Reliable Energy, Inc.'s Comments on IURC Draft Director's Report on CenterPoint Energy Indiana South's 2023 IRP

June 17, 2024

Reliable Energy, Inc. (REI) appreciates the opportunity to comment on the Director's draft report on CenterPoint Energy Indiana South's (CEI South) 2022/2023 Integrated Resource Plan (IRP).

General Comments

IRP's have been performed by Indiana utilities for many years. As noted in the Director's draft, the "essential overarching purpose of the IRP is to develop a long-term power system resource plant will guide investments to provide safe and reliable electric power **at the lowest delivered costs reasonably possible**."

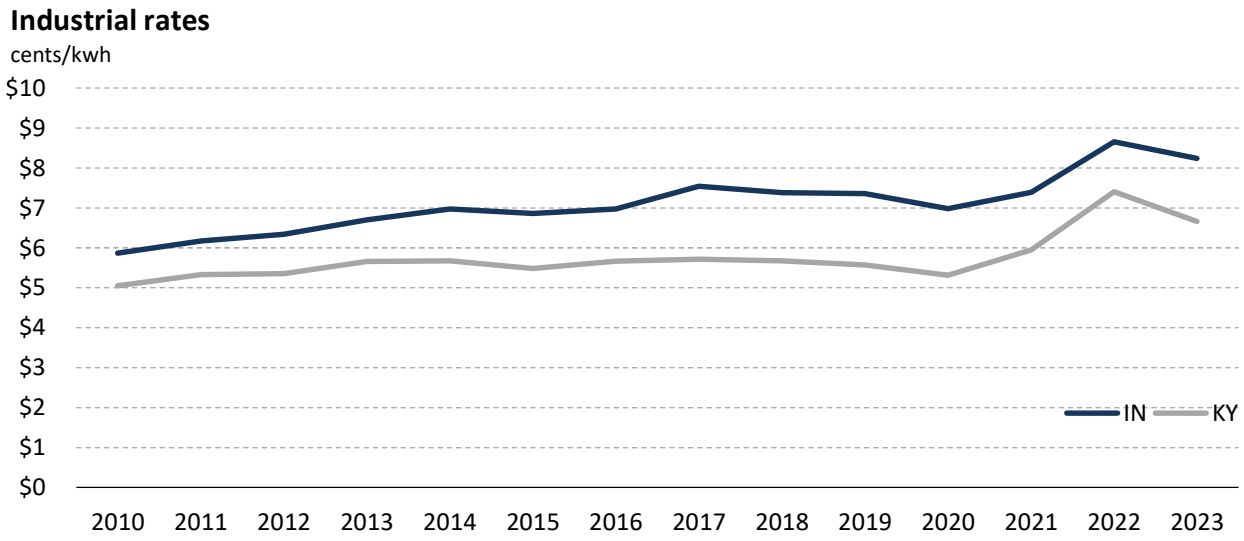
Meanwhile, Indiana power prices have increased substantially in recent years, both in absolute and relative terms. Power prices are not only important to residential customers, but they are also important to the state's economy, as they are a key factor in determining locations for new and expanded plant facilities.

Power Rates by Customer Class (Cents/KWH)

	RESIDENTIAL			COMMERCIAL			INDUSTRIAL			TOTAL		
	IN	All States	Rank	IN	All States	Rank	IN	All States	Rank	IN	All States	Rank
2010	9.56	11.54	17	8.38	10.19	18	5.87	6.77	16	7.67	9.83	13
2011	10.06	11.72	17	8.77	10.24	20	6.17	6.82	17	8.01	9.9	13
2012	10.53	11.88	18	9.14	10.09	23	6.34	6.67	23	8.29	9.84	14
2013	10.99	12.13	21	9.6	10.26	26	6.7	6.89	29	8.73	10.07	16
2014	11.46	12.52	21	9.96	10.74	26	6.97	7.1	28	9.06	10.44	17
2015	11.57	12.65	22	9.78	10.64	24	6.86	6.91	26	8.99	10.41	16
2016	11.79	12.55	24	10.01	10.43	29	6.97	6.76	28	9.22	10.27	21
2017	12.29	12.89	25	10.54	10.66	32	7.54	6.88	33	9.77	10.48	23
2018	12.26	12.87	27	10.6	10.67	34	7.38	6.92	31	9.75	10.53	26
2019	12.58	13.01	31	11.03	10.68	37	7.36	6.81	32	9.91	10.54	28
2020	12.83	13.15	32	11.21	10.59	37	6.98	6.67	30	9.92	10.59	28
2021	13.37	13.66	35	11.58	11.22	37	7.39	7.18	32	10.36	11.1	28
2022	14.59	15.04	36	12.86	12.41	38	8.65	8.32	36	11.66	12.36	29
2023	14.94	15.98	30	12.54	12.74	35	8.24	8.06	31	11.5	12.72	27
2023 vs 2010	56%	38%		50%	25%		40%	19%		50%	29%	

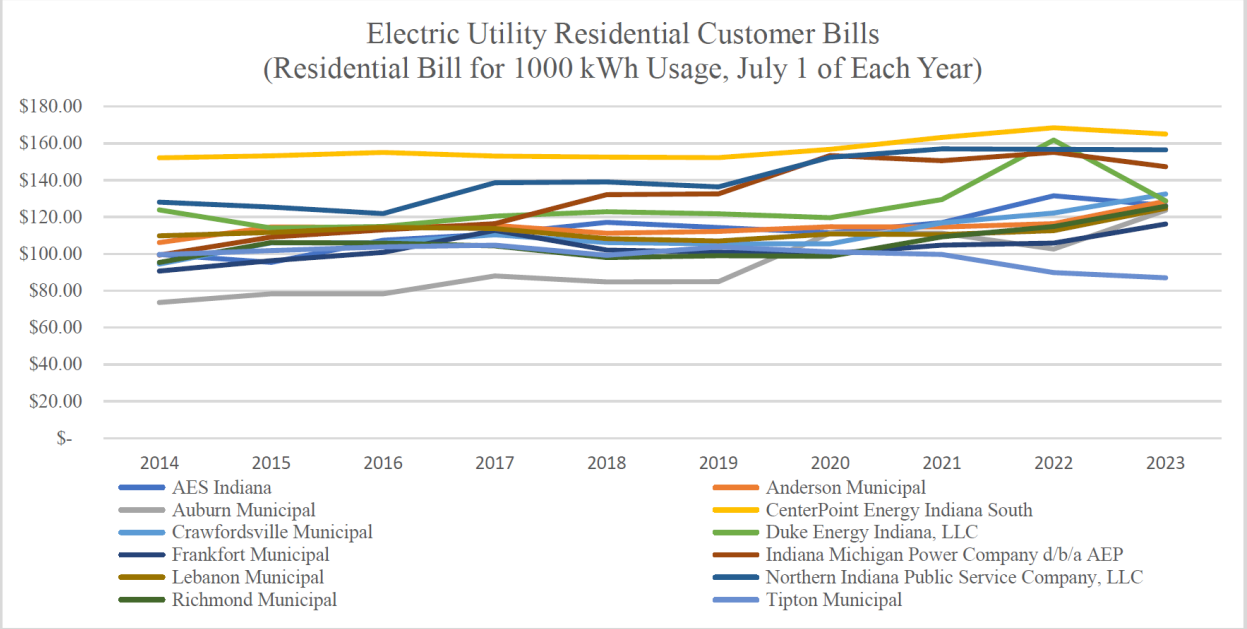
Source: EIA

A comparison of Indiana and Kentucky industrial rates shows Kentucky's rates have been running consistently below Indiana from 2010 to 2023:



Source: EIA

CEI South has had the highest cost residential customer bills in every year since 2014 according to the 2023 Electric Residential Bill Survey:[1]



Affordability

In the final report of the 21st Century Energy Policy Development Task Force (21st Century Report), the affordability "pillar" required the state "to use all practicable means and measures, including financial and technical assistance, in a manner calculated to create and maintain conditions under

[1] https://secure.in.gov/iurc/files/2023-Electric-Residential-Bill-Survey-Complete-1.pdf

which utilities plan for and invest in infrastructure necessary for operation and maintenance while protecting the affordability of utility services for present and future generations of Indiana citizens."[2] In other words, "decisions regarding Indiana's generation and resource mix and ratemaking constructs must result in retail electric service that is **affordable** across the residential, commercial, and industrial customer classes." (Emphasis added.)

Despite the unambiguous intent that "affordability" should be considered in utility resource planning (i.e., the IRPs), CEI South uses a metric for affordability which will not achieve affordable rates across all customer classes. The chosen metric is the same metric Indiana utilities have been using for years, i.e., the relative Net Present Value of Revenue Requirements (NPV). While an NPV analysis may be useful in comparing resource plans, it fails as an affordability metric. REI raised this issue in its comments on the CEI South IRP, as it has done in comments on other IRPs.

CEI South's NPV analysis is a comparison of resource options, not an analysis of how the various resources impact of rates. Leaving aside whether it is a good analysis of resource costs, an NPV analysis does not measure customer rate impacts. For example, consider that:

- Customers continue to pay for assets that are retired. Therefore, this cost needs to be included in a rate analysis to determine affordability. Retirement costs include not only recovery of undepreciated capable costs, but they also include plant closing costs, site remediation costs, and the like.

- Utility rate cases include requests to recover many more costs than just the capital expense associated with new generating resources. Consumer parties frequently contest which costs should be recovered, what rate of return is appropriate, and the reasonableness of the utility's positions on a multitudes of factors. In other words, unlike the narrow NPV analysis used in IRPs, capital costs are just one of the many factors considered in determining the affordability of customer rates.

Given the complexity of the data and analysis needed in rate cases, the utility is the proper entity to perform a rate analysis in the IRP. While in the past, utilities have raised concerns about the complexity of a rate analysis in the context of an IRP, given rate case complexities, the IURC should feel comfortable that a utility can handle similar analysis to prepare an IRP.

REI respectfully requests that the Director revise the draft report to note that future IRPs should include a review of the associated rate impacts of each resource option, the costs associated with plant closures including undepreciated capital, closing costs, site remediation costs, and all other relevant stranded costs that could be included in customer rates.

Reliability

REI respectfully submits that in analyzing the Reliability metric, the Director address the "Achilles heel" inherent in the Firm Transportation (FT) of natural gas.

FT agreements only guarantee that there is capacity on the pipe to deliver gas *if* gas can be procured. FTs do *not* guarantee either supply or deliverability of gas. In other words, the lack of on-site fuel inventory reduces the reliability of the gas plants, even with FT agreements. This has been

[2] https://iga.in.gov/publications/committee_report/2023-06-15T17-11-56.152Z-21st-century-energy-policy-development-final-report-2022.pdf

addressed in multiple reports on the causes of Winter Storm Elliott in December 2022 including one prepared by the Federal Energy Regulatory Commission (FERC).[3] The FERC report concluded that "63 natural-gas fired generating unit outages/derates, total 10,038 MW were due to **firm gas transportation curtailments** during the event." (emphasis added) This finding is relevant because it shows that absent on-site storage or a dual-fuel generating resource (e.g., with the ability to switch from natural gas to on-site fuel oil), there is a significant risk on over-reliance on gas plants that is not resolved with FT contracts.[4]

In order to address this exposure, a number of utilities have or plan to have dual-fuel capability on site through fuel oil.[5] Further, there is increasing interest in mini liquified natural gas (LNG) plants in which gas is piped to the plant and then converted to LNG onsite. When needed, the LNG is then re-gasified. Recently, WE Energies announced plans to build two combined-cycle combustion gas turbines in Wisconsin with an adjacent mini-LNG plant to provide security of supply.

Environmental Sustainability

Since the IRP was filed, the EPA proposed and finalized greenhouse gas (GHG) regulations for new natural gas plants (under Section 111(b) of the Clean Air Act and existing coal plants under Section 111(b)). Further, the EPA indicated plans for a new ratemaking covering existing gas turbines. Therefore, any CPCNs that may result from this IRP must consider new final rules, as well as the rulemaking underway at EPA.

If the GHG regulations survive legal challenges, the emission profiles of the power sector will substantially change. However, emissions alone are not dispositive of environmental sustainability. For example, there are parties such as the Union of Concerned Scientists adamantly oppose new natural gas plants due to their source being fossil fuels.[6]

While the 21st Century Report includes environmental sustainability as a metric, it does *not* define CO_2 emissions as the measurement for this metric:

> *To keep Indiana competitive in attracting and retaining certain businesses, the state must encourage the deployment of renewable energy resources, while not compromising the reliability and affordability of electric utility service.*

REI is concerned that in the utilities' haste to replace existing coal plants with new gas plants, an overemphasis on near-term emission reductions could force resource decisions prematurely. In the case of new gas plants, customers expect that these significant capital investments will be committed to service for decades, yet the useful life of these natural gas plants may be significantly shortened by future environmental regulations. CEI South's rush to build natural gas resources only serves to create a new generation of stranded investments. At a minimum, any comparison of CO2

[3] https://www.ferc.gov/news-events/news/elliott-report-complete-electricity-standards-implement-gas-reliability-rules

[4] https://www.ferc.gov/news-events/news/elliott-report-complete-electricity-standards-implement-gas-reliability-rules

[5] Some utilities are talking about installing compression at the plant to be able to burn gas that is not delivered at the needed pressure. This is not sufficient to address shortfalls on volumes and/or problems related to freeze-offs.

[6] https://www.ucsusa.org/about/news/new-ucs-issue-brief-examines-reliability-gas-power-plants

emissions should consider emissions related to power production including the upstream emissions related to fuel supply and delivery.

Conclusion

A well thought out IRP should result in an energy transition that meets the requirements of *all five pillars* and allow coal plants to serve as the "exit ramp" to a new generation of nuclear plants, green hydrogen, and renewable energy. This could greatly benefit customers and the environment. The final Director's Report should note that CEI South's IRP does not provide sufficient exploration of the value of an orderly resource transition.

REI appreciates the opportunity to participate in the IRP stakeholder process and to offer comments on the draft Director's Report.

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