

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

Re: Comments on Northern Indiana Public Service Company's 2016 Integrated Resource Plan

Dear Dr. Borum:

Sunrise Coal LLC ("Sunrise"), a wholly-owned subsidiary of Hallador Energy, is the second largest producer of coal in the state of Indiana. Sunrise has reviewed NIPSCO's Integrated Resource Plan ("IRP") and respectfully requests that the IURC consider comments in three areas.

Impact on the State of Indiana

Sunrise operates in a section of southwest Indiana in which family and per capita income is among the lowest in the State of Indiana. Unemployment in many southwestern counties is among the highest and education levels and opportunities for employment the poorest.

Sunrise has an annual production capability in excess of 10 million tons. Production in 2015 and 2016 was 7.5 and 6.1 million tons respectively. The vast majority of Sunrise's production moves to the power sector and 80 percent of production moves to utilities in the state of Indiana. Sunrise has been a supplier to NIPSCO's Bailey Plant in the last two years.

Sunrise employs 742 people at its mines and headquarters in the state of Indiana, over 93 percent of whom live in the state of Indiana. Sunrise's payroll in 2015 and 2016 was \$69 million and \$61 million, respectively. Sunrise paid property taxes in 2015 and 2016 of \$2.5 million and \$2 million, respectively.

The loss of local coal-fired plants has significant economic costs to the state, especially that part of the state already underemployed, and with fewer career and educational opportunities. Sunrise does not believe that these costs are addressed sufficiently by the IRP. The IRP acknowledges the significant loss in taxes related to the plants and the loss in direct employment related to the change in production profile from coal to natural gas and renewables. The IRP does not discuss the economic consequences related to coal mining, coal transportation, indirect losses related to the plants, the mines and transportation or losses to the state and local economy as it transfers its mineral procurement out-of-state.

Sunrise respectfully requests that the IURC direct NIPSCO to evaluate the full economic consequences to the state of Indiana of its proposed strategy.

Alternative Coal Pricing Strategies

Sunrise recognizes the competitive challenges posed by natural gas and is committed to helping its customers address these challenges. One area that is promising is alternative coal pricing strategies that will improve coal's competitiveness with gas. In other words, coal is priced to meet the power market. Sunrise is interested in pursuing such strategies under long-term delivered price contracts, though, NIPSCO has not solicited alternative coal pricing offers from Sunrise. We believe that had NIPSCO considered alternative pricing strategies for coal in its IRP, the economics for continued coal generation would have been positive. Utility consumers and Indiana's homes and business at least ought to know that the IURC had the opportunity to review and assess the impacts of alternative pricing strategies for coal as it considered NIPSCO's IRP.

Sunrise respectfully requests that the IURC direct NIPSCO to consider alternative coal pricing strategies in its IRP.

Change in Regulatory Outlook

Sunrise is encouraged that one or more regulations assumed by NIPSCO are likely to be withdrawn or moderated as a result of the change in administration. Supporting this position is the first rule "undone" under the provisions of the Congressional Review Act was the recently finalized Stream Protection Rule. The two regulations that would have the most impact on future coal plant operations are the Clean Power Plan (CPP) and the Effluent Limitation Guidelines (ELGs).

The CPP was Stayed by the U.S. Supreme Court in February 2016 pending the appeal process. We note that Indiana was one of the 29 states or state agencies that petitioned the Court to stay the CPP. The granting of a Stay is a rare event and requires among other things a belief that there is legal merit to the appeal and that irreparable harm would occur absent a Stay. Despite the Stay, NIPSCO assumed a carbon plan would go into effect in 2023 in 11 of the 15 cases it evaluated. Following the surprise election of Donald Trump, the confirmation of Scott Pruitt for EPA Administrator, and the Republican retention of the US Senate and House of Representatives, the likelihood of the CPP surviving is remote. We further note that EPA Administrator Pruitt at the time of filing the petition for the stay of the CPP was the Attorney General for Oklahoma and in fact as such was the signatory for the State of Oklahoma as a party requesting the stay. Any new carbon program would be years in the making, further pushing off the time when a carbon price should credibly or fairly be assumed in scenario analysis. NIPSCO nominally considered three no carbon cases in the IRP but the methodology was so deeply flawed that for all intents and purposes a no carbon case was not evaluated.

The ELGs were finalized in late 2015. The multiple appeals to the ELGs were consolidated in the Fifth Circuit Court of Appeals. The first briefs were submitted in December 2016. The change in administration, for many of the very same reasons noted above, is expected to provide several avenues for ELGs to be withdrawn or substantially modified. NIPSCO assumed compliance with ELGs without exception in its retirement analyses.

NIPSCO's failure to consider reasonable cases without carbon and any cases without ELGs produced results that are no longer meaningful in even defining a range of results and are certainly not defensible for retirement decisions. Sunrise respectfully requests that the IURC ask NIPSCO to update its analysis to reflect current circumstances.

Thank you for consideration of these comments. We are available to meet with you should you have any questions or wish to discuss.

Regards,

A handwritten signature in black ink, appearing to read "Brent Bilisland". The signature is stylized with large, overlapping loops and a prominent "B" at the start.

Brent Bilisland
President & CEO
Hallador Energy (HNRG) / Sunrise Coal, LLC