

April 13, 2017

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

Re: Comments on Southern Indiana Gas and Electric Company d/b/a Vectren Energy
Delivery of Indiana, Inc. (Vectren's) 2016 Integrated Resource Plan

Dear Dr. Borum:

Sunrise Coal LLC ("Sunrise"), a wholly-owned subsidiary of Hallador Energy, is the second largest producer of coal in the state of Indiana. Sunrise has reviewed Vectren's recent Integrated Resource Plan ("IRP") and respectfully requests that the IURC consider comments in three areas related to potential coal plant closures.

Local Impact on the State of Indiana

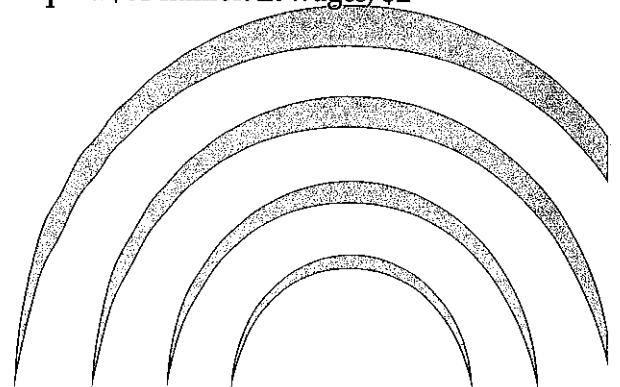
Sunrise has been headquartered in Terre Haute, Indiana since 2001. In 2014, Sunrise acquired Vectren Fuels, Vectren's coal mining affiliate. As part of this transaction, Sunrise acquired the Oaktown mine complex and multiple coal supply agreements with Vectren that provide for Sunrise to supply coal to Vectren's coal-fired plants for several years. The coal contracts were a requirement of the Vectren Fuels transaction. In 2016, Sunrise was the sole supplier of coal to Vectren and Vectren represented 30% of our sales.

Local Coal Supply Counties Are Already Distressed

We currently operate in three coal mines located in Clay, Sullivan and Knox County Indiana. The average wages in these counties are among the lowest in the state and unemployment is among the highest. We believe Sunrise's wages are three times the county average in which we operate. If Vectren closes their coal plants, many of our employee's risk losing their jobs.

Coal Creates Indiana Jobs and Investment

In 2016, our Indiana mines and headquarters employed 742 people of whom over 93 percent live in the state of Indiana. For each coal mine related job, we believe another 2.5 jobs are created. Mining jobs are local and last for decades, not just when a natural gas plant is built or a solar panel is installed. Last year we paid \$61 million in wages, \$2



million in local property taxes and \$20 million in local royalty payments. Additionally, we spent more than \$100 million in other production costs and reinvested \$42 million in the mines. Much of these expenditures were with local vendors. Furthermore, these expenditures do not include coal transportation, indirect losses related to the coal plants, the mines and transportation or losses to the state and local economy as it transfers its mineral procurement out-of-state. Please keep in mind that very little natural gas is produced in Indiana, thus, Vectren's 2016 Integrated Resource Plan potentially closing coal generation plants essentially transfers fuel procurement payments out of state.

Vectren Did Not Consider the Total Economic Impact

Vectren only considered the impact of the portfolios on regional jobs and tax base related to the closure of the coal-plants. There was no evidence that Vectren considered any of the economic consequences related to coal mining, coal transportation, indirect losses related to the coal plants, the coal mines or losses to the state and local economy. Sunrise respectfully requests that the IURC require Vectren to evaluate the full economic consequences to the state of Indiana of its proposed strategy.

Alternative Coal Pricing Strategies

Sunrise recognizes the competitive challenges posed by natural gas and is committed to helping its customers address these challenges. One area that is promising is alternative coal pricing strategies that will improve coal's competitiveness with gas. In other words, the price of delivered coal is linked to the price of delivered natural gas. Sunrise is interested in pursuing such strategies under long-term delivered price contracts and is open to such conversations with Vectren. Sunrise believes it could have bridged the very minor cost differences over the 20-year period between the Existing Portfolio and the Preferred Portfolio had Vectren held such discussions. Sunrise respectfully requests that the Staff of the IURC require Vectren to explore fully alternative coal pricing strategies before a coal plant closure plan is brought to the IURC.

Change in Regulatory Outlook

Sunrise is encouraged that one or more regulations assumed by Vectren are likely to be withdrawn or moderated as a result of the change in administration. Supporting this position is the first rule "undone" under the provisions of the Congressional Review Act was the recently finalized Stream Protection Rule. The two regulations that would have the most impact on future coal plant operations are the Clean Power Plan (CPP) and the Effluent Limitation Guidelines (ELGs).

The CPP was Stayed by the U.S. Supreme Court in February 2016 pending the appeal process. We note that Indiana was one of the 29 states or state agencies that petitioned the Court to stay the CPP. The granting of a Stay is a rare event and requires among other things a belief that there is legal merit to the appeal and that irreparable harm would occur absent a Stay. Despite the Stay, Vectren assumed a carbon plan would go into effect in all 15 of the portfolios Vectren evaluated.

Following the surprise election of Donald Trump, the confirmation of Scott Pruitt for EPA Administrator, and the Republican retention of the US Senate and House of Representatives, the likelihood of the CPP surviving is remote. We further note that EPA Administrator Pruitt at the time of filing the petition for the stay of the CPP was the Attorney General for Oklahoma and in fact as such was the signatory for the State of Oklahoma as a party requesting the stay. Any new carbon program would be years in the making, further pushing off the time when a carbon price should credibly or fairly be assumed in scenario analysis.

The ELGs were finalized in late 2015. The multiple appeals to the ELGs were consolidated in the Fifth Circuit Court of Appeals. The first briefs were submitted in December 2016. The change in administration, for many of the very same reasons noted above, is expected to provide several avenues for ELGs to be withdrawn or substantially modified. In fact, yesterday, the EPA signed a Federal Register notification of an Administrative Stay of the effective dates of the ELG rules. Vectren assumed compliance with ELGs without exception in its retirement analyses.

Vectren's failure to consider reasonable cases without carbon and any cases without ELGs produced results that are no longer meaningful in even defining a range of results and are certainly not defensible for retirement decisions. Sunrise respectfully requests that the IURC require Vectren to update its analysis to reflect current circumstances.

Thank you for consideration of these comments. We are available to meet with you should you have any questions or wish to discuss.

I sincerely thank you for your consideration.

Truly,

A handwritten signature in black ink, appearing to read "Brent Bilslund", with a large, stylized flourish at the end.

Brent Bilslund
President & CEO
Hallador Energy Company / Sunrise Coal, LLC