

**Question Responses of Thomas Easterly
Commissioner, Indiana Department of Environmental Management**

**Technical Conference on Environmental Regulations and Electric Reliability,
Wholesale Electricity Markets, and Energy Infrastructure
Docket No. AD15-4-000
Central Region - March 31, 2015, St. Louis, MO**

U.S. EPA's proposed Clean Power Plan regulations will adversely impact Indiana's access to affordable and reliable electricity. Reduced access to affordable and reliable electricity will detrimentally impact Indiana for the following reasons:

- Indiana is the most manufacturing intensive state in the U.S. and Indiana's manufacturers rely on competitively priced energy to compete in the international markets.
- More than 80% of Indiana's electricity is currently produced by coal. We have a 300-year supply of coal in our State, and 28,000 Hoosiers are employed in the coal industry.
- Recent U.S. EPA regulations have resulted in the closure of 3.2 GW of coal capacity in Indiana and 12.6 GW in the MISO system. MISO predicts that Indiana (MISO Zone 6) will have resources that are 1.2 GW lower than the projected resource requirements in 2016 and that MISO's North & Central Regions will have reserve margin shortfalls growing from 2.3 GW in 2016/17 to 12.3 GW in 2023/24.
- The Clean Power Plan puts an additional 14 GW of coal capacity in the MISO system at-risk for retirement.
- Indiana once held a competitive advantage due to our low cost of electricity. Not anymore. Indiana's low cost of electricity advantage has slipped, and U.S. EPA regulations have significantly contributed to that change in position. The State Utility Forecasting Group (SUFGE) in Indiana has forecasted a 30% increase in Indiana electrical costs in part from U.S. EPA regulations already in place, and the 111(d) proposal will add additional costs on top of that 30%. U.S. EPA itself predicts that its 111(d) proposal will increase the cost of natural gas and the per KWHr cost of residential electricity by around 10% in the next 6 years. These increases are on top of the actual 139% increase from 2000 to mid-2014 recently documented by an Indiana manufacturer.

For purposes of due diligence, Indiana is evaluating all available responses to the proposed regulations. There are serious concerns about what entity, if any, in a given state has the authority to require the dispatch of Natural Gas Combined Cycle (NGCC) to attain a 70% utilization rate, to require increased use of renewable energy in states

without renewable portfolio standards or to require implementation of energy efficiency projects.

Options being evaluated by Indiana include:

- Drafting a state plan to meet U.S. EPA’s regulations—so far, we have not been able to develop a plan that we have the legal authority to implement that would meet our obligations under the proposed regulations.
- Indiana is also working with other MISO States to develop a regional plan to meet U.S. EPA’s regulations. While preliminary indications are that a regional approach will be more cost effective, many of the questions identified by the Commission need to be resolved before an effective regional plan can be developed. These unresolved questions include:
 - What tools or processes are available to address situations where neighboring states within the same RTO/ISO or adjacent vertically integrated utility system adopt differing compliance methods?
 - Are additional tools or processes needed to address operational or market impacts that may arise in such situations?
 - The scenario of neighboring states adopting different compliance methods?

Even a regional approach that includes all of the states participating in MISO has boundary issues. Most of the states are in more than one ISO (including PJM which is not included in this region). Most of the states also have multiple utilities which do business in multiple states.

- Finally, Indiana is investigating the impact of simply refusing to comply at all, known as the “just say no” option.

The Indiana Department of Environmental Management’s mission is to protect Hoosiers and our environment. Following the release of the proposed rule, my office carefully examined the proposal in light of our mission. We also engaged private sector stakeholders and other state agencies in an extensive review of the proposal and its potential impacts. Our analysis came to only one conclusion: This proposal will cause significant harm to Hoosiers (and most residents of the U.S.), without providing any measurable offsetting benefits. For these reasons, Indiana’s Office of Energy Development, Office of Utility Consumer Counselor, Department of Natural Resources, Utility Regulatory Commission and my Agency filed joint comments urging the U.S. EPA to withdraw this proposal.

The most ironic impact of the proposed regulations is that they are likely to increase worldwide greenhouse gas emissions by decreasing the international competitiveness of U.S. businesses due to increased energy costs. Competitive businesses have been investing in cost effective energy savings activities for decades. Under this proposal, the total cost of the products produced in the U.S. will need to increase eroding our

international competitiveness and resulting in the loss of manufacturing jobs in Indiana and across the nation. When these businesses close, U.S. emissions will decrease, but worldwide greenhouse gas emissions will increase as our businesses move to areas with less efficient and more carbon intensive energy supplies.

Furthermore, increases in energy costs hit the poor, elderly and most vulnerable in our society first. At a time when Indiana is doing all that it can to grow its economy and create jobs, the U.S. EPA's proposal creates the very real possibility that increased energy costs will slow our economic progress and raise people's utility bills.

In Indiana, we are obviously concerned about the economic impact of U.S. EPA's proposed rules on businesses and consumers, but we also have filed 31 pages of technical comments. We want to make sure the rule does not result in unintended consequences such as reduced reliability (brownouts) or not yet having all of the necessary infrastructure in place to convert from coal to natural gas.

However, the fact that this misguided policy will harm Hoosiers and other people in our country while likely increasing the worldwide level of the very emissions it is designed to decrease compels Indiana to oppose the proposed regulations.