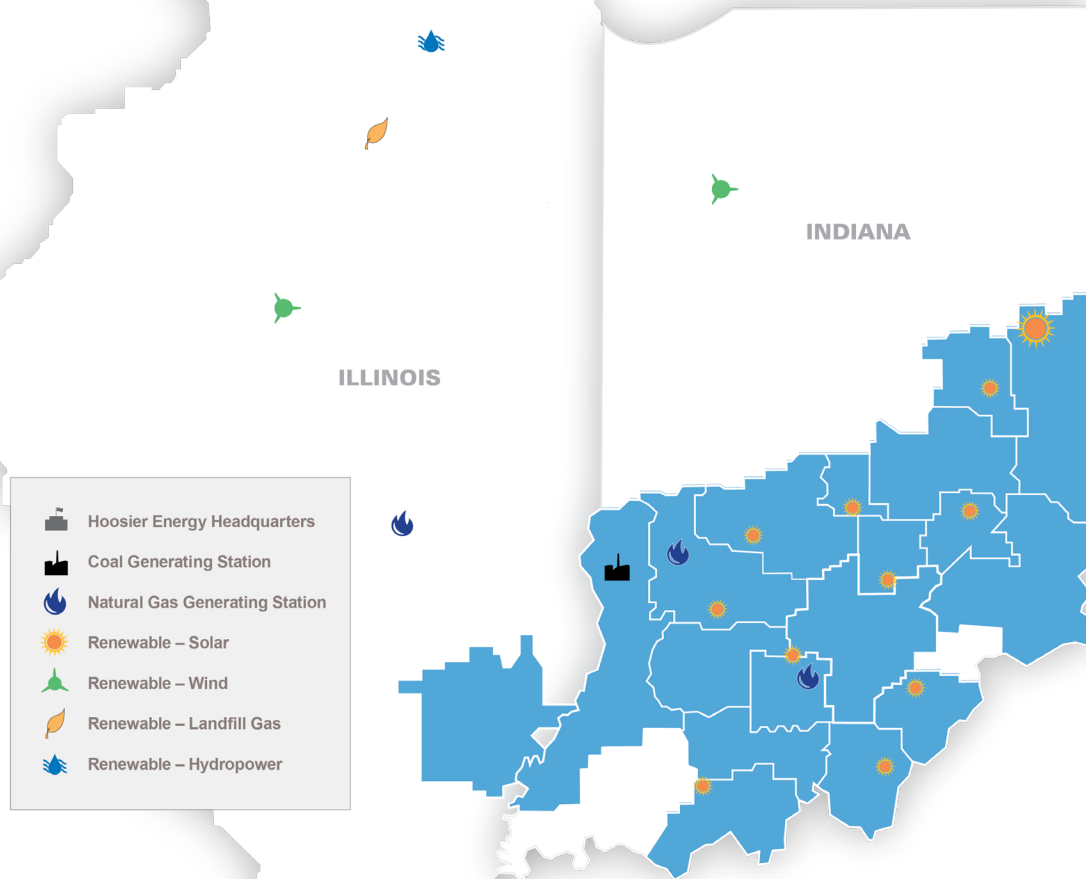
# **IURC Winter Reliability Forum**

Donna Walker, President & CEO

November 17, 2022



# About Hoosier Energy

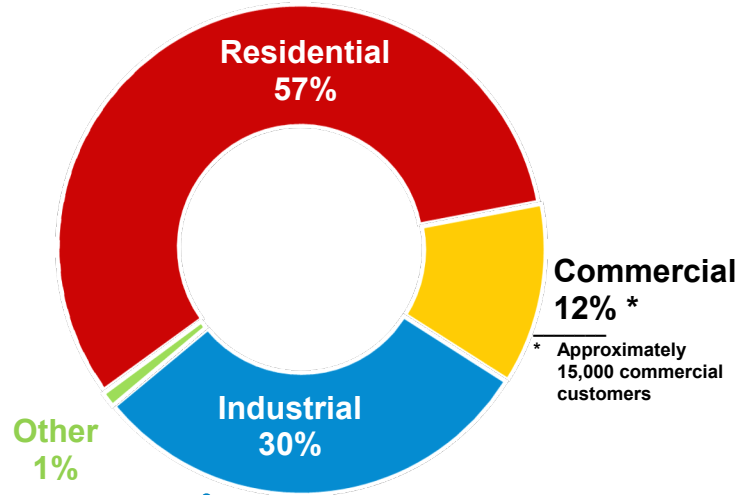


- Non-profit
- 18 member systems
- Member of MISO and PJM
- Approximately 1,730 miles transmission line
- 28 transmission stations and 321 delivery points
- Interconnections with 4 major utilities (Duke, AES Indiana, Ameren, CenterPoint Energy)
- Total assets: \$1.8 billion (2021)
- Annual revenue: \$684 million (2021)
- 280 employees

# Member Systems

## Energy Sales Profile

- Diverse retail customer mix provides stable and predictable revenue stream
- No single customer constituted more than 3% of the members' 2021 aggregate billings
- No single member constituted more than 10% of Hoosier's total sales (member and non-member) in 2021
- Members' consolidated equity to capitalization was 63% in 2021 (AA/Aa level)



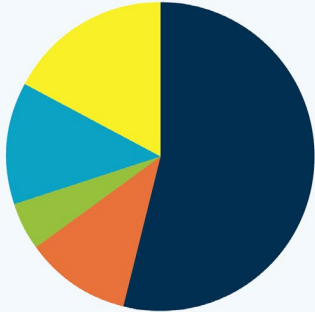
### Breakdown of Industrial Customers

- Service
- Stone Quarry/Coal Mines
- General Manufacturing
- Auto-Part Related Manufacturing
- Steel Mill & Metal Fabrications
- Food Processing
- Other



# Our Resource Portfolio

## 2021 ENERGY MIX **ACTUAL**



- Coal **54%**
- Natural Gas **11%**
- Renewables\* **5%**
- Long-Term Purchased Power\*\* **13%**
- Market\*\* **17%**

## 2025 ENERGY MIX **PROJECTED**



- Coal **13%**
- Natural Gas **20%**
- Renewables\* **15%**
- Long-Term Purchased Power\*\* **38%**
- Market\*\* **14%**

\*Renewables include solar, wind, hydro, landfill gas

\*\*Long-Term Purchased Power & Market products contain a blend of power from various generation sources

# Reliability Forum Q&A



# Customer Bill Trends

- Distribution co-ops will experience higher wholesale rates driven by escalating fuel and power prices
  - Average all-in rate (including all trackers and fixed charges) projected to increase 6% in 2023
  - Rate increases may create downward pressure on energy usage depending on how distribution co-ops choose to pass through costs
- Implemented several financial measures to ease/smooth increase
  - Special patronage retirement in 2021 to lower rates in 2022
  - Studying additional measures to decrease rates in 2023
- Expect bills to reflect mostly normal energy usage through 2022-2023 winter season
  - Based on recent weather projections forecasting mostly normal temperatures throughout the season in Hoosier's service area

# Winterization Actions

- Hoosier Energy maintains and updates a generation and transmission winter preparedness plan annually
  - Plan outlines and defines communication, winterization, and operations protocols between Hoosier's system control, generating facilities, and transmission operations
- Once plan is updated, Hoosier conducts meetings with generation facilities, internal fuels team, and industry partner experts
  - Discuss current natural gas market and previous lessons learned
  - Review communication protocols
- Annual physical preparations for generating facilities occurred in October and are enacted through automatically generated Preventive Maintenance (PM) notifications
  - Examples include heat tracing verification, auxiliary boiler testing, commodity inventory analysis and additions, de-icing system testing, etc.

# Winterization Actions

- Hoosier coordinates closely with member systems to prepare for winter as well, ensuring strategic alignment and shared understanding of processes and procedures
- If we anticipate extreme winter weather conditions, Hoosier coordinates directly with generating facilities to customize strategies and potential shifts in operations
- Real-time planning activities conducted based on unit output and related contingency plans



# Expected Weather Event Actions

- Upon notification of a pending weather event, internal communication frequency increases immediately to multiple contact points per day
  - Includes staff within Hoosier Energy's fuels, generating plant, and power markets teams
- Notification would also prompt a procedural refresher, assessment of market and operational conditions (energy, gas, pipeline), and implementation of a management plan
  - Plan consists of supplier engagement/communications, MISO offer strategies (including risk management), and plant availability/coordination
- Upon completion of management plan updates, Hoosier hosts a communications meeting with internal stakeholders and member systems to ensure appropriate contacts and approval authorities are available and engaged

# Fuel Availability & Reliability Planning

- Hoosier Energy's goal is to secure natural gas supplies in a manner that ensures fuel supply reliability at competitive prices
  - Enables generating capacity to be competitively offered into the day-ahead and real-time MISO markets on a daily basis
- Short-term supply agreements
  - Allows Hoosier to effectively evaluate potential suppliers that could further enhance reliability or reduce associated costs
  - Includes transportation, imbalance charges, etc.
  - Due to dynamic of rapidly changing gas markets over past several years, these short-term supply agreements ensure procurement flexibility, allowing Hoosier to respond to changing market conditions
- Long-term investment in reliability
  - Natural gas is an important fuel source supporting industry transition to renewables
  - Currently evaluating ownership/construction of new natural gas generation
  - Options exist to contract with developers to build and purchase as well

# Fuel Availability & Reliability Planning

- In evaluating purchasing strategy and execution, Hoosier considers core values of being reliable, efficient, and competitive
  - **Reliable** - Provide for a timely, reliable supply of natural gas in the quantities necessary to meet the burn requirements of the generating facility
  - **Efficient** – Meet operational needs of generating facilities
  - **Competitive** – Provide lowest evaluated cost, incorporating various potential operating impacts as identified in the compatibility and reliability valuation process
- Hoosier continues to develop and broaden relationships with potential natural gas suppliers

# Fall Maintenance Outages

- Hoosier Energy will complete all fall maintenance activities for generating units by November 28, 2022

# MISO Seasonal Construct Thoughts

- Hoosier Energy is generally supportive of the objective of MISO's seasonal construct, which is to ensure resource adequacy throughout the year
- Dividing current annual construct into four seasons is reasonable
- Primary concern is MISO's lack of transparency regarding historical operating performance of existing resources and its assumption that historical performance is indicative of future performance
  - Approach substantially impacts resulting resource accreditation, which may not be fully accurate

# MISO Seasonal Construct Impacts

- Enhances the value of resources available and capable of providing energy throughout the year
- Especially true for utilities like Hoosier Energy that have roughly equivalent winter and summer capacity peak demands
- In anticipation of construct change, Hoosier has been incorporating estimated capacity values (for all seasons) into future planning efforts for quite some time
- If seasonal construct were in place for this winter, Hoosier Energy projects it would have a 4% shortfall to cover the forecasted peak
  - Due to 25% margin requirement set by MISO for the winter

**Thank You**

