

September 26, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E017/RP-16-386

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) files these comments in response to the Minnesota Public Utilities Commission's (Commission) August 29, 2019 *Notice of Supplemental Comment Period* (Notice) in the following matter:

In the Matter of Otter Tail Power Company's 2017-2031 Resource Plan Extension Request.

The Notice identified the following overall issue and items open for comment:

1. Should the Commission grant Otter Tail's request for a one-year extension?
2. If so, is Otter Tail's proposed date of September 1, 2021 reasonable, or would an alternative, sooner filing date be preferable?
3. Is there a benefit to developing an IRP record prior to Otter Tail's investment in NO_x and SO₂ controls at Coyote Station?
4. Are there other issues or actions the Commission should consider?

The Department provides this brief background and response.

On April 26, 2017, the Commission issued its *Order Approving Otter Tail's 2016 Integrated Resource Plan (IRP) with Modifications*. Order Points 3-5 included:

3. Otter Tail shall file its next integrated resource plan no later than June 3, 2019.
4. The Commission hereby approves a five-year action plan that includes the addition of:
 - a. 200 MW of wind in the 2018 to 2020 timeframe;
 - b. 30 MW of solar in about 2020;
 - c. Up to 250 MW of peaking capacity in 2021; and
 - d. Average annual energy savings of 46.8 GWh (1.6 percent of retail sales).

5. The Commission hereby modifies Otter Tail's integrated resource plan to include 100 MW to 200 MW of wind in the 2022 to 2023 timeframe. This does not preclude additional wind during the five-year action plan period.

On August 23, 2018, Otter Tail requested a one-year extension to file its next IRP, citing the need for more time to model the Regional Haze Rule and the proposed Affordable Clean Energy Rule.

On December 13, 2018, the Commission issued its *Order Extending Deadline for Filing Resource Plan*, setting a new date of June 1, 2020 for Otter Tail to file its next IRP.

On August 29, 2019, Otter Tail requested another one-year extension to file its next IRP, again citing the Regional Haze Rule as a reason for the additional time. The Company requested an extension to September 1, 2021 to file its next IRP.

Compliance with Five-Year Action Plan

Otter Tail's extension request details how it is on track to comply with the Company's Commission-approved 5-year action plan. The Company has taken significant steps to procure the wind and combustion turbine resources approved for its 5-year plan and Otter Tail surpassed its approved annual energy savings goal of 46.8 GWh in 2016, 2017, and 2018. Although the Company has not taken concrete actions to procure the 30 MW of solar specified in its action plan, the 30-MW solar resource was recommended by the Department so that the Company would comply with Minnesota's Solar Energy Standard (SES).¹ In its Extension Request, the Company stated that it has procured enough solar renewable energy credits (SRECs) at a very low cost to satisfy the Minnesota SES for 2020 and a significant portion of the 2021 requirement. Otter Tail further stated that it intends to continue to purchase SRECs to meet the Minnesota SES requirements through 2021 or until a cost-effective solar energy project (or projects) can be shown to be part of a least cost resource plan portfolio.

Including 100 MW to 200 MW of Wind in the 2022 to 2023 Timeframe

Otter Tail's extension request ignored Order Point 5 from the Commission's April 26, 2017 IRP Order. The Department discussed the 100 MW to 200 MW of wind procurement requirement with Otter Tail, which stated that it did not address Order Point 5 because the wind resources were slated for procurement outside of its 5-year action plan and because the Company's recent capacity expansion modeling indicated that solar, and not wind, may be the next most cost-effective resource. According to the Company, the next resource it procures will be needed to provide energy for its system, not capacity. Otter Tail indicated that it projects no additional capacity needs through 2029.²

¹ In 2013 a Solar Energy Standard (SES) was passed by the state legislature. Minn. Stat. 216B.1691 Subd. 2f requires that a publicly owned utility must obtain at least 1.5 percent of its Minnesota retail sales from solar energy by the end of 2020. Of that 1.5 percent, at least ten percent must be from solar facilities of 20 kW or less. The statute excludes certain retail sales to iron mining, paper and wood products manufacturers from the calculation of the SES requirement.

² See Extension Request, "Capability" table on page 6.

The Department has not viewed the Company's new capacity expansion modeling and thus cannot comment on whether additional wind is no longer a cost-effective resource for 2022-2023. However, given that the Company proposed to submit its next IRP by September 1, 2021, the Department concludes that the Company can propose the most cost-effective resource at that time and still procure the resource in a timely manner.

Compliance with Regional Haze Rule

The Clean Air Act requires states to make reasonable progress toward natural visibility conditions in United States national parks and wildernesses (Class I areas) with the goal of restoring such areas to natural visibility conditions by 2064. The Regional Haze Rule does not explicitly address individual facilities; instead, each affected state is required to develop a State Implementation Plan (SIP), to be submitted in July 2021, that will apply emission limitations to individual facilities as determined necessary by the state to make reasonable progress for the implementation period. Otter Tail expects that its Coyote Station coal-fired plant near Beulah, ND, of which Otter Tail owns 35 percent,³ is its only North Dakota facility that will be affected by North Dakota's SIP.

Otter Tail stated that extending the filing of its next IRP from June 1, 2020 to September 1, 2021 would allow the Company to consider more information about the potential costs for Coyote because those costs will be identified through the SIP process. Currently, both the estimated capital costs and related operation and maintenance costs range from tens to hundreds of millions of dollars. Otter Tail believes the ranges will narrow through the SIP process.

Further, in response to MN-PUC IR No. 003, Otter Tail stated the Company and co-owners are only obligated to invest in the control option ultimately approved by the Environmental Protection Agency if the Coyote owners choose to continue to operate the generation plant. Otter Tail stated that once the decision has been made on the technology and related cost required to achieve compliance with the Regional Haze Rule, Otter Tail will include that capital expenditure and related operation and maintenance costs as an option for its capacity expansion model (EnCompass) to meet the Company's capacity and energy needs and will compare that option to closing Coyote in 2028.

Given that the Company will not be bound to make the investments identified through North Dakota's SIP process and that the Minnesota Commission will be able to review Otter Tail's proposed plan starting in 2021 (and possibly in additional IRPs even after the proposed 2021 IRP), the Department concludes that the Commission will have ample time to review any proposal regarding continued operation and investment in NO_x and SO₂ controls at Coyote Station before those investments are made.

³ The remainder of the plant is owned by Montana-Dakota Utilities Co., NorthWestern Energy, and Northern Municipal Power Agency.

Conclusion and Recommendation

Given that the Company does not have any capacity needs in the foreseeable future, the July 2021 finalization of North Dakota's Regional Haze SIP will provide more information concerning costs of complying with the Regional Haze Rule, the requested delay in filing Otter Tail's IRP will not impair the Commission's ability to make determinations regarding the Coyote plant, and the Company is proceeding with implementing its 5-year action plan, the Department does not oppose Otter Tail's Extension Request.

Sincerely,

/s/CHRISTOPHER T. DAVIS
Analyst Coordinator

CD/ar

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
Comments**

Docket No. E017/RP-16-386

Dated this **26th** day of **September 2019**

/s/Sharon Ferguson

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