

**Statement of Michelle Bloodworth
President and CEO
America's Power
Senate Utilities Committee
February 27, 2020**

Good afternoon, Chairman Merritt and esteemed members of the committee. My name is Michelle Bloodworth. I am President and CEO of America's Power, a national trade association representing coal-fired electric power generation. Our membership is comprised of coal producers, equipment and service providers, rail and barge transportation, and owners of coal-fired power plants.

I am here today to express support for House Bill 1414 because it is good for Indiana, and I also want to thank Chairman Merritt for his leadership.

The coal fleet is important for a number of reasons, and it is difficult to replace with other electricity sources. For example, coal-fired generation provides low-cost power, while promoting electricity grid reliability and resilience. Unfortunately, Indiana ranks sixth in the nation in having the most coal retirements. So far, 39 coal-fired generating units in Indiana have retired or announced plans to retire.

A reliable grid means having an adequate supply of electricity 24/7 under relatively normal circumstances. A resilient grid, on the other hand, means that the electricity supply can withstand and recover quickly from unusual disturbances—such as extreme weather, cyber threats or physical threats—that can have severe consequences. The coal fleet promotes resilience because it is fuel-secure by maintaining enough fuel onsite to operate for several weeks.

By comparison, natural gas-fired power plants require just-in-time fuel deliveries from pipelines, and wind turbines and solar photovoltaic generators require favorable weather conditions to produce electricity.

The electricity grid's increasing dependence on natural gas and renewables, along with the retirement of fuel-secure coal-fired power plants have caused concerns that these trends may be jeopardizing both the reliability and resilience of the grid. Such concerns have been raised by DOE, FERC, NERC, grid operators, the National Academy of Sciences, and the National Energy Technology Laboratory, among others. PJM, the electricity market that includes northeast Indiana, is currently studying whether its grid can maintain fuel security in the future. ISO New England has already enacted a tariff that will compensate generators that provide fuel security. NERC is currently developing reliability guidelines to help grid operators identify and manage fuel security risks.

House Bill 1414 requires electric utilities in Indiana to secure approval from the Indiana Utility Regulatory Commission (IURC) before retiring fuel-secure electricity sources, in particular, coal-fired power plants. This requirement is reasonable because it is consistent with the commission's responsibility to ensure the affordability, reliability and resilience of Indiana's electricity grid. House Bill 1414 will allow the legislature's 21st Century Energy Policy Development Task Force time to develop recommendations for the future of electricity generation in the state without worrying about the possibility of detrimental changes happening to the state's electricity mix while the task force is completing its work.

Most of Indiana resides in the Midcontinent Independent System Operator (MISO) territory. MISO is worried about the negative impact coal retirements are having on reliability and resilience, as the region's generation mix becomes increasingly dominated by natural gas and wind generation. In testimony last October before the U.S. House of Representatives Subcommittee on Energy, MISO CEO John Bear reported the very real effects on reliability that the retirement of fuel-secure generation was causing. He said:

"The implications have been very real. Tight operating conditions, and more specifically the need to utilize emergency procedures to manage reliability risk, used to occur very rarely and only during peak demand periods. We now experience those situations on a much greater periodicity and during the non-peak periods when risk was historically very low."

Of the growing reliance on wind generation, Mr. Bear stated: "The implications are very real. Today, we face more frequent and less-predictable occurrences

of tight operating conditions on the electric grid compared to just a few years ago, and the challenges continue to grow.”

These concerns are echoed by many. A report issued jointly by FERC and NERC last July looked at an extreme cold weather event in 2018, when MISO was one generating contingency away from regional blackouts. The primary cause of the emergency was unplanned outages arising from the extreme cold—70% of which occurred at natural gas generators, the result of frozen equipment and the unavailability of fuel.

In January of last year, another winter weather event brought extreme cold weather and soaring power demand to much of the Midwest. Nearly all of the generating capacity added in MISO this decade has been wind turbines, which have grown from a total of 8,000 MW in 2010 to over 18,000 MW today, and now represents ten percent of MISO’s total electricity supply. However, during this “polar vortex”, the wind power disappeared. A lack of wind and turbine outages caused by extreme temperatures resulted in wind turbines providing only 2.5 percent of the system’s demand. MISO’s coal capacity, including units here in Indiana, were able to pick up the slack and provide 44 percent of the region’s power demand, despite only accounting for 31 percent of installed capacity.

Not only does coal-fired generation promote reliability and resilience, it does so affordably. In 2010, Indiana’s average electricity rate was 7.67 cents per kilowatt-hour, the 13th lowest rate among states. By 2018, that figure had climbed to 9.60 cents per kilowatt-hour, a 25% increase that saw Indiana’s national rank drop to 23rd place. Over the same period, the share of Indiana’s power generation provided by coal fell from 90 % to 69%.

Continued movement away from coal-fired electricity generation could lead to further increases in electricity rates in Indiana.

America’s Power sponsored a study, along with the Institute for Energy Research, in which we compared the levelized cost of electricity for existing and new electricity sources. We found that, on average, an existing coal- fired generating unit is less expensive than new gas, wind or solar. This is analogous to driving your current car, which is fully or partially paid off, because it is less expensive than buying a new one. We respectfully urge all utility commissions to consider levelized costs before approving retirements.

In summary, House Bill 1414 assures that the value of Indiana's coal fleet is carefully considered before any decisions are made in the near term to retire more coal-fired generation.

I want to thank you again for allowing me to speak in favor of House Bill 1414. I am happy to answer any questions you may have.

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