

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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St. Paul, MN 55101-2147

In the Matter of an Investigation into
Implementing Changes to the Renewable
Energy Standard and Newly Created Carbon
Free Standard Under Minn. Stat. § 216B.1691

PUC Docket No. E999/CI-23-151

COMMENT

The Minnesota Large Industrial Group (“MLIG”), a continuing *ad hoc* consortium of large industrial end-users of energy in Minnesota spanning multiple utilities and functioning to represent large industrial interests before regulatory and legislative bodies, submits the following comment pursuant to the applicable notices of comment period issued by the Minnesota Public Utilities Commission (“Commission”).¹

I. INTRODUCTION

The Notice of Comment Period sets forth the following topics open for comment:

1. H.F. No. 7 updates the definition of “electric utility” in Minn. Stat. § 216B.1691, subd. 1d to include cooperative electric associations or municipal utilities providing electric services that are not members of a generation and transmission cooperative, a municipal power agency, or a power district. Given this change, which utilities will be subject to the standards under Minn. Stat. § 216B.1691?
2. How should the Commission determine whether a utility is no longer required to comply with the standards under Minn. Stat. § 216B.1691?

¹ The initial notice of comment of comment period in this docket was issued on April 28, 2023, setting deadlines for initial comments and reply comments on June 12, 2023, and June 28, 2023, respectively (“Notice of Comment Period”) (eDocket No. [20234-195349-01](#)). On May 4, 2023, the deadlines for initial comments and reply comments in the Notice Comment Period were extended to July 12, 2023, and July 28, 2023, respectively (“First Notice of Extended Comment Period”) (eDocket No. [20235-195716-01](#)). On July 11, 2023, the deadlines for initial comments and reply comments were extended again to August 2, 2023, and August 18, 2023, respectively (“Second Notice of Extended Comment Period”) (eDocket No. [20237-197388-01](#)).

3. What clarifications, if any, are needed regarding the amendments made by H.F. No. 7 to the list of eligible energy technologies in Minn. Stat. § 216B.1691, subd. 1c?
4. H.F. No. 7 adds five additional reporting requirements to utilities' biennial reports in subd. 3 of Minn. Stat. § 216B.1691. What considerations, if any, should be made in incorporating these new reporting requirements in utilities' biennial compliance reports? How should these new reporting requirements be incorporated into the reporting template used by utilities to report on their compliance?
5. Will the biennial reporting changes in subd. 3 (described above) impact utilities' compliance reports for non-biennial reporting years?
6. What clarifications, if any, should the Commission make regarding the revised definition of "total retail electric sales" in H.F. No. 7? Does this new definition impact utilities' ability to comply with the renewable energy standard ("RES") and solar energy standard ("SES")?
7. Should the Commission make modifications to its guidance on reporting the rate impacts of meeting the standards in utilities' integrated resource plans ("IRPs")?
8. Are there other issues or concerns to consider regarding RES and SES compliance?

At this time, MLIG is offering a limited comment to address the seventh topic and reserving the right to comment in reply on other topics depending on other parties' positions taken in initial comments. MLIG timely submits this comment in light of the extensions noted in the First Notice of Extended Comment Period and Second Notice of Extended Comment Period.

II. ANALYSIS

A. Summary of Relevant Commission Orders Regarding Topic Seven

With respect to topic seven, the Notice of Comment references the Commission's March 19, 2010, order in a related docket.² In the Order Determining Compliance Standards, the

² Notice of Comment Period, at 2 (citing *In the Matter of Detailing Criteria and Standards for Measuring an Electric Utility's Good Faith Efforts in Meeting the Renewable Energy Objectives Under Minn. Stat. § 216B.1691*, Docket No. E-999/CI-03-869, Order Clarifying Criteria and Standards for Determining Compliance Under Minn. Stat. § 216B.1691 (Mar. 19, 2010) ("Order Determining Compliance Standards") (eDocket No. [20103-48177-01](#))).

Commission examined the following two statutory grounds for modifying or delaying an RES obligation: (1) the impact of implementing the standard on customers' utility costs; and (2) the effects of implementing the standard on reliability.³ With respect to the first statutory ground, the Commission decided to defer that to information requests in resource planning.⁴ With respect to the second statutory ground, the Commission similarly decided to defer that review to biennial transmission filings and other related dockets.⁵ In essence, the Commission's guidance was to allow tracking on the issues of cost and reliability via reasonable discovery across various utility specific dockets.

In a separate docket, but on a related topic, the Commission addressed rate impact reporting on compliance with Minn. Stat. § 216B.1691, as contained within subd. 2e of that section.⁶ On this issue, the Commission directed "Minnesota's electric utilities to estimate and report the rate impact of § 216B.1691 for solar energy, and separately for other forms of renewable energy, calculated to reflect the appropriate ratio of energy derived from solar, renewable, and non-renewable sources."⁷ Despite this direction, the Commission also emphasized flexibility in calculating rate impacts, concluding that "because the final steps in calculating rate impacts of § 216B.1691 were not well developed in the record, the Commission will be flexible. If the Department and other commentors reach consensus on some other method for calculating rate impacts, the utilities may adopt that practice instead of, or in addition to, the method the Commission outlines above."⁸

To be clear, the Notice of Comment Period requests parties' positions on rate impact analysis, citing the Order Determining Compliance Standards, and not the RES Rate Impact Order. But the provision of § 216B.1691 analyzed in the Order Determining Compliance Standards is Minn. Stat. § 216B.1691, subd. 2b, which addresses the factors considered in modifying or

³ Order Determining Compliance Standards, at 8.

⁴ *Id.* at 10. As of 2010, Minn. Stat. § 216B.1691 listed seven factors for modification or delay of the standard, but only the first two were addressed in the Order Determining Compliance Standards.

⁵ 2023 Sess. Laws, Ch. 7, § 6 (available [here](#)).

⁶ *In the Matter of Utility Renewable Energy Cost Impact Reports Required by Minnesota Statutes Section 216B.1691, subd. 2e*, Docket No. E-999/CI-11-852, Order Establishing Uniform Reporting System for Estimating Rate Impact of Minn. Stat. § 216B.1691 (Jan. 6, 2015) (eDocket No. [20151-105962-01](#)) ("RES Rate Impact Order"). In the RES Rate Impact Order, the Commission also addressed cost of compliance. As the Commission noted on page 13 of the RES Rate Impact Order, "the difference between the costs of two resources is not the same as a rate impact." Therefore, MLIG's summary here focuses on the rate impact section of the RES Rate Impact Order.

⁷ *Id.* at 14.

⁸ *Id.*

delaying the standard. MLIG understands that topic will be addressed by the Commission in this docket in the first quarter of 2025.⁹ The Timeline Notice specifically states, however, that it does not alter the questions or timing contained in the Notice of Comment Period.¹⁰ Nonetheless, the RES Rate Impact Order also seems relevant in answering the question in topic seven.

Therefore, MLIG interprets the question posed in topic seven to be whether the statutory changes contained within H.F. 7 justify revising the general discovery process outlined in the Order Determining Compliance Standards, while also considering the flexible rate impact analysis set forth in the RES Rate Impact Order. This unique procedural posture alone seems to warrant clarification. And this docket appears to create an opportunity to leverage the changes in H.F. 7 to potentially streamline the rate impact analysis addressed in both the Order Determining Compliance Standards and RES Rate Impact Order.

B. Summary of Relevant Change in H.F. 7

With respect to Minn. Stat. § 216B.1691, subd. 2b, H.F. 7 made two sets of changes. First, the standards that could be modified include the RES in subd. 2a, the SES in subd. 2f, and the newly created carbon free standard in subd. 2f. Second, there are three additional factors that were added to the prior seven factors under Minn. Stat. § 216B.1691, subd. 2b(a). These include environmental costs, impact on environmental justice areas, and additional load from beneficial electrification and associated greenhouse gas savings.¹¹ Focusing on the specific question in topic seven, which relates to rate impacts, it appears to MLIG that only the first of those additions (environmental costs) is relevant.

With respect to Minn. Stat. § 216B.1691, subd. 2e, H.F. 7 clarified that the reporting requirement in each utility's IRP continues through the year 2040, at which time it expires. Note also that Minn. Stat. § 216B.1691, subd. 2e refers to the "rate impact of activities of the electric utility necessary to comply with this section."¹² Therefore, and because the carbon free standard in subd. 2f was added to section Minn. Stat. § 216B.1691, the rate impacts of complying with the

⁹ Notice of Docket Process and Timeline at 2 (July 7, 2023) ("Timeline Notice") (eDocket No. [20237-197301-01](#)).

¹⁰ *Id.* at 1, fn. 1.

¹¹ 2023 Sess. Laws, Ch. 7, § 6.

¹² Minn. Stat. § 216B.1691, subd. 2e (emphasis added).

carbon free standard must also be included. This new addition to the rate impact analysis is another factor weighing in favor of modifying the Commission's prior guidance.

C. The Commission Should Make Modifications to Its Guidance on Reporting the Rate Impacts of Meeting the Standards in Utilities' IRPs

Resource planning has undergone significant changes over the past twenty years or so, morphing from an initial view towards least-cost planning, to resource planning with an emphasis on development of renewable resources, to what under H.F. 7 is probably best described as decarbonization planning. Although there is a relatively short amount of time to accomplish the 100% decarbonization standard by 2040, it will be critical for the Commission to appropriately balance the pace of decarbonization with impacts on utility rates. Three potential accelerators in H.F. 7 on the pace of increased decarbonization are the revised RESs, specific timeframes for decarbonization, and updated direction to include increased environmental cost values.¹³ MLIG understands that the relationship between the preference for renewable resources, environmental costs, and rates is already discussed in various ways in utility IRP dockets. MLIG respectfully asserts, however, that given that the production and presentation of such information is rarely uniform across utility IRP dockets, as well as the various changes in H.F. 7, and for the reasons set forth above, direction in this docket would be helpful in introducing uniformity and clarity as the Commission grapples with the important effort of balancing the state's competing statutory objectives of reasonable rates under Minn. Stat. § 216B.03 and rapid decarbonization.

One particular approach and presentation that appears fairly straightforward, would likely frame the focus on decarbonization, and would be easy to understand and replicate, was that contained within Minnesota Power's recently concluded resource plan. This approach contains two elements. First, all utilities should clearly set forth the average current rate for each customer class as of the year of the IRP filing.¹⁴ Included with this information should be the projected rate increase (in both dollars and percentages), by customer class, for each year over the life of the five-year action plan included within the IRP filing. If the utility's preferred investments over the five-year action plan do not account for other rate increases, the utility should include two tables containing this information, one relating only to the proposed investments in the five-year action

¹³ 2023 Sess. Laws, Ch. 7, § 18.

¹⁴ See *In the Matter of Minnesota Power's 2021-2035 Integrated Resource Plan*, Docket No. E-015/RP-21-33, Initial Filing, Appendix L (Feb. 1, 2021) (eDocket No. [20212-170593-09](https://www.docketmanager.com/documents/view.aspx?documentid=20212-170593-09)).

plan and another accounting for all planned rate increases. With this information, parties and state agencies would have a clear picture of how rates for all customer classes will change over the five-year action plan. MLIG respectfully requests this information be included in all utility resource plans going forward.

The second element relates to how the net present value (“NPV”) of the utility’s revenue requirement over the life of the plan changes under various scenarios. This presentation should break apart the revenue requirement and environmental costs in order for parties and state agencies to understand how the revenue requirement and environmental costs are interrelated. As an example, and again looking to Minnesota Power’s recently concluded IRP, the cost analysis for various retirement scenarios for Boswell Units 3 and 4 were summarized by the Minnesota Department of Commerce (“Department”) in its supplemental comments in two tables.¹⁵ The first table contains various retirement date scenarios for Boswell Units 3 and 4. The second table provides summary of the NPV of various plans.

¹⁵ *In the Matter of Minnesota Power’s 2021-2035 Integrated Resource Plan*, Docket No. E-015/RP-21-33, Department of Commerce Supplemental Comment, at 4 (July 29, 2022) (eDocket No. [20227-187976-01](#)).

Department Table 1. Minnesota Power’s Boswell Retirement Scenarios examined for the planning period (2021 2035); no retirement action taken in blank cells

	Boswell 3 Retirement Date	Boswell 4 Retirement Date
Status Quo	-	-
PrefPlan	2029	-
Early3	2025	-
Early4	-	2030
FastExit	2025	2030

Department Table 2. Department’s total cost results for each Boswell retirement scenario (Conditions: Mid/Mid Carbon Future, Base Contingency)

NPV Plan Costs (\$Million)	StatusQuo	PrefPlan	Early3	Early4	FastExit
Revenue Requirement	\$8,062	\$8,128	\$8,151	\$8,227	\$8,329
Externalities	\$2,022	\$1,901	\$1,897	\$1,857	\$1,709
Revenue Requirement + Externalities (Total Plan Cost)	\$10,084	\$10,030	\$10,048	\$10,084	\$10,038

The presentation above is a straightforward way to assess how revenue requirement and environmental costs change in relation to the total cost of the plan. As a starting point, it will remain critical to have a traditional least cost (from a utility ratepayer perspective) plan. Alternative plans could then be incorporated that modify the pace of various decarbonization proposals. Although it was prepared by the Department and not a utility, it should be relatively easy to replicate. MLIG understands additional dialogue is likely appropriate to arrive at how best to present this information. But from a conceptual level, MLIG believes this type of presentation is important and respectfully requests that it also be included, along with the rate projections described above, in all utility resource plans going forward.

III. CONCLUSION

MLIG appreciates the opportunity to comment on this important topic. MLIG respectfully requests that the Commission adopt the approaches outlined in this comment to further productive discussions in resource planning dockets. MLIG looks forward to additional dialogue on the topics in the Notice of Comment Period.

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Respectfully submitted,

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