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David R. Moeller  
Senior Attorney  
218-723-3963  
dmoeller@allete.com

July 31, 2018

**VIA ELECTRONIC FILING**

Mr. Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
350 Metro Square Building  
121 Seventh Place East  
St. Paul, MN 55101

Re: In the Matter Minnesota Power's Petition for Approval of a 10 MW  
Blanchard Solar Power Purchase  
**Docket No. E015/M-18-401**

Dear Mr. Wolf:

Minnesota Power hereby electronically submits its Reply Comments in the above-referenced Docket.

Please contact me at the number above should you have any questions regarding this matter.

Yours truly,

A handwritten signature in black ink that reads 'David R. Moeller'.

David R. Moeller

DRM:jn  
cc: Official Service List  
Attach.

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter Minnesota Power’s  
Petition for Approval of a 10 MW  
Blanchard Solar Power Purchase  
Agreement

Docket No. E-015/M-18-401

**MINNESOTA POWER’S  
REPLY COMMENTS**

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**I. OVERVIEW**

Minnesota Power (or “Company”) submits these Reply Comments to the Minnesota Public Utilities Commission (“Commission”) in response to the Department of Commerce – Division of Energy Resources (“Department”) Initial Comments filed on July 20, 2018. On May 31, 2018 Minnesota Power submitted to the Commission a revised Petition for Approval of a Power Purchase Agreement (the “PPA” or “Agreement”) with Cypress Creek Renewables (“Cypress Creek”) to purchase 10 MW of solar-generated energy and capacity from the Blanchard solar-generation facility located near Royalton in Morrison County, in central Minnesota, (“Blanchard Solar Project”) to serve Minnesota Power’s customers. On June 22, 2018, the Commission issued a Notice of Comment Period requesting initial comments by July 20, 2018 and reply comments by July 31, 2018.

**II. REPLY COMMENTS**

Minnesota Power appreciates the Department’s timely comments and thorough review of the Petition and the PPA. Minnesota Power agrees with the Department’s overall recommendation that the Commission approve the PPA and provides further comments as requested.

First, the Department requested that Minnesota Power reconcile **[TRADE SECRET DATA EXCISED]**

Second, the Department requested Minnesota Power explain the limitation under Section **[TRADE SECRET DATA EXCISED]** was part of the overall PPA negotiations and removal of that provision would likely result in Cypress Creek requiring higher PPA pricing and other terms and conditions that would not be advantageous to Minnesota Power customers. Therefore, Minnesota Power recommends the Commission not accept the Department's recommendation on this provision.

Third, the Department requested Minnesota Power provide further information on how the delay damages amount under Section 4.4 was derived and how it adequately protects Minnesota Power's customers. The amount was derived as part of the overall PPA negotiations between Minnesota Power and Cypress Creek and was comparable to the amount negotiated as part of Minnesota Power's community solar garden 1.0 MW PPA with U.S. Solar. See Docket No. E015/M-15-825, Minnesota Power's Supplemental Comments Filed April 14, 2016 and Section 4.4 of the 1.0 MW PPA. The intent was also to ensure Cypress Creek is financially motivated to complete the project per the milestone schedule in Exhibit C to the PPA. Cypress Creek has continued to develop the Blanchard Solar Project in line with the milestone schedule. Also, delay damages were not calculated based on expected replacement power plus solar renewable energy credit ("S-REC") costs. If the 10 MW Blanchard Solar is not available on July 1, 2020 and Minnesota Power needs to purchase replacement power it would likely rely on the MISO Day-Ahead market, which is projected to be **[TRADE SECRET DATA EXCISED]** in

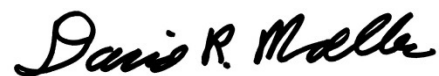
the PPA and used by the Department in Table 1, Column C. In addition, if Minnesota Power did not have sufficient S-RECs in its M-RETS bank to comply with the Solar Energy Standard, Minnesota Power would likely procure unbundled S-RECs that based on current pricing would be well below the [TRADE SECRET DATA EXCISED] Therefore, Minnesota Power believes the delay damages amount and conditions adequately protect customers.

### III. CONCLUSION

The Blanchard Solar Project was selected through a robust RFP process as the least cost 10MW project to help meet Minnesota Power's SES requirements. As discussed in the Petition and as further requested by the Department, Minnesota Power has negotiated commercially-reasonable contract terms with Cypress Creek to mitigate potential risks related to the Blanchard Solar Project to ensure customers are adequately protected. Minnesota Power respectfully requests that the Commission find that the Project is in the public interest, approve the 10 MW Blanchard Solar Project PPA as a reasonable and prudent way for the Company to continue to work towards meeting its obligations under Minn. Stat. § 216B.1691, and authorize Minnesota Power to recover the PPA costs through Commission-approved methods for solar expenditures.

Dated: July 31, 2018

Respectfully submitted,



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David R. Moeller  
Senior Attorney  
Minnesota Power  
30 West Superior Street  
Duluth, MN 55802  
218-723-3963  
[dmoeller@allete.com](mailto:dmoeller@allete.com)

STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Jodi Nash, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **31<sup>st</sup>** day of **July, 2018**, she served Minnesota Power’s Reply Comments in Docket No. E015/M-18-401 on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. All other parties were served as designated on E-Dockets Official Service List for this Docket were served as requested.



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Jodi Nash

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allte.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_18-401_M-18-401
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-401_M-18-401
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-401_M-18-401
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-401_M-18-401
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street  Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Nathan N	LaCoursiere	nlacoursiere@duluthmn.gov	City of Duluth	411 W 1st St Rm 410  Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-401_M-18-401
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_18-401_M-18-401
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_18-401_M-18-401
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Jennifer	Peterson	jjpeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-401_M-18-401
Jenna	Warmuth	jwarmuth@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802-2093	Electronic Service	No	OFF_SL_18-401_M-18-401

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-401_M-18-401