



February 21, 2020

Via electronic mail

Indiana Utility Regulatory Commission
Attn: Ryan Heater
101 W. Washington Street, Suite 1500 E
Indianapolis, IN 46204
urccomments@urc.in.gov

Re: Sierra Club Comments on HEA 1278 Energy Study Methodologies

Dear Mr. Heater:

On behalf of Sierra Club and its over 10,000 Indiana members, we submit these comments on the Indiana Utility Regulatory Commission's ("Commission") HEA 1278 Energy Study regarding the statewide impacts of transitions in fuel sources and other electric generation resources. These comments address the preliminary partial drafts of the principal sections of the Commission's planned July 1, 2020 Report to the 21st Century Energy Policy Task Force ("Task Force"). Sierra Club and its members appreciate the opportunity to make these comments while drafting of the final report is ongoing.

Sierra Club shares the core view expressed by Citizens Action Coalition of Indiana, Hoosier Environmental Council, Energy Matters Community Coalition, Solarize Indiana, Solar Uniting Neighbors of Indiana, and Valley Watch, et al. ("Joint Commenters"): Global astro-physical changes are scientifically undeniable and historically unprecedented; the state's energy policy framework must therefore take as its fundamental premise the existential threat posed by climate change and make decarbonization of Indiana's electric power sector by 2030 an absolute priority.

In addition to these broader comments, Sierra Club has more specific concerns about certain aspects of methodologies proposed in each of the three studies.

First, with respect to the State Utility Forecasting Group (SUFUG)’s proposed scenarios, Sierra Club questions the usefulness of “the Indiana generation portfolio” as a relevant unit of analysis for assessing changes to generation resources. Decision-making as between types of generation resources, construction and retirement, and capacity requirements is generally made at two levels: the utility (the load serving entity, subject to state regulation in IRPs and rate proceedings) and the wholesale grid operator (*i.e.* MISO or PJM), subject to federal regulation. A planning process that assumes or aims at ensuring capacity requirements are met at a *statewide* level adds a fictional criterion for assessing resource adequacy that is never actually relevant in practice. MISO and PJM require *each utility* to assure resource adequacy. Conversely, decisions about resource construction are generally made utility-by-utility under the supervision of the Commission. To the extent the Commission relies on a statewide unit of analysis, it risks producing recommendations that are misaligned with each utility’s requirements (which vary for reasons like customers characteristics, local economic activity, etc.), overestimate capacity needs, or are difficult to implement on a utility-by-utility basis. We therefore encourage the Commission to conduct its analyses at the utility level for purposes of assessing the adequacy of generation resources, keeping in mind that under the Federal Power Act that wholesale regulation is fundamentally a federal responsibility, implemented in Indiana through MISO and PJM.

Second, the proposed analysis by the Indiana University (IU) appears to be asymmetrical in its treatment of coal retirements versus replacement generation. While the IU team plans to use the IMPLAN tool to capture both the direct effects *and* the indirect effects (such as impacts on local vendors and tax revenue) of plant closures, the proposal does not state that it intends to perform a similar analysis of *increased* secondary employment and tax revenue due to the construction and operation of replacement generation facilities. Thus, secondary negative effects on local economies of coal retirement will be “counted” as part of the team’s report but analogous secondary benefits associated with generation construction and operation will not. Similarly, although IU proposes to conduct two case studies of coal generation facility *closure*, the team apparently does not intend to perform a similarly detailed case study of replacement generation *construction*. This methodological gap makes an apples-to-apples comparison impossible. To the extent the Commission intends to rely on these results in making cost-benefit analyses for future generation decisions, the selective use of the IMPLAN tool will skew results against a coal-to-replacement generation decision. We urge the IU team to perform the same input-output analysis for replacement generation as it proposes to do for coal retirement.

Third, any analysis of the social and economic impacts of transitions in generation resources should include the costs associated with the health impacts of coal generation. A 2011 paper by a Harvard University research team in the *Annals of the New York Academy of Science* estimated that the costs associated with increased heart attacks, asthma, and risk of death in communities adjacent to coal plants were at least \$65 billion per year in the United States, and

could be as high as \$187.5 billion annually. These costs are significant, and the elimination of some or all of these costs through coal retirement may significantly offset other economic losses. We therefore encourage the Commission to direct researchers to include analysis of the localized medical costs and lost wages associated with the health impacts of coal generation.

Sincerely,

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