August 17, 2018

Via email
urccomments@urc.in.gov

Re: Sierra Club Addendum Comments on the Commission's Draft Statewide Analysis of Indiana's Future Resource Requirements for Electricity

Dear Sir or Madam:

On behalf of Sierra Club, we submit these addendum comments on the Commission's Draft Statewide Analysis of Indiana's Future Resource Requirements for Electricity ("Draft Analysis"). As described below, the Commission's analysis fails to comply with the statute and is biased, inconsistent, inaccurate, and out-of-date. Sierra Club asks that the Commission revise its Draft Analysis as suggested below before publishing its final analysis.

The Draft Analysis fails to comply with the requirement to consider the comparable cost of meeting customers' power needs. The statute requires that a statewide energy analysis estimate the "comparable costs" of meeting customers' power needs, including consideration of "purchase of power, joint ownership of facilities, refurbishment of existing facilities, conservation (including energy efficiency), load management, distributed generation, and cogeneration." I.C. § 8-1-8.5-3(b)(5). The Draft Analysis's attempt to comply with this requirement is flawed in at least two respects.

First, the cost-comparison section fails to describe the costs of the utilities' existing resources, all of which likely require ongoing "refurbishment" to remain in operation. Without estimating the costs of existing generous resources it is not possible for the statewide energy analysis to achieve the General Assembly's directive to adequately compare costs of providing reliable power across all demand-side and supply-side options. In some cases, the continued operation of existing resources may exceed the costs of purchased power, energy efficiency, or other options for providing the lowest-cost power, while maintaining safe and reliable service. For example, I&M paid $59 per megawatt hour ("MWhr") for energy from the Rockport coal-burning plant in 2017, and for comparison, in 2017, I&M paid $42 per MWhr for energy from PJM energy market.[1] I&M could likely save customers money if it stopped purchasing power from the above-market Rockport plant. Such a transparent, publicly available comparison of costs for existing resources is not available for most of the Indiana utilities' existing generation resources and demand-side options.[2] The Commission should update this section of the report to include a table that estimates the total costs of each generating unit currently relied on by any

[1] *See* I&M, 2017 FERF Form, pages 326-327.
[2] The costs of existing Indiana generation units are generally not available in FERC filings on a plant-by-plant basis.

Indiana utility to provide energy to its customers on a dollar per megawatt hour basis (total megawatts provided in a year divided by total costs charged to Indiana customers in that year).[3]

Second, the costs of wind, solar, and storage costs listed in the cost-comparison section are all high compared to recent publicly available prices and these lower prices should be included in the report. The costs of all of these resources have been declining in recent years and are expected to continue to decline. It is therefore especially important to provide up-to-date data for the costs of wind, solar, and storage options. For example, in response to an all source requests for proposal for delivery to Indiana (MISO Zone 6), NIPSCO received prices from actual market participants that are all lower than the solar, wind, and storage prices listed in the comparative costs section of the Draft Analysis. Sierra Club suggests adding a table to this section that lists the average price received by NIPSCO via its request for proposals in each of the categories for which it received bids. Such data would provide helpful context about the actual costs that developers are willing to offer in Indiana. Furthermore, Sierra Club urges that the Commission update its published list of wind, solar, and energy prices with the best Indiana-specific data available each year to protect against its analysis becoming stale as prices continue to their expected decline.

The Draft Analysis is biased through inclusion of statements that appear to represent the utilities' public relations position. The Commission analysis includes several examples of editorializing or making statements without evidence in favor of the utilities' positions or assuming utility subjective intentions, all of which are inappropriate for an agency that must give the appearance of being a fair and impartial arbiter for utility matters in Indiana. There is no place in a Commission analysis for these kinds of statements:

i. "Indiana utilities utilize state-of-the-art analysis and work with their stakeholders to develop credible Integrated Resource Plans (IRPs)." Whether the utilities' IRP analyses are state-of-the-art or credible is at best debatable. This statement should be deleted or revised.

ii. "Unfortunately, other immediate casualties of these market pressures have resulted in bankruptcies of several coal companies." Bankruptcies are a normal part of American economic and legal regulation and frequently occur in declining industries like the coal mining sector. There is no objective analysis that any coal-mining bankruptcies have had any negative effect on the delivery of electric service in Indiana. This statement should be deleted or revised.

iii. "Every Indiana utility has exhibited a keen appreciation for the risks of retiring units compared to the risks of retaining units that may prove to be uneconomic at some point in the future." Many existing generating units in Indiana are uneconomic today, when compared to other supply-side and demand-side options. Referring to "a keen appreciation" in this regard gives the impression of an agency that is not serving as an independent regulator on behalf of customers. This statement should be deleted or revised.

[3] For this cost comparison, the Commission should use data for the most-recent year for which data is available, likely 2017.

iv. “Indiana utilities take their obligations to provide reliable and economical service very seriously and this commitment is consistent with their long-term resource planning processes.” How seriously the utilities take this obligation, in particular in comparison to their interests in serving shareholders’ interests is debatable, and this sentence does not give the impression of an agency serving as an independent regulator on behalf of customers. This statement should be deleted or revised.

In order to maintain the perception that the Commission is an independent arbiter of utility matters in Indiana, these statements should be stricken from the statewide analysis document, along with any other statements that appear to be cheerleading for Indiana’s investor-owned utilities.

The Draft Analysis is internally inconsistent: Because the Draft Analysis relies on the utilities’ own planning documents, and because those documents vary widely, the analysis is inconsistent and makes it difficult to compare utilities with apples-to-apples data. The Commission should more clearly quantify the amount of capacity and reserve margin in relation to peak load for each utility and then create a summation for the entire state.

The Draft Analysis is inaccurate in several respects. First, the Draft Analysis misrepresents the probable future growth of the use of electricity in Indiana (the first charge of the Commission in the statute), assuming a small amount of growth. U.S. Energy Information Administration data show that since 2010, Indiana has had no growth in sales, but instead has seen a persistent decline, and the 2017 decline was especially significant. According to the Federal Energy Regulatory Commission, the aggregate decline in peak load for the seven utilities the Commission cites in the analysis from 2010 to 2016 was -0.5 percent per year. Sierra Club urges the Commission to provide a more-robust analysis of load projections and to understand the decline in load in greater depth.

Second, the Draft Analysis contains coal industry boosterism that is not supported by any data. The Draft Analysis states that “there may be technological changes” that may make coal powered generation competitive again, but this statement is unmoored from any actual data. The Commission should ground all of its analysis in data, instead of wishful thinking. If the Commission is aware of data that supports the idea that coal may one day again be competitive again, it should add that data. Otherwise, this statement should be deleted.

Third, the Draft Analysis fails to acknowledge value of solar and wind generation as a hedge against the volatility of fossil generation. Wind and solar have no fuel costs and so are a hedge against increases in coal and natural gas going-forward costs. Indiana utilities need more wind and solar in their portfolios to protect against the potential for increasing costs for existing coal plants and any natural gas plants that might be built.

Fourth, the Draft Analysis fails to reflect a fundamental fact of the current Indiana electric system: that customers are *demanding* renewable energy. Corporations with renewable energy goals, such as Walmart, Toyota, General Motors, employ orders of magnitude more Hoosiers than are employed by the fossil-fuel sector. In addition, public surveys consistently show that residential customers favor clean energy over fossil-fired power. Instead of paying homage to declining industries that employ few Hoosiers, Sierra Club urges the Commission to revise the Draft Analysis to include reference to the fact that residential customers demand clean energy, and the corporations in Indiana that are growing our economy demand the same.

Fifth, the Draft Analysis contains the statement that "risk and uncertainties facing Indiana utilities" may be more significant than at any time since the Great Depression or the energy crisis of the 1970s. This statement is not grounded in any objective data, as corporate profits for all of Indiana's utilities have been robust. As just one telling example, Vectren's prospects are seen as so favorable that CenterPoint was willing to pay a hefty premium over market price to merge with Vectren. The referenced statement should be deleted.

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If you have any questions or would otherwise like to discuss Sierra Club's addendum comments, please do not hesitate to contact us. Thank you for your consideration.

Sincerely,

/s/ Wendy Bredhold

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