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

Re: Comments on Indianapolis Power & Light's 2016 Integrated Resource Plan

Dear Dr. Borum:

I represent the Indiana Coal Council (ICC), whose members include virtually all coal producers in the state of Indiana and other related business entities.

ICC wishes to provide the following comments on the Integrated Resource Plan filed by Indianapolis Power & Light (IP&L).

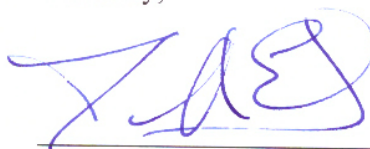
1. ICC supports IP&L's short-term plans to complete compliance retrofits on the four units at the Petersburg station and keeping those units in operation. The continued operation of these units, which are supplied 100 percent by Indiana coal, is very important to maintaining competitive power prices and the economy of the state of Indiana.
2. ICC has limited comments on the specific price forecasts which were not available in the public version of the IRP. ICC supports IP&L's use of actual coal contract pricing during the early years of its analysis. ICC notes that IP&L's coal price forecasting, as described, is not correlated to its gas price forecasts. This is appropriate given (a) the lack of historical correlation between coal and gas prices and (b) the fact that the power sector is expected to account only for about 35 percent of the future market for natural gas whereas the power sector accounts for 80 to 90 percent of demand for U.S. coal.
3. ICC strongly disagrees with IP&L's assumption that coal prices will grow at the rate of 2.5 percent per year on a real basis after 2025. With the development of large new low cost mines in extensive reserves, the Illinois Basin has an extremely flat supply curve which does not support the level of real price growth assumed by IP&L. As noted above, the detailed fuel price information was not available to ICC to critique but ICC questions the basis for a high level of real growth in price.
4. ICC questions the carbon price forecasts used in IP&L's analysis. Assuming the curves in Figure 7.2 are the ones used by IP&L, it appears that IP&L assumed a "strengthened

environmental” scenario in which CO₂ pricing started in 2020 and a base case which assumed CO₂ pricing started in 2022. IP&L states that the strengthened environmental forecast is ICF Incorporated’s CO₂ tax assumptions. While details about this forecast were not available in the public document, it is clear this forecast is stale given its 2020 start date, which is consistent with the *proposed* Clean Power Plan (CPP) but not the *final* CPP. IP&L credits the base case forecast to its consultant’s Fall 2015 analysis of mass-based compliance with the CPP. It is not clear from the text whether interstate trading of allowances is assumed which is an important factor in setting the carbon price. Regardless, by the Fall of 2015 the CPP had been appealed. In February 2016, the CPP was stayed by the U.S. Supreme Court. IP&L’s assumed implementation of the CPP in 2022 in its base case is unreasonable. If there is a relook at the 2016 IRP analyses, ICC would recommend the CO₂ price and timing assumptions be updated.

5. ICC is concerned that IPL did not consider alternative coal pricing strategies of coal for Petersburg and would propose that its next IRP or any relook at the 2016 IRP analyses would incorporate such strategies.
6. ICC recognizes that the IP&L IRP was filed on November 1, 2016 prior to the Presidential election. If IP&L had proposed retirement of any of the units at Petersburg, ICC would recommend that the IRP be revisited to reflect the likely withdrawal of the CPP causing a change to the timing and price of CO₂. As the Short-Term Plan does not provide for any coal plant retirements, the need for a review is not immediate unless IP&L revises its recommendations.
7. ICC recognizes that given IP&L’s plans to continue to operate the Petersburg units, there is no reason to consider a sale of the units. In future IRPs, however, ICC believes that consideration of the sale of a power station with or without Power Purchase Agreements should be required as a supply option, particularly if there are plans to retire coal units.

The ICC appreciates your consideration of its comments. Should there be questions about any of these comments, please do not hesitate to contact me.

Sincerely,



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