

HEA 1520 ‘S’ Report (Unit Retirement Commission Staff Report)

Michigan City Unit 12

Pursuant to IC 8-1-8.5-13 electric utilities are required to submit annually a report to the commission that provides information on the next three generation resource planning years¹. A new component of that report beginning with the 2026 filings requires the reporting of any plans to retire² a resource that is owned and operated by the public utility and used to provide retail electric service in Indiana³. Commission staff is to review the reports and submit to the commission a staff report (“HEA 1520 S Report”) concerning such planned retirements⁴. The report must make recommendations to the commission based on certain defined questions⁵.

Required staff report recommendations can be summarized as:

- Is retirement consistent with good utility practice, the provision of reliable and economic electric service, RTO resource reliability requirements, maximizing the economic value of the electric generating facility,
- Is the retirement resources capacity being replaced,
- Will retirement not adversely and unreasonably impact a utility's ability to provide safe, reliable, and economical electric utility service to the public utility's customers,
- Will retirement support the 5 pillars, and
- Is retirement required in order to comply with environmental laws, regulations, or court orders, including consent decrees.

¹ IC 8-1-8.5-13(n)

² IC 8-1-8.5-13(i)

³ IC 8-1-8.5-13(n)(2), Attachment A is NIPSCO’s Michigan City 12 retirement notice.

⁴ IC 8-1-8.5-13(s)(1)

⁵ IC 8-1-8.5-13(s)(1-5)

Executive Summary

Michigan City Unit 12 (“Unit 12”) is a coal fired unit located in Michigan City, Indiana and it currently provides capacity for NIPSCO’s retail customers and is included as such a resource in NIPSCO’s 2026 HEA 1520 Report submission. Unit 12 has operated since 1974 and provides 469 MW of nameplate capacity, with RTO accredited capacity through the fall of 2028⁶. The unit is equipped with Selective Catalytic Reduction technology and Over-Fire Air systems to reduce nitrogen oxide (NOx) emissions and Flue Gas Desulfurization was added in 2015 to reduce SO2 emissions.

NIPSCO’s recent Integrated Resource Plans (IRPs) have consistently indicated the retirement of Unit 12 as the economic assumptions underlying the modeling included extensive federal tax credits, anticipated environmental regulations, and historical RTO accreditation schemes. NIPSCO’s HEA 1520 retirement notice of the Unit 12 retirement communicates that recent material changes to these assumptions have occurred. Given NIPSCO’s IRP timeline, the Commission fully expects that NIPSCO will conduct a comprehensive evaluation of Unit 12 in its upcoming 2027 IRP.

Unit 12 has been maintained so that it is currently a relatively productive capacity and energy resource for NIPSCO and its retail customers. NIPSCO has been planning for and working toward its replacement for a number of IRP cycles and its HEA 1520 Report supports a conclusion that reliability will be maintained with carry-through of this planning and work.

The timing of NIPSCO’s 2027 IRP and the HEA 1520 annual reporting requirement provides the commission with the ability to utilize these tools to continue its oversight of the Unit 12 ongoing usefulness determination.

⁶ NIPSCO’s HEA 1520 Report provides that the forecasted RTO accredited capacity for Unit 12 in its final year is 213.4 MW for Winter 2028, 291 MW for Spring 2028, 309 MW for Summer 2028, and 254 MW for Fall 2028.

Integrated Resource Plans

Thermodynamic power plants are complex machines (systems and sub-systems – coal preparation and delivery to the boiler, feedwater to the boiler, combustion byproduct air and ash handling, steam capture and delivery to the turbine generators, steam exhaust condensing and return to feedwater supply) that require ongoing investments and maintenance to remain in a condition to serve customers. While the plant may have a life of 30 plus years, various components within it are replaced at shorter intervals.

Constraints can arise that introduce decision points around the economics of continued operation. Such hurdle events often come when investments are required to continue safe and reliable operation. Many of these investments are planned over the expected life of a plant, however, when a plant moves beyond its basic design life more extensive upgrades may be required. The life cycle management upgrades that were needed when the Cook nuclear power plant was granted an extended operating license would be an example⁷. For coal-fired power plants the addition and expansion of environmental regulation may drive additional auxiliary equipment or waste handling investments that create hurdle events. Indiana has long supported regulatory ratemaking support for clean coal technology in its statutes⁸.

While the 1520 reporting process offers near-term transparency to specific resources the utility depends on to meet customer's needs, a utility Integrated Resource Plan (IRP) is a longer-term resource portfolio planning tool that evaluates the portfolio economics on a sum of the parts basis over a long-term horizon.

The same electric utilities providing 1520 Reports are also required by statute and rule to submit to the Commission every 3 years an IRP. The essential overarching purpose of the IRP is to develop a long-term (20-year timeframe) power system resource plan that will guide investments to provide safe and reliable electric power at the lowest delivered cost reasonably possible.

Because utility supply portfolios are made up of resources that are often long-lived assets with varying attributes that are joined to meet the overall needs of the system, the IRPs are intended to be a systematic approach to better understand and optimize such complexity. The timing of the introduction and retirement of individual resources clearly influence the overall portfolios performance and therefore warrant enhanced regulatory oversight; accordingly, the commission's certificate of public convenience and need (CPCN)

⁷ Cause No. 44182.

⁸ IC 8-1-8.7 and IC 8-1-8.8.

proceedings and this 1520 retirement review are served well by extensive consideration of the utility specific IRPs.

NIPSCO IRP History

NIPSCO's most recent IRP ("2024 IRP") provided the following unit description and excerpts which we include here for a framing of its key characteristics within this report.

Michigan City is located on a 134-acre site on the shore of Lake Michigan in Michigan City, Indiana. It has one base-load unit and is equipped with SCR and OFA systems to reduce NOx emissions. An FGD system was placed in service in 2015. The unit offers a maximum output of 469 MW and began serving customers in 1974.

Significant capital expenditure is not expected for NIPSCO to comply with the ELG Rule given the expected retirement date, as well as the dry FGD and CCR-related investments at Unit 12.

While several Clean Air Act regulations apply to NIPSCO's operations, including the Cross State Air Pollution Rule and Mercury and Air Toxics Standards, these regulations are not significant drivers of resource considerations in this IRP due to the emission control technologies already installed and plans to retire coal-fired generation.

The 2024 IRP Reference Scenario included CO2 emission rules with four out of the five scenarios including the EPA GHG Rule. Further, in comments submitted by Reliable Energy in response to NIPSCO's 2024 IRP it highlighted that "There is no indication in the IRP that NIPSCO has reconsidered its plant retirement dates."

The preceding IRP ("2021 IRP") included an extensive analysis of its existing fleet in which NIPSCO's remaining fossil-fueled generation plants were evaluated for potential retirement throughout the IRP's planning horizon.

The first four portfolios examined the retirement timing of Unit 12, including bookend concepts to evaluate retention of the plant beyond its announced 2028 retirement date to the end of its book life in 2032 and an early retirement by 2024⁹.

Consistent with NIPSCO's prior IRP findings, early retirement of coal was generally cost effective for customers, with Portfolio 3 (retirement of Unit 12 in 2026) having the lowest cost overall. However, the difference in cost across several portfolios is small, since much of the remaining portfolio is fixed and small changes in retirement dates were being

⁹ See Figure 9-1. Overview of Existing Fleet, in NIPSCO's 2021 IRP.

assessed. The scenario including Unit 12 retirement in 2032 found only 0.3% higher costs than retirement in 2026 and only 0.2% higher costs than retirement in 2028¹⁰.

Operating History

A review of Unit 12's operation supports an observation that it continues to contribute to NIPSCO's resource portfolio reasonably well.

Unit 12's Equipment Availability Factor ("EAF")¹¹ for the last three years has been 73% in 2025, 58% in 2024, and 71% in 2023¹². Unit 12's Net Capacity Factor ("NCF")¹³ in those same years was 49%, 23% and 36% respectively¹⁴.

An analysis of the data NIPSCO reports to the US Energy Information Administration reveals that Unit 12 had a strong production year in 2025 as it provided more generation than the larger Schahfer station units. However, production in the early part of 2026 has lagged as the unit was out of service for 599 hours beginning in late January and four separate events through April related to cooling tower hot deck structure failures. While temporarily repaired to return to service, NIPSCO reports the old panels will be replaced with new panels during the 2026 Fall planned outage¹⁵. This recent challenge highlights the premise stated earlier that complex machines require ongoing investments and maintenance to remain in a condition to serve customers. Assuming these investments, and perhaps more significant life-cycle extensions, are cost-effective, Unit 12 has the potential to continue as a productive resource in NIPSCO's portfolio.

Replacement Resources

NIPSCO's fleet transition has been a transparent effort presented through the 2018, 2021, and 2024 IRPs as well as the numerous Certificate of Need proceedings working to implement it. NIPSCO has continued to complete and place in service wind, solar, and solar plus storage replacement resources previously approved by the Commission for the scheduled 2025 retirement of all coal units at Schahfer, and the scheduled 2028 retirement of Unit 12. The HEA1520 Report analysis confirms that if Unit 12 should retire as currently

¹⁰ See Figure 9-5. Cost to Customer Impacts - Existing Fleet Portfolios, in NIPSCO's 2021 IRP.

¹¹ EAF is the portion of time the plant is available to generate power if called upon by the market.

¹² NIPSCO 2025 Performance Metric Report, Figure 12. See Cause No. 44688, filing of July 1, 2026.

¹³ NEF is the percent of maximum capacity generated on average.

¹⁴ NIPSCO 2025 Performance Metric Report, Figure 15. See Cause No. 44688, filing of July 1, 2026.

¹⁵ NIPSCO FAC filing, Cause No. 38706-FAC151 Attachment 4-A, filed May 18, 2026.

scheduled the resources presented in the Winter and Spring of 2029 are sufficient to satisfy HEA 1520's reliability metric. However, it must be acknowledged that the ongoing changes around resource accreditation in the MISO construct, especially for the significant number of intermittent resources in NIPSCO's portfolio, may have a material impact on Unit 12's retirement economics and warrant heightened oversight of the analysis NIPSCO should be conducting in its upcoming IRP.

Conclusion

The MISO prompt-year resource adequacy construct provides an opportunity for ongoing review of Unit 12 availability as NIPSCO's 2027 IRP will be completed in advance of when firm decisions on resource commitments for the 28/29 planning year are required.

NIPSCO's Unit 12 retirement notice notes that the environmental and tax policies and MISO resource accreditation assumptions that were included in the previous IRPs have been altered. Further, it notes that these assumptions impacted the economic rationale for the Unit 12 retirement decision. An IRP analysis without these assumptions will afford the Commission and other stakeholders with critical additional information on the Unit 12 retirement decision.

The timing of NIPSCO's 2027 IRP and the HEA 1520 annual reporting requirement provides the Commission with the ability to utilize these tools to continue its ongoing oversight of the Unit 12 usefulness determination. Accordingly, this initial retirement reporting obligation leads to the following conclusions;

- the upcoming 2027 IRP
 - provides an opportunity to reach a more developed recommendation of a retirement actions consistency with good utility practice,
 - supports an opportunity to reach a more developed analysis of whether a retirement action is supportive of the 5 pillars, and
 - supports an opportunity to reach a more developed analysis of how a retirement action impacts service,
- the potential retirements capacity is in the process of being replaced.

Attachment A (submitted by NIPSCO)

IC § 8-1-8.5-13(n)(2) requires the following:

(2) With respect to a report submitted to the commission after December 31, 2025, the amount of generating resource capacity or energy, or both, that the public utility plans to retire and that is owned and operated by the public utility and used to provide retail electric service in Indiana, including the:

(A) capacity;

(B) location;

(C) fuel source; and

(D) planned retirement date;

for each electric generating facility. The public utility must include information as to whether the planned retirement is required in order to comply with environmental laws, regulations, or court orders, including consent decrees, that are or will be in effect at the time of the planned retirement. In addition, the public utility must provide its economic rationale for the planned retirement, including anticipated ratepayer impacts, and information concerning the public utility's plan or plans with respect to the amount of replacement capacity identified to provide approximately the same accredited capacity within the appropriate regional transmission organization as the amount of capacity of the facility to be retired.

Michigan City Unit 12

(A) Capacity : 469MW

(B) Location: 101 Wabash St, Michigan City, IN 46360

(C) Fuel source: Coal

(D) Planned retirement date: December 2028

The preferred portfolios in NIPSCO's 2018, 2021, and 2024 IRPs reflect retirement of Michigan City Unit 12 and replacement of that capacity with a combination of wind, solar, energy storage, and gas peaking resources. The preferred portfolios in NIPSCO's 2021 IRP and 2024 IRPs reflected a 2028 retirement year. As stated in those IRPs, the economic rationale for this retirement decision was impacted by:

1) Production Tax Credits and Investment Tax Credits (now either repealed or restricted by the federal One Big Beautiful Bill enacted in 2025)

2) Expectation of EPA Green House Gas rule 111b, which was expected to require 90% carbon capture for coal units to be in effect by 2030 and would have added significant compliance costs for continued operation. In June 2025, EPA proposed a rule change in which the agency withdraws its prior conclusions that carbon capture and sequestration/storage and natural gas co-firing are "adequately demonstrated," commercially available and cost-effective systems of emission reduction to reduce GHG emissions.

As of today, the two environmental laws and tax regulations listed above have been repealed/restricted. NIPSCO's 1520 report contains information concerning potential replacement capacity options NIPSCO is exploring to provide approximately the same accredited capacity as the amount of capacity of the facility to be retired. Any anticipated ratepayer impact will be available when the replacement capacity resource is selected.