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THE VOICE FOR INDIANA ENERGY

September 9, 2019

Indiana Utility Regulatory Commission
c/o Ryan Heater
101 W. Washington St., Ste. 1500E
Indianapolis, Indiana 46204
URCCComments@urc.in.gov

Re: Response to August 23, 2019 Request for Comments on Key Scenario Variables and Sensitivities for the Commission's HEA 1278 Study

Dear Mr. Heater,

Thank you for the opportunity to participate in the Indiana Utility Regulatory Commission's ("Commission") study of the statewide impacts of transitions in fuel sources and other electric generation resources, as well as the impacts of new and emerging technologies on electric generation capacity, system reliability, system resilience, and the cost of electric utility service for consumers ("Study"). The Indiana Energy Association ("IEA") appreciates the Commission's transparent approach to the Study and its openness to stakeholder input in the process, and the IEA provides this submission regarding the Commission's request for comments on key scenario variables and sensitivities to consider in its modeling as part of the Study.

Regional Transmission Operator ("RTO") Considerations

As we understand it, one of the proposed limitations on the Study's modeling is that the generation scenarios will begin with the assumption that Indiana is an "island" of sorts and thus must meet its load needs by generation located solely within the state. Since Indiana has access to generation and transmission assets provided by its utilities' membership in either the Midcontinent Independent System Operator ("MISO") or PJM Interconnection ("PJM") RTOs, use of such an assumption may adversely impact the resulting analysis.

One of the benefits of being an RTO member is the concept of "Footprint Diversity." Transmission interconnection to an RTO with a large geographic footprint, such as MISO, allows different regions within MISO to experience peak load conditions at different times throughout a given day, enabling different parts of the system to send energy to areas that are experiencing higher load. This allows for a decrease in Planning Reserve Margins ("PRM"), the amount of generation needed to meet NERC's loss of load planning requirements, and permits a reduction in, or deferral of, investment in generation. MISO estimates that this benefit provides \$2.2-\$2.7 billion in annual benefit to its members,¹ while PJM estimates its annual savings at \$1.2-\$1.8 billion.² We believe these diversity benefits can only increase as renewable resource generation penetration increases.

¹ See MISO Value Proposition, available at <https://www.misoenergy.org/about/miso-strategy-and-value-proposition/miso-value-proposition/>.

² See PJM Value Proposition, available at <https://www.pjm.com/about-pjm/~media/about-pjm/pjm-value-proposition.ashx>.

Another benefit of being an RTO member and not operating as an island is access to the wholesale energy market which provides economic dispatch of generation. Economic dispatch ensures that the lowest cost generation is called online to serve load. This helps prevent inefficient and more costly generation from increasing energy prices. According to MISO, economic dispatch provides its members approximately \$300 million in annual benefit,³ and PJM estimates its annual savings at \$600 million.⁴

Due to the large benefits of Indiana not operating as an island, a study that fails to account for the broader RTO market will likely mask the uneconomic dispatch of energy and create higher PRM, which may result in preservation of uneconomic units or overbuild of resources. It should be noted however, that overreliance on the energy and capacity markets also creates the potential for reliability concerns. There needs to be enough iron in the ground generation in the RTO that is dispatchable to provide for a reliable system. While the IEA understands the time restrictions presented to the Commission and the difficulty in modeling transmission constraints and wholesale market considerations, overlooking the above realities may undermine the efficacy of the Study's results.

Reliability

While the resource transition throughout the RTOs is undeniable, the traditional focus on reliability must not be lost. As such, hard-coding any specific resource mix should involve a thoughtful analysis on the implications to customers' service and reliability. As reliance on renewable resources continues to increase, flexible resources, dispatchable generation resources that are able to respond to grid requirements quickly, should be part of the Study's considerations and the resulting economic impact should be represented.

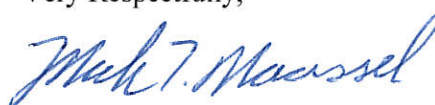
Resource Portfolio Mix and Sensitivities

The IEA encourages the Commission to consider a wide-variety of resource portfolios, looking to the utilities' most recent Integrated Resource Plans for guidance. Ensuring a balanced mix of portfolios including business as usual options as well as various portfolios that transition the state to cleaner energy resources over moderate and aggressive timelines makes sense.

The Study would add further benefit by assessing sensitivities with a price for carbon dioxide emissions beginning in 2026 or 2028, based on assumptions used by utilities in recent IRP processes. The rationale for this timing includes potential advancement of regulatory or legislative action to reduce power sector carbon emissions in the early 2020s – implementation of which program could take effect by the mid-to-late 2020s. Although the adoption of such a program is highly uncertain at this point in time, the Commission should assess such a possibility. Other generic sensitivities, such as high coal prices, moderate coal prices, high natural gas prices, moderate natural gas prices, high/low load forecast and the like should also be utilized.

Again, thank you for the opportunity to participate and provide input at this important stage of the process. Please let us know if you have any questions or comments. I can be reached at (317) 632-4406 or mmaassel@indianaenergy.org.

Very Respectfully,



Mark T. Maassel

³ See MISO Value Proposition, available at <https://www.misoenergy.org/about/miso-strategy-and-value-proposition/miso-value-proposition/>.

⁴ See PJM Value Proposition, available at <https://www.pjm.com/about-pjm/~media/about-pjm/pjm-value-proposition.ashx>.