

June 26, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Supplemental Comments of the Minnesota Department of Commerce
Docket No. ET9/RP-24-356

Dear Mr. Seuffert:

Attached are the supplemental comments of the Minnesota Department of Commerce (Department) in the following matter:

*In the Matter of Southern Minnesota Municipal Power Agency's 2025-2039
Resource Plan.*

The Petition was filed by Southern Minnesota Municipal Power Agency on November 27, 2024.

The Department recommends **accepting the resource plan** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Sydnie Lieb, Ph.D.
Assistant Commissioner, Department of Regulatory Affairs

SR/ad
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. ET9/RP-24-356

I. INTRODUCTION

Southern Minnesota Municipal Power Agency (SMMPA or the Agency) is a municipal joint action agency serving 17 municipal utilities in Minnesota. The Agency filed an integrated resource plan (IRP) that demonstrates how SMMPA will provide for the capacity and energy needs of its municipal utility members for the period 2025 through 2039. SMMPA plans to retire the Sherburne County Coal Unit 3 (Sherco 3) generator by the end of 2030.

For the action plan, SMMPA plans to:

- add 225 megawatts (MW) of new solar generation;
- add 50 MW of new wind generation;
- add 55 MW of new conventional dual fuel generation;
- add approximately 14 MW of new diesel generators in member communities; and
- continue the Agency's demand-side management (DSM) efforts.

These supplemental comments provide the Minnesota Department of Commerce's (Department) final recommendation with regard to the Agency's IRP.

II. PROCEDURAL BACKGROUND

November 27, 2024	SMMPA filed the Agency's <i>2025-2039 Integrated Resource Plan</i> . ¹
March 26, 2025	The Department filed Comments on SMMPA's Petition. ²
April 1, 2025	The Public Utilities Commission (Commission) issued a notice of comment period for the Petition. ³
May 29, 2025	SMMPA filed Reply Comments. ⁴

According to the Notice the following topics are open for comment:

- Should the Commission accept SMMPA's 2025 Resource Plan?

¹ *In the Matter of Southern Minnesota Municipal Power Agency's 2025-2039 Integrated Resource Plan*, Petition, November 27, 2024, Docket No. E002/M-24-356, (eDockets), [202410-211316-01](#). (Hereinafter, "Petition").

² *In the Matter of Southern Minnesota Municipal Power Agency's 2025-2039 Integrated Resource Plan*, Comments, March 26, 2025, Docket No. E002/M-24-356, (eDockets), [20253-216836-01](#). (Hereinafter, "Department Comment").

³ *In the Matter of Southern Minnesota Municipal Power Agency's 2025-2039 Integrated Resource Plan*, Notice, April 1, 2025, Docket No. E002/M-24-356, (eDockets), [20254-217104-01](#). (Hereinafter, "Notice").

⁴ *In the Matter of Southern Minnesota Municipal Power Agency's 2025-2039 Integrated Resource Plan*, May 29, 2025, Comments, Docket No. E002/M-24-356, (eDockets), [20255-219364-01](#). (Hereinafter, "SMMPA Reply").

- Should the Commission adopt the Department's recommendations listed in its March 26, 2025 comments?
- When should SMMPA file its next resource plan?
- Are there issues the Commission should direct SMMPA to evaluate in its next resource plan?

III. DEPARTMENT ANALYSIS

A. FORECASTING AND MODELING

In initial comments, the Department recommended the Commission accept SMMPA's energy and demand forecasts and SMMPA's capacity expansion modeling and preferred plan for this IRP.⁵ In addition, the Department recommended "SMMPA provide in reply comments a more detailed justification for selecting the preferred plan, particularly regarding the \$90 million cost differential compared to the least-cost case, and how the trade-offs align with SMMPA's long-term goals and financial considerations."⁶

SMMPA's reply comments⁷ sufficiently address the Department's forecasting and modeling recommendations. The Agency provided reasonable justification for its preferred plan and explained its approach to balancing long-term decarbonization goals with evolving cost and technology uncertainties. No further action is recommended by the Department.

B. COMPLIANCE

B.1. Overview

The Department's initial comments recommended that SMMPA respond to six regulatory compliance items.⁸ These recommendations focused upon meeting the emissions standards for Minnesota's Carbon Free Standard (CFS), Renewable Energy Standard (RES) and Greenhouse Gas Standard. Based upon the analysis below, the Department notes that one of SMMPA's answers is incomplete and SMMPA appears to be confused by the Department's questions. The Department finds the remaining responses to be satisfactory.

B.2. CFS

Regarding the CFS, the Department Comment made four recommendations:

G.2.2. The Department recommends that SMMPA explain in reply comments what the Agency plans to do to ensure that the utility completes enough planned actions to achieve the 60 percent CFS in 2030.

⁵ Department Comment at 29.

⁶ Department Comment at 29.

⁷ SMMPA Reply at 1-2.

⁸ Department Comment at 29.

G.2.2. The Department further recommends that SMMPA state in reply comments what month or quarter they currently plan to achieve the 2030 CFS.

G.2.3. The Department recommends that in reply comments SMMPA describe the assumption regarding the treatment of renewable energy credits (RECs) and market purchases that were used in calculating the percentage of retail electric sales coming from carbon-free technology, as depicted in Figure 10.

G.2.3. The Department recommends that SMMPA provide further detail in reply comments on whether SMMPA calculated alternative scenarios that include AU in meeting the CFS.⁹

In a footnote the Department also stated:

SMMPA should include the percentage point contribution from each assumption. When describing the assumptions, SMMPA should explain the use of double-counting of RECs to meet more than one requirement, and the calculation of the carbon-free percentages from market purchases. Furthermore, SMMPA should describe any other assumption and its quantified effect on the carbon-free percentage of retail electric sales.¹⁰

B.2.1. Meeting the Carbon Free Standard in 2030

SMMPA responded to the Department's recommendations 1 and 2 above by stating that its plan does meet the 2030 standard. SMMPA states that:

The Agency's IRP identified the addition of 225 MW of solar and 50 MW of wind projects to supplement current Agency wind and solar projects and supplement expected renewable project retirements ... With these additional resources, SMMPA projects compliance with the Carbon Free Standard on the first day the new law takes effect.¹¹

With this reassurance, the Department is satisfied that SMMPA's preferred plan meets the CFS as written in Minn. Stat. § 216B.1691, Subd. 2g.

B.2.2. Market Purchases and RECs

The Department's Comment asked SMMPA to explain the Agency's assumptions regarding the treatment of market purchases and RECs.¹² Although the Petition provided some information about its

⁹ All above recommendations (1-4) are on page 29 of the Department Comment.

¹⁰ Department Comment at 29.

¹¹ SMMPA Reply at 3.

¹² Department Comment at 29.

assumptions regarding RECs, it was insufficient for the Department to fully understand SMMPA's compliance.

As noted in the Department Comment:

Due to on-going proceedings, the Department is uncertain about Commission treatment of RECs and market purchases. Assuming that RECs and market purchases cannot yet be counted, the deficit in meeting the standard appears to be 7 to 8 percentage points from 2035-2039. Because of the discrepancy and the uncertainty regarding the treatment of RECs and market purchases, the Department recommends that in reply comments SMMPA describe the assumption regarding the treatment of RECs and market purchases that were used in calculating the percentage of retail electric sales coming from carbon-free technology, as depicted in Figure 10. SMMPA should include the percentage point contribution from each assumption. When describing the assumptions, SMMPA should explain the use of double-counting of RECs to meet more than one requirement, and the calculation of the carbon-free percentages from market purchases. Furthermore, SMMPA should describe any other assumption and its quantified effect on the carbon-free percentage of retail electric sales.¹³

SMMPA responded with the general statement that it uses RECs to comply with the CFS:

SMMPA's assumptions regarding the treatment of RECs and market purchases is consistent with the Agency's understanding of the legislation as written and as it has been interpreted since its inception in 2007. ... Accordingly, the Agency's planning assumes that adding the Carbon Free standard into 216B would wrap the standard into the same flow of accounting methodology, as was the intent of the Carbon Free legislation. ...to the extent a REC from wind and solar resources, as is the case today, includes both renewable and carbon-free attributes, the Agency does not view the use of a REC for both the renewable and carbon-free requirements as double-counting.¹⁴

The Department is somewhat confused in that the request was not asking for a statement from SMMPA that it complies with the statute; the request was for an explanation of SMMPA's assumptions regarding the volume of RECs and market purchases counted towards satisfaction of the standard.¹⁵ The Department further finds little indication that the question about assumptions had anything directly related to a statement that SMMPA complies with the standard.

¹³ Department Comment at 24.

¹⁴ SMMPA Reply at 3.

¹⁵ Department Comment at 24.

Instead, the Department notes that the question is due to an ongoing, separate proceeding.¹⁶ A Commission Notice in that separate proceeding asks two relevant questions:

3. What considerations should the Commission take into account regarding the double counting of Renewable Energy Credits (RECs) to meet multiple requirements?
4. How should net market purchases be counted towards CFS compliance?¹⁷

The Department's comments noted that, "[a]ssuming that RECs and market purchases cannot yet be counted, the deficit in meeting the standard appears to be 7 to 8 percentage points from 2035-2039."¹⁸

Because orders from the Commission Investigation Docket are still forthcoming, the Department sought further descriptions of SMMPA's use of double counting and market purchases, particularly its assumptions used toward satisfaction of the CFS. By the time the Commission hears SMMPA's IRP, the Commission may have information from the Commission Investigation Docket impacting decisions regarding SMMPA's satisfaction of the CFS in this IRP, regardless of whether written orders have been issued in the Commission Investigation Docket.

To assist in understanding the need for the recommendation, the Department provides further contextual information on its relevance. Below are summaries of party comments from the Commission Investigation Docket that provide examples of assumptions and issues that might affect a utility's counting of RECs and market purchases.

The Midwest Renewable Energy Tracking System notes that double counting of RECs across states can occur and it may relate to cross-state differences in regulations.¹⁹ Also, Carbon Solutions Group, Central Municipal Power Agency/Services, Missouri River Energy Services, the Department and others have made recommendations regarding use of RECs from market purchases and limitations on

¹⁶ Department Comment at 24 and above.

¹⁷ *In the Matter of an Investigation into Implementing Changes to the Renewable Energy Standard and the Newly Created Carbon Free Standard under Minn. Stat. § 216B.1691*, October 31, 2024, Notice, Docket No. E999/CI-23-151, (eDockets), [202410-211486-01](#) at 1. (Hereinafter "Commission Investigation Docket").

¹⁸ Department Comment at 24. The Department notes that SMMPA has several power purchase agreements in its resource mix. Also, SMMPA acquired 27 percent of its energy mix from market purchases with an unclear percentage coming from spot market purchases. More information on REC assumptions would help clarify any potential issues with completion of Docket No. E999/CI-23-151.

¹⁹ *In the Matter of an Investigation into Implementing Changes to the Renewable Energy Standard and the Newly Created Carbon Free Standard under Minn. Stat. § 216B.1691*, Midwest Renewable Energy Tracking System (M-RETS), Comments, July 7, 2024, Docket No. E999/CI-23-151 (eDockets) [20247-208944-01](#), at 1.

geographic areas that states can purchase RECs.²⁰ In addition, issues have arisen in regard to both power purchase agreements (PPA) and spot market purchases. It is unclear to the Department if SMMPA used data from an eligible technology from PPAs, if energy from PPAs was exported to the market, and how the Agency counts net market purchases.

The Department expected that SMMPA would have prepared a complete list of assumptions. Many of the issues regarding the CFS are at least in part informed by Minnesota Statute. Note that the issues regarding the Commission Investigation Docket are more complicated than what the Department listed above. For that reason, the Department expected that SMMPA would take care in identifying all its assumptions. If other assumptions than what SMMPA cited were made in accord with Minnesota Statutes, then SMMPA should have noted this in its description of that assumption. The Department further asked for estimates on the percentage contribution to meeting the standard is achieved with each assumption.

Without further information on the assumptions made regarding SMMPA's treatment of RECs, the Department is unable to conclude whether SMMPA's plan will still be compliant with the CFS after any changes made from the Commission Investigation Docket. Since the Commission Investigation Docket is still on-going, the Department has no further comment on this issue.

B.2.3. Include City of Austin

The City of Austin renewed its membership with the Agency as a member in August 2024, shortly before filing of the Petition. As a result, the Agency excluded Austin in from the preferred plan for 2025.²¹ To help make SMMPA's Petition as useful as possible the Department recommended:

G.2.3. The Department recommends that SMMPA provide further detail in reply comments on whether SMMPA calculated alternative scenarios that include AU in meeting the Carbon-free Standard.²²

SMMPA replied:

The Agency has calculated a scenario that includes the Austin forecasted load. Attached please find "Attachment A" SMMPA Forecasted MRETS Account Balance (Bank) and "Attachment B" SMMPA RPS/CFS Compliance Projection that both assume the additional Austin load.²³

²⁰ *In the Matter of an Investigation into Implementing Changes to the Renewable Energy Standard and the Newly Created Carbon Free Standard under Minn. Stat. § 216B.1691*, Carbon Solutions Group, Comments, January 29th, 2025, Docket No. E999/CI-23-151 (eDockets) [20251-214606-01](#) at 3; Central Municipal Power Agency/Services (CMPAS), Comments, April 16, 2025, Docket No. E999/CI-23-151 (eDockets) [20254-217768-01](#), at 3; Missouri River Energy Services, Comments, January 29th, 2025, Docket No. E999/CI-23-151 (eDockets) [20251-214594-01](#), at 2; and Minnesota Department of Commerce, Comments, January 29, 2025, Docket No. E999/CI-23-151 (eDockets) [20251-214567-01](#), at 21.

²¹ Petition at 1-1.

²² Department Comment at 29.

²³ SMMPA Reply at 4.

The Department reviewed SMMPA's calculations in the reply comment has no further concerns regarding this topic.

B.3. RES

The Department used data from an Information Request Response to calculate the percentage of generation and procurements from renewable energy sources. Calculations by the Department originally showed that SMMPA falls short of the RES in the first six years by as much as 10 percentage points.²⁴

The Department was not sure if there was a calculation error, if the Department misinterpreted SMMPA's data, or if there was an issue with the data. Thus, the Department stated in its comment:

G.3. The Department recommends that SMMPA provide in reply comments a discussion of whether the RES data depicted in Figure 10 is correct and, if so, the Agency's plans to comply with the RES.²⁵

The Agency's reply comment stated:

The Agency believes that Figure 10 (page 25) of the Department's response depicts the Agency's percentage of renewable energy if the banking of REC's was not utilized. The table in "Attachment B- SMMPA RPS/CFS Compliance Projection" illustrates the Agency's expected compliance with the Renewable Energy Standard while utilizing banked REC. Please note the right-most column which shows the projected surplus of RECs for the Agency each year through 2040.

The Department reviewed SMMPA's calculations and thanks SMMPA for its reply comment. The Department accidentally added a wrong column (in the underlying spreadsheet, adding column G instead of column H). As a result, the Department added back in RECs and excluded other renewable energy sources. The Department accepts the correction from SMMPA's reply comment and has no further concerns regarding this issue.

B.4. Greenhouse Gas Standard

The Department calculated the percent reduction in greenhouse gases from SMMPA's preferred plan and found SMMPA noncompliant in the years 2025- 2030.²⁶ The Department found SMMPA to be compliant after 2030.

SMMPA's reply comment responded as follows:

The dispatch of Sherco 3 into the MISO market is required until its planned retirement in 2030. Keeping Sherco 3 available for dispatch is crucial in

²⁴ Data are from Information Request Response Nos. 1 to 3 at Exhibit 1, tab Request 1.

²⁵ Department Comment at 29.

²⁶ Department Comment at 27.

maintaining a reliable grid to Minnesota. The actual dispatch will be dependent on the needs of the grid operator. While forecasts do not perfectly align with the State's goals from 2025 to 2030, SMMPA is forecasted to meet the 2050 reduction goal as early as 2031.²⁷

The Department agrees that the noncompliance in earlier years correlates with Sherco 3 as stated by SMMPA and in the Department Comment (regarding three aspects to SMMPA's greenhouse cases):

First, coal currently makes up the vast majority of SMMPA's greenhouse gas emissions. In 2025, SMMPA projects coal to comprise 97 percent of SMMPA's greenhouse gas emissions. Second, from 2023 to when Sherco 3 shuts down in 2030, greenhouse gas emissions increase, a reversal of a long-term downward trend that began in approximately 2007. Third, in 2031, when SMMPA and Xcel retire Sherco unit 3, SMMPA's greenhouse gas production sharply drops sharply, by about 2.0 million metric tons.²⁸ [citation omitted]

In explaining greenhouse gas and possible emissions from coal, SMMPA notes that, due to the structure of MISO's regulations and energy market, it has little control over how much Sherco 3 is dispatched by MISO to serve MISO load.²⁹ The Department agrees with SMMPA's reply comment and has no further concerns regarding this issue.

C. RESPONSE TO NOTICE

C.1. Accept SMMPA's IRP?

According to the Notice the first topic open for comment is "Should the Commission accept SMMPA's 2025 Resource Plan?"

Based upon the analysis above and in the Department's comments the Department recommends the Commission accept SMMPA's IRP.

C.2. Adopt the Department's Recommendations?

According to the Notice the second topic open for comment is, "Should the Commission adopt the Department's recommendations listed in its March 26, 2025 comments?"

Some of the recommendations listed in the Department's March 26, 2025 comments were specific to SMMPA's reply comments. The Department recommends the Commission adopt the following recommendations, as originally stated in the Department's comments:

- E.5.2. The Department recommends that the Commission accept SMMPA's energy and demand forecast for this IRP.

²⁷ SMMPA Reply at 4

²⁸ Department Comment at 28.

²⁹ Department Comment at 28.

- F.5.2. The Department recommends that the Commission accept SMMPA's expansion modeling and preferred plan for this IRP.
- F.5.2. The Department recommends that Aurora modeling explore potential technological advancements in energy storage or grid flexibility in future IRPs, as these developments could influence the need for additional dispatchable resources.

C.3. Date for Next IRP?

According to the Notice the third topic open for comment is "When should SMMPA file its next resource plan?"

Given the recent changes in SMMPA's membership and the fact that Sherco unit 3 is retiring in 2030, the Department recommends the Commission use a three-year interval and order SMMPA to file its next IRP by December 1, 2027.

C.4. Issues for Next IRP?

According to the Notice the fourth topic open for comment is "Are there issues the Commission should direct SMMPA to evaluate in its next resource plan?"

As noted above, the Department recommends that SMMPA's Aurora modeling explore potential technological advancements in energy storage or grid flexibility in future IRPs, as these developments could influence the need for additional dispatchable resources.

IV. DEPARTMENT RECOMMENDATIONS

The Department recommends the Commission adopt the following recommendations, as originally stated in the Department's comments:

- E.5.2. The Department recommends that the Commission accept SMMPA's energy and demand forecast for this IRP.
- F.5.2. The Department recommends that the Commission accept SMMPA's expansion modeling and preferred plan for this IRP.
- F.5.2. The Department recommends that Aurora modeling explore potential technological advancements in energy storage or grid flexibility in future IRPs, as these developments could influence the need for additional dispatchable resources.

Overall, the Department recommends the Commission accept SMMPA's Petition.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Supplemental Comments**

Docket No. ET9/RP-24-356

Dated this **26th** day of **June 2025**

/s/Sharon Ferguson

First #	Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	24-356RP-24-356
2	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	24-356RP-24-356
3	Joe	Hoffman	ja.hoffman@smmpa.org	SMPMA		500 First Ave SW Rochester MN, 55902-3303 United States	Electronic Service		No	24-356RP-24-356
4	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	24-356RP-24-356
5	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th PI E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	24-356RP-24-356
6	Jeremy	Sutton	jb.sutton@smmpa.org	Southern MN Municipal Power Agency			Electronic Service		No	24-356RP-24-356