



Dr. Brad Borum
Director, Electricity Division Indiana Utility Regulatory Commission
101 W. Washington Street
Indianapolis, IN 46204

Re: Comments on Northern Indiana Public Service Company's 2016 Integrated Resource Plan

Dear Dr. Borum:

Alliance Resource Partners LP ("Alliance") is a diversified producer and marketer of coal primarily to U.S. utilities and industrial users. Alliance has operations in six eastern U.S. states including Indiana. Alliance invested over \$200 million to open the Gibson South mine near Princeton, Indiana. In 2016, Gibson South produced 3.9 million tons, employed 295 people, and is one of the most efficient coal mines in the Illinois Basin.

Alliance submits these comments to the Indiana Regulatory Commission ("IURC") in opposition to NIPSCO's proposed Integrated Resource Plan ("IRP"). Alliance opposes the IRP for several reasons. As a preliminary matter, Alliance opposes NIPSCO's proposed premature closure of Bailly units 7 and 8 in 2018 and Schahfer units 17 and 18 units by 2023 because this is a bad result for Indiana and inconsistent with a utility's requirement to supply power at the lowest possible cost, while providing safe, adequate and reliable service.

Coal-fired power plants, including Bailly and Schafer, provide Indiana with affordable and reliable electricity and support Indiana's manufacturing advantage in providing low-cost electricity to industrial users. Further, Indiana coal-plants support coal mining jobs and jobs ancillary to the mining industry. The premature and unjustified closure of coal-fired units, such as those proposed in the IRP, run counter to the IURC's mission and the low-cost energy advantage Indiana enjoys today.

Alliance also opposes the IRP because it fails to take into account the change in Presidential Administrations and accompanying change in policies. It is no secret that the Obama Administration imposed a regulatory "war on coal" advancing unreasonable and overreaching regulations in an effort to reduce coal production and consumption. The election of President Trump created a major change in national public policy with respect to coal-fired generation. President Trump has vowed to open the mines, put miners back to work, and reverse harmful regulations. The IRP fails to expect or take into account this significant change and potential significant changes in specific policies.



For example, costs associated with the IRP's economic analysis are almost entirely driven by the costs of the following Obama Administration rules: the Effluent Limitation Guidelines ("ELGs") the Coal Combustion Residuals ("CCR") rule, the Cooling Water Intake 316(b) rule, and the Cross State Air Pollution Rule ("CSAPR"). The IRP does not present any scenario where the Trump Administration reverses or alters any of these rules. In effect, the IRP is ignoring the change in Administration and change in public policy positions with respect to coal-fired generation.

Further, the IRP also assumes, in all scenarios, that there will either be a carbon dioxide regime and/or a price for emissions of carbon dioxide. The Obama Administration's proposed carbon dioxide regime, the "Clean Power Plan," has been stayed by the United States Supreme Court. Further, there is no indication that President Trump intends to advance a carbon dioxide regime or a price on a carbon dioxide. To the contrary, President Trump has indicate a desire to utilize low-cost electricity and create a resurgence of American manufacturing jobs.

Finally, the IRP is based on seriously flawed assumptions and analysis. Among other things:

- The IRP does not properly take into account the associated supply and performance risks of gas combined-cycle plants compared to coal plants. On site inventories at coal-fired power plants provide power plants with better fuel reliability than gas plants which typically have no on-site storage and receive gas via pipelines which may be at physical risk.
- The IRP also does not properly take into account the volatility of gas prices, which is often procured on an index basis. Specifically, the IRP does not allow for upward volatility in gas prices with specified maximum gas prices for any month.
- The IRP does not address the impact of gas deliverability issues on reliability.
- The IRP does not accurately reflect coal prices by failing to consider alternative coal pricing strategies. The IRP assumed that the coal price forecast was the same price for every hour of every day and every day of every month. In the meantime, the IRP varied its gas pricing by month to reflect lower demand in shoulder periods. This approach ignores the increasingly discussed strategy to adjust coal prices to provide for greater competition with gas prices. Alliance was not approached by NIPSCO to consider more dynamic coal pricing. Had NIPSCO requested such alternative pricing, Alliance would have been willing to discuss such pricing.
- It appears the IRP only considered two options for its coal plants: retire or operate. The IRP does not contemplate selling the units to a third party, which may be a better option for ratepayers than shutting them down. Third parties have expressed increasing interest in purchasing existing coal-fired plants. In order to determine the least cost strategy for ratepayers, Alliance believes that NIPSCO has an obligation to conduct a sale process for any assets it is considering retiring.



Alliance believes that NIPSCO should reopen its IRP to consider the change in Presidential Administration, consider more appropriate regulatory scenarios, and correct many flawed assumptions.

We appreciate the opportunity to offer comments and thank you for their consideration.

Regards,

A handwritten signature in cursive script that reads "Heath A. Lovell".

Heath A. Lovell
Vice President