

# This Indiana utility may have just dealt the final nail in coal's coffin

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(Photo: IndyStar file photo)

The embers of the coal industry have been slowly fading in recent years, despite efforts by the Trump administration to reignite the flames.

But an announcement this week from a northern Indiana utility — in the heart of a state that ranks in the top 10 for both coal production and consumption — suggests the end may be nearer than some expect.

After having already announced plans to [speed up the retirement of its coal power plants](/story/news/environment/2018/09/20/move-over-coal-indiana-utility-switching-solar-and-wind/1369539002/) (</story/news/environment/2018/09/20/move-over-coal-indiana-utility-switching-solar-and-wind/1369539002/>), the Northern Indiana Public Service Company said this week that it will switch to renewable energy to make its electricity instead.

Why? Because it's cheaper. A lot cheaper, they said, to the tune of more than \$4 billion over a few decades. Still, those long-term savings might come with a short-term price. The utility is asking for a raise in its rates to upgrade infrastructure.

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**'A vote for science is a vote for creation': Religious billboard not what you expect** (</story/news/environment/2018/10/20/indiana-has-many-religious-billboards-but-one-different/1695504002/>).

"It's no surprise that the quicker you retire coal, that would equate to cost savings for customers, so we knew that," NIPSCO President Violet Sistovaris told IndyStar. "But the pace of evolution with the market and technology was really picking up and that led us to say that maybe it no longer makes sense to rely on past assumptions."

"We asked ourselves," she continued, "is there something we can do differently?"

What surprised Sistovaris, however, was the answer to that question. Renewable energy sources like solar and wind are more cost effective and more efficient than both coal and natural gas.

Thinking about the future, NIPSCO originally called for the [construction of a natural gas plant as part of its 2016 planning process](https://www.nipsco.com/docs/default-source/about-nipsco-docs/nipsco-irp-executive-summary.pdf) (<https://www.nipsco.com/docs/default-source/about-nipsco-docs/nipsco-irp-executive-summary.pdf>). That plan, however, faced fierce criticism from environmental and advocacy groups as well as customers, which led the utility to look elsewhere.

After putting a call out for proposals, the utility received more than 90 potential projects from 30 different providers. Instead of natural gas, the analysis called for adding roughly 1,150 megawatts of solar and storage, 160 megawatts of wind as well as lowering demand through energy efficiency, education and incentives.

"I like to say that we love natural gas, we are a natural gas and an electric provider, but right now after our analysis, the economics don't work," Sistovaris said. "I will say that the projects submitted from those 30 providers gave us some new things to think about."

Consumer groups cheered NIPSCO's analysis. "The results were outstanding," said Kerwin Olson, executive director of the [Citizens Action Coalition](https://www.citact.org/) (<https://www.citact.org/>), which opposed the natural gas plant. "Not only did it call for the [quicker] retirements, but the replacement resource was no longer natural gas."

## Pay now, save later?

The launch of the company's initiative — dubbed "[Your Energy, Your Future](https://www.nipSCO.com/your-energy)" (<https://www.nipSCO.com/your-energy>) — coincides with a [statewide analysis](https://www.in.gov/iurc/files/2018%20Report%20on%20the%20Statewide%20Analysis%20of%20Future%20Resource%20Requirements%20for%20Electri) (<https://www.in.gov/iurc/files/2018%20Report%20on%20the%20Statewide%20Analysis%20of%20Future%20Resource%20Requirements%20for%20Electri>) at Indiana's future energy needs. That report, prepared by the state's utility regulatory agency and released earlier this month, predicts that Indiana will need nearly 10 gigawatts of new energy by 2035 as other utilities around the state phase out coal.

That's enough energy to power nearly 6.5 million homes, or the equivalent of 500 Indianapolis International Airport solar farms.

With such a large deficit looming, the question becomes: What will power Indiana in the future? Like NIPSCO, will the state pursue renewables or will it instead stick with fossil fuels such as natural gas?

On Wednesday, NIPSCO unveiled its new initiative and submitted two proposals to the Indiana Utility Regulatory Commission. The first was its [Integrated Resource Plan](https://www.nipSCO.com/docs/default-source/default-document-library/2018-nipSCO-irp-executive-summary.pdf) (<https://www.nipSCO.com/docs/default-source/default-document-library/2018-nipSCO-irp-executive-summary.pdf>) outlining the retirement and replacement of its coal power plants, and the second to modify its electricity rates to support those changes.

In 2016, the utility said it would retire two of its five remaining coal-fired units by 2023 and the other three by 2035 and beyond. Now, however, NIPSCO's timeline is to retire all four units at its R.M. Schahfer station in Wheatfield by 2023 and the last unit at its Michigan City station no later than 2028.

That means the utility will go from 65 percent coal today to coal-free within 10 years. But that energy to power its more than 460,000 homes and businesses still must come from somewhere: renewable resources.



(Photo: Getty Images)

Those changes in electric generation and \$4 billion in savings in the long-term will require an increase in rates in the short-term, NIPSCO announced as part of its plan.

The utility has asked the IURC to be able to raise its rates by about \$11 per month (<https://www.nipSCO.com/about-us/rates-tariffs/electric-service-tariff/2019-electric-rate-review>) for the average residential customer, which is about a 12 percent increase to the electricity bill. Included in this proposal is a hike to the fixed customer charge by \$3 per month.

In addition to helping with the transition, that rate hike — representing an annual revenue increase of \$21 million — will be used to upgrade infrastructure and upgrade environmental controls.

Though not the main driver of change, the environmental benefits of this transition are not to be overlooked. When NIPSCO goes coal-free by 2028, its calculations show that it will also reduce its carbon emissions by more than 90 percent.



NIPSCO spokesman Nick Meyer says it adjusted its allowed rate of return to comply with Indiana Utility Regulatory Commission orders. That involved accounting for higher revenues the Merrillville-based utility may receive from new gas extensions into rural areas. (Photo: File photo/AP)

Olson, whose organization works to protect the consumer and ensure rate increase requests are justified, has said he would be more likely to support a proposed hike if it helped in a transition to renewables, which is in the best interest of customers.

"The other Indiana utilities should do the same to see what is out there, rather than coming up with their own assumptions that assign too high of costs to renewable resources," Olson said. "Why? Because they earn more money with fossil fuels and nuclear energy."

"But transitioning to renewables takes time, with smaller more frequent investments," he added. "We need to start now."

## Final blow to coal's coffin

NIPSCO is not alone in its intent to retire coal plants, though other utilities plan to do so on a more extended timeline.

Those retirements, according to a recent statewide analysis by staff at the Indiana Utility Regulatory Commission and based largely on data from the utilities, means Indiana will need nearly 10 gigawatts of new energy to replace that.

Olson disagrees with that estimate, believing it is based on out-of-date data and too high, which he says could lead to Indiana utilities overbuilding to meet that generation.

Mark Maasel with the Indiana Energy Association (<http://www.indianaenergy.org/>), on the other hand, said he was not surprised by that number. Still, he said each utility will chart its own course forward to make up the projected shortfall, depending on the demand they see from customers, the condition of their current generation fleet and the technology available.

"There is the balance of how do we do this appropriately in a way that allows a utility to continue to best serve its customers," said Maasel, the energy association president. "The future is, I think, going to be the all-of-the-above option we often talk about."

An all-of-the-above energy approach (<https://naturalresources.house.gov/energy/>) is one that includes the development of alternative energy sources such as wind, solar, hydropower, nuclear and biomass along with oil, natural gas and "clean coal," according to U.S. House Committee on Natural Resources.

"There is no question that there are efforts out there to sustain the coal industry," Maasel told IndyStar, which does not go unnoticed in a state that ranks seventh in the nation for coal production and third for coal consumption, according to 2016 U.S. Energy Information Administration data (<https://www.eia.gov/state/?sid=IN>).

"But the reality," he continued, "is that economics are driving the decisions that these utilities are making."



**A piece of coal.** (Photo: Matt Detrich / IndyStar 2012 file)

Even the top union representing coal miners seems to see that writing on the wall.

In the most recent election cycle, the United Mine Workers of America donated nearly 84 percent of its money to Democratic candidates and committees in national races, according to a Reuters analysis (<https://www.cnbc.com/2018/10/29/reuters-america-coal-union-boosts-giving-to-democrats-as-hopes-dim-for-industry-revival.html>) of campaign finance data. As miners' hopes of a coal industry comeback promised by President Donald Trump dimmed, their support for Democrats jumped by 20 percentage points from 2016 levels.

Rather, the union now is putting its money behind lawmakers who support miners' pension funds (<http://umwa.org/take-action/preserving-our-pensions/>). Though unintentionally favoring Democrats, about \$910,000 of UMWA's more than \$1 million in donations has gone to candidates and advertising campaigns for that party.

One such candidate is Democratic incumbent Sen. Joe Donnelly, who has received \$9,000 from the mine workers union this year, according to the Center for Responsive Politics (<https://www.opensecrets.org/pacs/pacgot.php?cycle=2018&cmte=C00013342>). New polls show that Donnelly is marginally leading in his tight race (</story/news/politics/elections/2018/11/01/indiana-senate-race-polls-show-donnelly-slim-lead-over-braun/1843552002/>) against Republican businessman Mike Braun for a U.S. Senate seat.

Olson can agree with Maasel on one thing: that economics are behind these decisions and economics are saying coal is not the future. NIPSCO's announcement, he added, is a perfect example.

"We now have Indiana numbers which clearly display that continuing to run existing coal plants — not even build new coal plants, but just continuing to run existing ones — is more expensive than shutting them off and investing in energy efficiency, solar, storage and wind," Olson said. "End of discussion, and time to move on."

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