

February 21, 2020

Via Email Transmission (URCCComments@urc.in.gov)

Indiana Utility Regulatory Commission
c/o Ryan Heater
101 E. Washington Street, Suite 1500 East
Indianapolis, Indiana 46204

Re: Study to the 21st Century Energy Policy Development Task Force

Dear Mr. Heater:

Thank you for the opportunity to participate in the Indiana Utility Regulatory Commission's ("Commission") study of the statewide impacts of transitions in fuel sources and other electric generation resources, as well as the impacts of new and emerging technologies on electric generation capacity, system reliability, system resilience, and the cost of electric utility service for consumers ("Study"). Northern Indiana Public Service Company LLC ("NIPSCO") appreciates the ability to participate in this process as well as the Commission's transparent approach to this study. Regarding the Commission's recent request for comments on the progress reports submitted by the Indiana State Utility Forecasting Group ("SUFG"), Indiana University, and Lawrence Berkeley National Labs, NIPSCO submits the following comments.

All three studies are undertaking monumental tasks in a short period of time. It is difficult to take into account the diverse service territories in the state, continually update data, and answer a variety of "what-ifs" from varied interests. As such, these comments are meant to provide suggestions for achieving the goals of the Study based on NIPSCO's experience. NIPSCO is available to discuss these comments or any other issues at any point in the process.

SUFG Scenarios

General Comments

NIPSCO would like to better understand the rationale for the \$10 per million British thermal units ("MMBTU") used for the natural gas prices and whether or not a range beyond the base and the \$10/MMBTU was considered. While NIPSCO understands this has been derived to bracket the upside price range, recent analysis has

shown that fracking bans currently being contemplated on Federal land would leave natural gas relatively unaffected. Furthermore, NIPSCO understands that the Base Case and all other scenarios are being evaluated with gas prices from the Energy Information Administration's ("EIA") 2018 Annual Energy Outlook ("AEO"). These prices are now considerably higher than the forward market and those published in the two subsequent AEO releases (2019 and 2020). As a result, NIPSCO suggests that a lower gas price scenario or sensitivity be considered and that communication of results note that the "reference" scenario contains higher natural gas prices than are currently being observed in the market.

NIPSCO continues to advocate that it is better to consider Indiana in the broader context of the Midcontinent Independent System Operator, Inc. ("MISO") footprint. MISO has benefited Indiana and NIPSCO customers and not accounting for that benefit and considering Indiana an island is inappropriate and will likely lead to distorted conclusions. Please see the recently-issued MISO Value Proposition¹ for an analysis of the benefits provided to MISO members.

Regarding energy efficiency, rather than the proposed method of simply doubling the current savings, NIPSCO would propose that the study utilize specific data from each utility. Such information should be available through the utility's integrated resource plan ("IRP"), market potential study, or other analysis and might provide a more realistic idea of the availability of energy efficiency over the period included in the study.

NIPSCO would appreciate the opportunity to better understand the carbon tax or range of carbon prices that will be considered in the study. There are a variety of sources, which include individual utility IRP assumptions, recent Congressional proposals, and the MISO Transmission Expansion Planning report, among other sources. A better understanding of what will be used would allow for further comment, but NIPSCO encourages the consideration of prices that would represent policies that would drive significant, economy-wide emissions reductions in order to capture a sufficient range of uncertainty.

Given that there have been several announced retirements, it might make sense to have a scenario that takes into account announced retirements, while maintaining other generation until 2025. In addition, the retirement of Indiana-based coal generation that is not included in the portfolios of the investor-owned utilities should be incorporated when announced. This should be considered in the study as well, if it has not already been contemplated. NIPSCO understands that the base assumptions for the cost of

¹ <https://www.misoenergy.org/about/miso-strategy-and-value-proposition/miso-value-proposition/>

renewables rely on outdated starting points from the AEO. As the results from recent requests for proposals issued in Indiana have demonstrated, there is sufficient renewable capacity in Indiana at lower cost. This reality has now been reflected in the 2020 AEO, and NIPSCO recommends that these updated renewable projections be used. NIPSCO understands that a low renewable cost scenario is also being developed and that it may not be feasible to adjust the reference inputs in short order. Therefore, NIPSCO recommends that the study clearly communicate how the various cases compare with observed market trends in recent months and emphasize that the “reference” scenario contains higher renewable resource costs than are currently being observed in the market.

Individual Scenarios

For Scenario 7, it is unclear how storage is being accounted for in this scenario or if that is being addressed in Scenario 6. NIPSCO’s research and experience indicate that storage is increasingly being paired with renewable build-outs. NIPSCO understands that there are modeling challenges associated with incorporating storage in long term capacity expansion analysis, but recommends that any scenario with significant renewables should be paired with some level of storage.

In Scenario 8, it appears that combined heat and power (“CHP”) is not considered distributed generation, which is unusual in NIPSCO’s experience. NIPSCO’s system includes over 1,000 MWs of installed CHP, which is considered distributed generation in its studies. In addition, NIPSCO would like to better understand the driver behind the increase in demand for CHP. Given NIPSCO’s recently approved industrial service structure, NIPSCO does not anticipate increased demand for CHP in the foreseeable future.

Indiana University Study

NIPSCO appreciates that the Indiana University study will consider deployment of other resources in addition to the retirements. It was not clear, however, if the location of the new resources is being considered. NIPSCO recommends that the location of additional resources be included when considering the economic impact.

Recent comments by an individual with the Indiana Business Research Center² regarding the potential impacts of the transition from coal-fired generation to other sources do cause NIPSCO concern. In order for the Commission’s study to be

² <https://indianapublicmedia.org/news/power-plant-retirement-pushing-indiana-toward-sustainable-future.php>

meaningful, it is imperative that there are no foregone conclusions by any of the entities conducting research for the study.

Conclusion

NIPSCO is available to provide on-going assistance as the work continues on the studies. NIPSCO has engineers and other experts prepared to answer questions on the data provided, provide additional information, and/or review drafts. Once again, thank you for the opportunity to participate in this process and to provide input at this early stage of the process. If you have any additional questions or require more information, please contact Alison Becker at abecker@nisource.com or 317-684-4910.