

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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In the Matter of Otter Tail Power’s 2014-2028 Integrated Resource Plan MPUC Docket No. E017/RP-13-961

REPLY COMMENTS OF IZAAK WALTON LEAGUE – MIDWEST OFFICE, FRESH ENERGY, SIERRA CLUB, AND MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

I. INTRODUCTION

The Izaak Walton League of America – Midwest Office, Fresh Energy, Sierra Club, and Minnesota Center for Environmental Advocacy (“Environmental Intervenors”) respectfully submit these reply comments on the Otter Tail Power Company (“OTP”) 2013 Integrated Resource Plan (“IRP”). The Environmental Intervenors do not change our recommendations made in our Initial Comments, but we offer these comments to respond to the Department of Commerce – Division of Energy Resources’ (“Department) comments.

In its Initial Comments, the Department recommended that OTP pursue a Demand Side Management (“DSM”) goal of 1.7% retail sales, obtain 100 Megawatts (“MW”) of wind and a 50 MW Combustion Turbine (“CT”) in 2017, and obtain by 2019 100 MW of wind, a 200 MW CT and 21 MW solar in 2019. While Environmental Intervenors are pleased that the Department recommended an increased DSM goal, additional investments in wind power, as well as an amount of solar that, unlike OTP’s preferred plan, complies with Minnesota’s Solar Energy Standard (“SES”), we do have some concerns with DOC’s recommendations, which we discuss below.

II. THE DEPARTMENT'S RECOMMENDATIONS REGARDING SOLAR ARE AFFECTED BY THE SAME ERRORS AS OTP'S SOLAR ANALYSIS

The Department carried over unrealistic assumptions regarding the cost range that should be modeled for solar power, which as Environmental Intervenors stated in Initial Comments is too high. Recent experience demonstrates that the cost of solar has been declining. Assuming a 3% annual increase in cost (and with no economies of scale built in for 21 blocks of solar) is unreasonable.¹

Based in part on these unrealistic assumptions, the Department's conclusions drawn from its modeling scenarios for SES compliance, as well as achievement of the 10% solar goal, are too conservative. For example, the Department's conclusion that achieving 10% of energy generated from solar is only cost effective at \$75/MWh² is not supported with reasonable cost assumptions. Even if it were, it is important to remember that DOC is only modeling the OTP system. The Department's cost-effectiveness conclusions cannot be generalized to other utilities and the statewide solar goal.

III. OTP HAS NOT DEMONSTRATED COMPLIANCE WITH MINNESOTA'S GREENHOUSE GAS EMISSIONS REDUCTION GOALS

It appears that the Department's preferred plan would not meet the statewide Greenhouse Gas ("GHG") reduction goals. The Department did model the necessary GHG reductions in Scenario 1, Contingency 36³ which is 2.73% cheaper in Present Value of Societal Costs ("PVSC") than the Department's base case. The only difference in the resources selected during the planning period is that Scenario 1, Contingency 36 adds 3 wind units in 2015. It is unclear why the Department would instead prefer a higher-cost plan that does not meet the state's GHG reduction goals.

The Department notes that the methodology for calculating GHG emissions reductions is a matter open for comment in Southern Minnesota Municipal Power Agency's pending resource plan docket. The Minnesota Center for Environmental Advocacy commented therein and also noted, in addition to comments on the quantitative methodology proposed by the Department, that it is not sufficient for

¹ See, Environmental Intervenor Initial Comments filed May 2, 2014, pp. 5-6.

² Department's Initial Comments filed May 2, 2014 at 31.

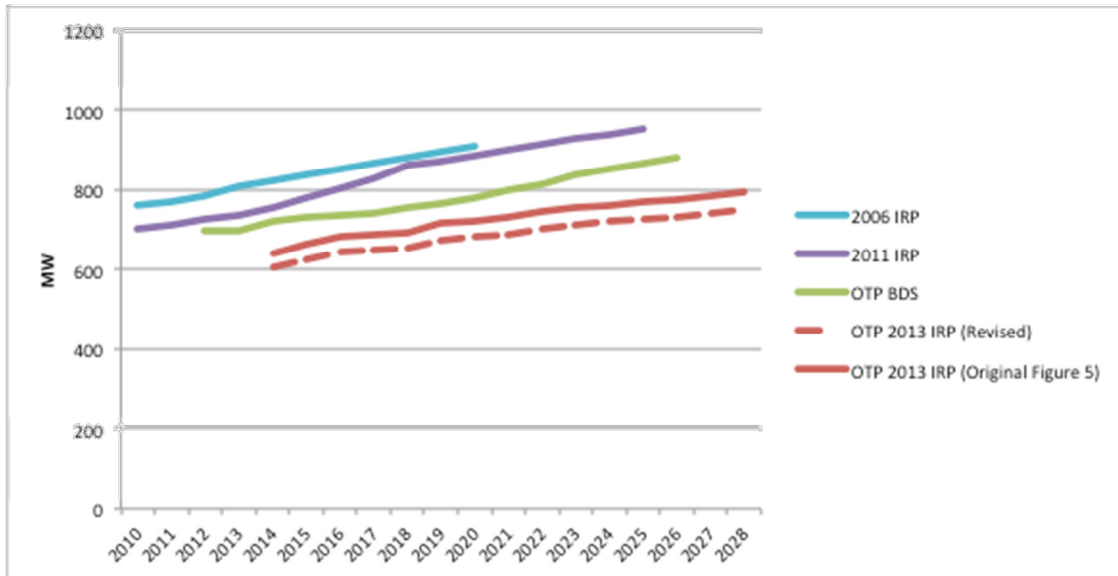
³ *Id.* at Attachment 2.

utilities to merely calculate progress toward these goals. Utilities must also be required to select as preferred plans the scenarios that present the greatest opportunity to actually achieve compliance with these goals. It is not in the public interest and contrary to clear legislative intent to allow a utility to choose a plan that fails to achieve levels of emissions reductions contained in Minnesota Statute section 216H.02, subdivision 1. OTP should either be required to select a preferred plan that attains the GHG emission reduction goals in Minnesota Statutes or demonstrate why compliance is either technically infeasible or not in the public interest. Similarly, Department IRP preferred plan recommendations should reflect compliance with the GHG reduction goals.

IV. OTP'S 2013 LOAD GROWTH PROJECTIONS ARE DECLINING AT A GREATER RATE WHEN RESERVE MARGIN REQUIREMENTS ARE EXCLUDED

In our Initial Comments, Environmental Intervenors included a graph of the trends in OTP's load growth projections over the last eight years. From information we have learned through informal discussions with OTP after our Initial Comments were filed, we learned that the growth trend projected for this IRP is actually lower than our initial Figure 5. In response to a question we asked via email, it appears that the 2013 IRP peak demand included the reserve margin requirement but prior forecasts did not.

In light of OTP's clarifications on this point, Environmental Intervenors revise Figure 5 from our Initial Comments below. The red line is the 2013 IRP forecast as shown in our Initial Comments and the dotted red line is the same forecast adjusted to remove the reserve margin requirement. Revised Figure 5 shows the even greater decline in OTP's expected load requirements. This new information underscores our previous recommendation to require OTP to consider the effect of efficiency measures such as increasingly stringent building codes and appliance efficiency standards when estimating load forecast.



V. CONCLUSION

The Environmental Intervenors look forward to OTP's Reply Comments, which we hope will address some of these concerns. We appreciate the opportunity to provide comments in this docket and look forward to working with OTP and the other commenters going forward.

Dated: August 1, 2014

Respectfully submitted,

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