

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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July 31, 2023

In the Matter of an Investigation into Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities

Docket No. E999/CI-19-704

REPLY COMMENTS OF FRESH ENERGY AND THE SIERRA CLUB

Introduction

Fresh Energy and the Sierra Club submit these comments per the Commission’s June 20, 2023 *Notice of Extended Comment Period and Additional Reporting* regarding Xcel Energy’s (“Xcel” or “the Company”) seasonal dispatch of coal units. The Commission’s notice seeks comments on Commission action related to 2023 legislative language authorizing the Commission to order public utilities to seasonally operate certain Minnesota coal units and/or establish annual CO₂ emissions limits on those units.¹ This new law enables the Commission to require that coal units located in Minnesota either operate only during summer and winter months, other than for emergency or reliability purposes; or operate subject to an annual carbon dioxide emissions limit, as long as the coal units “do not have applicable capacity obligations with a regional transmission organization and are wholly owned by a public utility required to file a resource plan.”²

Based on this new statutory authority, our organizations recommend that the Commission require Xcel to develop and implement a plan to operate the King plant and Sherco Unit 2 only during the months of June, July, August, December, January, and February, other than for emergency or reliability purposes. We recommend that this plan be in effect from now until retirement whenever a unit does not have capacity obligations.

Demonstrated Benefits of Seasonal Operations

As Xcel explained in its June 30th Reply Comments, in the 23/24 MISO Planning Resource Auction (“PRA”), the King plant and Sherco Unit 2 did not clear for the summer, fall, or spring seasons.³ Therefore, Xcel is well positioned to offer these units seasonally. Xcel states that if it were “ordered

¹ PUC notice at 2.

² 2023 Minnesota Session Laws, Chapter 7.

³ Xcel Reply at 5.

to dispatch King seasonally, consistent with the statute, [Xcel] would comply, provided we were able to do so in a way that maintained reliability and safety.”⁴ Fresh Energy and Sierra Club recommend that the Commission direct Xcel to limit the King plant and Sherco 2 to seasonal operation until each unit’s retirement.

Our organizations make this recommendation because historical operating data and modeling analysis show that seasonal operation of these units is in the public interest and provides cost savings for customers. For example, in 2021, even in an unusual market environment including elevated wholesale electricity prices, Xcel calculates that seasonal operation at King reduced CO₂ emissions by 1,200,000 tons compared to if the plant had been self-committed year-round and 47,800 tons compared to economic dispatch year-round.⁵ In 2021, seasonal operations at Sherco 2 avoided 475,000 tons of CO₂ at the Sherco plant compared to a year-round self-commitment scenario.⁶ In addition, Xcel calculated that customers saved \$16.5 million in 2021 due to seasonal operation compared to must-run, and \$500,000 compared to an economic dispatch scenario.⁷

Xcel’s 2022 Annual Report shows that seasonal operation for King, which was limited and, again, in a high-wholesale market price environment, reduced CO₂ emissions by 216,000 tons compared to self-committing the plant.⁸ The emissions reduction and cost reduction benefits of seasonal operation these units have been consistent and durable, even in high-cost wholesale market environments. Therefore, it is in the public interest on the basis of both emissions reductions and customer savings for the Commission to use its new authority to require Xcel to use seasonal operations at these units when it does not have capacity obligations, while still allowing the facilities to be used for emergencies and reliability under MISO rules.

Fresh Energy and Sierra Club recognize that Sherco 2 is scheduled to retire by the end of this year, which means that a new seasonal plan would only impact operations at this unit for a few months. However, past experience indicates it would be beneficial for Xcel to pursue seasonal idling this fall if the regulatory timeline enables plan approval during the fall. We therefore suggest that a streamlined regulatory process would be in the public interest on this issue. We recommend that Xcel file its seasonal operations plan with the Commission within 30 days of the hearing in this matter and that the Commission authorize the plan subject to the 30-day negative check off process. Given that Xcel has used seasonal operations at King and Sherco 2 with success since 2020, Fresh energy does not anticipate that this seasonal operations plan would present new issues or concerns.

Recommendation

1. Require Xcel to develop a plan to operate the coal-fired electric generating Allen S. King

⁴ Xcel Reply at 5

⁵ Xcel 2021 Annual Report at 10 (March 1, 2022)

⁶ *Id.*

⁷ *Id.*

⁸ Xcel 2022 Annual Report at 11 (April 21, 2023)

plant and Sherco Unit 2 only during the months of June, July, August, December, January, and February, other than for emergency or reliability purposes, unless Xcel must offer the unit(s) to fulfill capacity obligations. Xcel will file such a plan in docket within 30 days of the Commission hearing date, and it may be approved subject to a 30-day negative check-off process.

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