Gibson County Coal, LLC

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

Re: Comments on Vectren'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 Vectren's proposed Integrated Resource Plan ("IRP"). Alliance opposes the IRP for several reasons. As a preliminary matter, Alliance opposes Vectren's proposed premature closure of Brown units 1 and 2 and Culley unit 2 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 Brown and Culley, 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 consider the change in Presidential Administrations and the accompanying change in policies. It is no secret that the Obama Administration imposed a regulatory "war on coal" advancing unreasonable and overreaching regulations. The election of President Trump, who campaigned on restoring the coal industry and reducing the regulatory burden on America's families and businesses, has started to implement his campaign promises. On March 28, 2017, President Trump signed an Executive Order which requires executive departments and agencies to review existing regulations, including the Clean Power Plan, and as appropriate "suspend, revise and rescind those that unduly burden the development of (domestic) natural resources." Reports are due to the Office of Management and Budget within 180 days of the order. This was followed by a formal request from the EPA to the D.C. Circuit Court to suspend its review of the Clean

Telephone : (812) 706-6601 3455 S 700 W Owensville, IN 47665 Fax : (812) 706-6620

Power until 30 days after the conclusion of EPA's review and any resulting rulemaking. EPA has indicated that the Effluent Limitation Guidelines are also under review.

The IRP assumes both the CPP and ELGs in all cases. As a result, there is no scenario in Vectren's IRP that can be looked to for how the removal or moderation of CPP and ELG requirements will affect the results. Given Vectren's multiple public representations that its decision-making has been driven by the costs associated with compliance with these regulations, Alliance feels very strongly that Vectren be directed to re-evaluate its scenarios in the context of the reduced costs associated with the expected changes in regulatory requirements. Alliance notes that in the Letter to Shareholders in Vectren's 2016 Annual Report, Vectren Chairman, CEO, and President Carl L. Chapmen committed to "assess any material impact" of the modifications resulting from changes to regulatory requirements. Alliance believes Vectren should be held to this commitment.

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

- The IRP does not address 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 does not address the impact of gas deliverability issues on reliability.

- The IRP did not consider a scenario with high gas prices and stable coal prices, much as what has occurred in all but three years in the last decade or so.

- 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. This approach ignores the increasingly discussed strategy to adjust coal prices to provide for greater competition with gas prices. Alliance was not approached by Vectren as to its willingness to consider more dynamic coal pricing. Had Vectren made such a request, Alliance would have indicated its willingness to consider.

- The IRP considers only 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 Vectren has an obligation to conduct a bona fide sale process for any assets it is considering retiring particularly if it expects recovery of undepreciated capital and closing costs.

In conclusion, Alliance believes that Vectren should reopen its IRP to consider the likely changes in regulatory policy and to address the other issues raised above.

Telephone : (812) 706-6601 3455 S 700 W Fax : (812) 706-6620
Owensville, IN 47665

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

Regards,

Heath A. Lovell

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