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Provide the docket's number.	21-33
Leave a comment on the docket. *	In the matter of Minnesota Power's Integrated Resource Plan before the commission (docket 21-33), ATLAS Infrastructure as a shareholder in the parent company ALLETE, Inc. respectfully submits comments for the Commission in the attached letter.
Attach a File	 atlas_infrastructure_submission_re_minnesota_power_irp.pdf 194.41 KB · PDF

31st May 2022

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite #350
St. Paul, MN 55101
United States of America

In the matter of Minnesota Power's (or the "Company") 2021-35 Integrated Resource Plan ("IRP", Docket no. E-015/RP-21-33), ATLAS Infrastructure ("ATLAS") as a shareholder of approximately 3% of ALLETE Inc. outstanding share capital¹, respectfully submits its public comment.

ATLAS is a high conviction listed infrastructure asset manager; signatory to the Institutional Investor Group on Climate Change, Paris Aligned Investment Initiative ("PAII"), and Net Zero Asset Managers initiative ("NZAM"). As part of our investment due diligence process ATLAS forecasts company scope 1 & 2 carbon emissions according to the Greenhouse Gas Protocol framework² and compares these forecasts against the Science Based Target's initiative carbon budgets for 1.5C and well below 2°C Scenarios (B2DS)³.

ATLAS' obligations under the PAII and NZAM memberships mean we are limited in our ability to continue to invest in companies where forecast cumulative emissions exceed the budget for B2DS and are therefore inconsistent with the aims of the 2015 Paris Agreement. We note that 236 global institutions have joined the NZAM, which as a collective represent more than US\$57.5tn in assets under management. We believe it is highly likely our perspective will be shared by other institutional shareholders⁴.

ATLAS undertook our carbon forecasts for Minnesota power by using assumptions from Minnesota Power's IRP regarding the company's preferred plan (aka '2021 Plan'), including retirement dates for Boswell Energy Centre units 3 (2029) and 4 (2035), a 20% ownership of the Nemadji Trail Energy Centre (NTEC), and Minnesota Power's 2050 Net Zero goal⁵.

ATLAS formally engaged with Minnesota Power management to confirm and improve our forecast assumptions, however even after additional analysis our carbon emissions forecast for the Company remained above the B2DS cumulative carbon budget to 2030 by 15%.⁶ The single largest contribution to the excess carbon emissions arises from the continued operation of the Boswell coal units in combination with the additional emissions from the operation of the NTEC plant.

¹ Owning approximately 1.658m shares as of 24th May 2022 from ALLETE's outstanding total 56.989m shares

² <https://ghgprotocol.org> (The GHG Protocol is the most widely used accounting standard for greenhouse gas emissions)

³ SBTi is one tool for assessing assets' emissions against a carbon budget consistent with the Paris Agreement (2015) targets. See <https://sciencebasedtargets.org/> from which we have used the Power Sector Decarbonisation Approach tool for Minnesota Power.

⁴ <https://www.netzeroassetmanagers.org/>

⁵ Minnesota Power IRP 2021, 'Preferred Plan' scenario and January 12th 2021 press release 'Minnesota Power Announces Vision for 100 Percent Carbon-Free Energy by 2050'

<https://minnesotapower.blob.core.windows.net/content/Content/Documents/Company/PressReleases/2021/PressRelease01122021.pdf>

⁶ ATLAS model estimates emissions from a 2019 base year to 2030 of 38.98mtCO₂e versus an SBTi B2DS budget of 33.92mtCO₂e. in scope 1 & 2 emissions, using GHG Protocol standards.

ATLAS therefore has concluded that building the NTEC gas plant as currently envisaged in the Minnesota Power IRP is inconsistent with a science-based pathway to less than 2°C warming and presents a substantial stranded asset risk to both customers of Minnesota Power and shareholders in ALLETE such as ourselves.

ATLAS would therefore make the following requests of and comments to the Commission:

- i. The Commission should ask Minnesota Power to model non-fossil fuel replacements for energy provided by the Boswell units. We believe this analysis should be performed using the latest data for both renewable costs, battery storage and natural gas costs. The outcome of this may present alternatives to NTEC, such as the all-renewables plan presented by the Clean Energy Organisations⁷. However, we note the emissions in this plan still exceed a B2DS budget per SBTi⁸.
- ii. We note legal analysis by the Clean Energy Organisations⁹ and the Minnesota state Office of the Attorney General¹⁰ that the Commission has both the authority and the obligation to review and approve IRPs with prudent investment in the ‘public interest’¹¹. We agree with these parties that circumstances have changed materially since the Commission first approved NTEC in 2018. Changes include updates to cost and efficiency of renewables and battery storage technologies compared to cost and availability of natural gas. As such we respectfully submit that on these grounds, as a matter of urgency, this approval should be reviewed and rescinded upon confirmation of negative climate and economic impacts but costs incurred thus far be recovered as prudent.
- iii. We note provisions for the Commission considering reliability of resources in a public utility’s IRP¹² and the concern of Minnesota Power’s industrial customers in submissions from the Large Power Intervenors regarding the company’s reliability¹³. We also note the technical analysis by Telos in the submission from the Clean Energy Organisations that NTEC may provide less reliability benefit than previously assumed and thus it may not be necessary strictly on reliability grounds¹⁴. We strongly support achieving adequate reliability with alternative options like greater transmission investment.
- iv. We note and support the Minnesota Department of Commerce’s recommendation for the Commission to modify Minnesota Power’s resource plan with approval of retirement dates of the Fast Exit scenario for both Boswell units 3 and 4 – in 2025 and 2030 respectively¹⁵. We also

⁷ Clean Energy Organisations, *A Clean Energy Alternative for Minnesota Power* (April 29th, 2022) Docket No. 33-21, Document ID 20224-185372-06 at p20-23

⁸ Ibid. p24 compared with ATLAS budget estimate in footnote 6

⁹ Clean Energy Organisations, *Comments* (April 29th, 2022) Docket No. 33-21, Document ID 20224-185372-02 at p19-22

¹⁰ Minnesota Office of the Attorney General Residential Utilities Division, *Comments* (April 29th, 2022) Docket No. 33-21, Document ID 20224-185389-01 at p8-12

¹¹ Minn. Stat. § 216B.2422, subds. 2(a)

¹² Minn. R. 7843.0500, subp. 3(A)

¹³ Large Power Intervenors, *Initial Comment with Exhibit A* (April 29th, 2022) Docket No. 33-21, Document ID 20224-185385-02 at p4, 8, 15

¹⁴ Clean Energy Organisations, *Transmission Reliability Analysis* (April 29th, 2022) Docket No. 33-21, Document ID 20224-185372-04 at p26

¹⁵ Minnesota Department of Commerce, *Comments* (29th April 2022) Docket No. 33-21, Document ID 20224-185342-01 at p91

support any action the commission can take to support statutory provisions allowing securitisation, in line with the department's analysis that this could help accelerate Boswell unit retirements with minimised customer cost impacts¹⁶.

- v. We suggest that the IRP process should ensure expected utilisation rates for continuing fossil-fuel generation resources are set such that their use until expected retirement does not cause cumulative emissions exceeding a 2030 budget for Below 2°C warming. This is the most generous carbon budget available that remains aligned to the targets of the Paris Agreement.

ATLAS appreciates the technical expertise of both Minnesota Power and the independent experts consulted by other stakeholders. We respectfully submit our perspective that, as long-term investors, and providers of capital to Minnesota Power, it is in the interest of our clients to reduce the stranded asset risk of coal plants with distant retirement dates and to restrict or reduce any new building of long-life fossil fuel generation in all but the most exceptional of circumstances.

ATLAS remains one of the largest shareholders in ALLETE Inc, supporting and applauding management's efforts to both reduce emissions and invest in clean energy whilst ensuring that customers can access reliable, cost-effective electricity.

As far as it is possible, we ask the Commission to support Minnesota Power to decarbonise more rapidly. Mechanisms that would assist with this, respectful of reliability and cost concerns by customers, could include accelerated transmission planning and execution, securitisation of Boswell units' early retirement, allowing further Purchased Power Agreements for renewables including hybrid of solar + storage and wind + storage.

Finally, we would note that ATLAS has many options to deploy capital within the United States utility sector. We have a strong preference to invest in utilities where there is an IRP that shows a clear decarbonisation path, in line with at least B2DS goals, with sensible planned deployment of renewable and storage technology such that customer reliability and bills are protected. For our investment decision this is more important than short term earnings or rate base growth signals.

We would like to acknowledge the engagement of Sierra Club in facilitating our further stakeholder consultations on the Minnesota Power IRP process.

Sincerely,
Rod Chisholm - Partner
ATLAS Infrastructure

¹⁶ Ibid at p90