Reply Comments from Operating Engineers Local 49 and North Central States Regional Council of Carpenters

August 29, 2022

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: In the Matter of Minnesota Power's Application for Approval of its 2021-2035 Integrated Resource Plan Docket No. E015/RP-21-33

Dear Mr. Seuffert,

As labor unions representing workers in the construction industry and their families we respectfully submit these reply comments on Minnesota Power's (MP) proposed Integrated Resource Plan (IRP).

As noted in our previous comment, both unions represent workers who perform construction and maintenance work across our state's energy system, as well as within the mining and forestry industries served by MP. Many of our members also live within MP's service territory and are residential customers. While we certainly value and advocate for family-sustaining jobs, our members also believe in and value the importance of reliability and affordability when it comes to our electricity sector.

Additionally, it is our perspective that the MP preferred plan reflects a compromise proposal. For our members who perform work at the Boswell facility, their preference would be for the facility to not be retired early. The early retirement of the facility, as envisioned under the preferred plan, will have a real impact on them and their families. Nonetheless, we recognize the ongoing energy transition and the need to reduce carbon emissions and are supportive of the MP preferred plan as a compromise that takes into account both environmental and socioeconomic interests.

With this context, we offer our perspective on some of the comments in the docket.

<u>Department of Commerce (DOC)</u>

We take a number of exceptions with the approach and conclusions reached by the DOC in their initial comments. While the DOC modeled a range of potential scenarios that could impact the cost to ratepayers, they did not account for reality-based constraints on the siting, routing and permitting process along with construction timelines in making their recommendation. The DOC's modeling suggests that MP should acquire a number of new generation assets in a

timeframe that is unrealistic and likely impossible. Most critically, the proposed acquisition of 282 MW of peaking resource to be in service by 2026 is almost certainly impossible to achieve given the length of time needed to site, permit and construct natural gas infrastructure. Accelerating the closure of a generation asset like Boswell Unit 3, that is in current operation, with the hope that a replacement facility can be planned, permitted and constructed in an unrealistic time frame would create a major reliability and cost risk to MP ratepayers. While we would be supportive of potential reforms to energy infrastructure siting and permitting statutes to reduce regulatory delays, we have to be cognizant of the existing process when considering timing questions for new resource acquisitions.

When considering the DOC's recommendation we also believe it is important to recognize that throughout the DOC's analysis, which plan is projected to be least cost often depends on which factors are being considered. For example, using the base contingency and a "mid/mid" carbon future, the DOC found that the MP preferred plan was least costly. Similarly, when the DOC compared plan costs across a range of future regulatory and externality costs, they found that the preferred plan had the lowest "Plan Rank Count" meaning that it was found to be amongst the lower cost plans across an array of potential futures. This is important given that future regulatory costs are unknowable and estimating environmental externality costs is not an exact science. Selecting an IRP that performs well for ratepayers across a range of potential future scenarios provides a good hedge against risk. We believe that MP's preferred plan does just that.

In their analysis, the DOC also points to the Midcontinent Independent System Operation (MISO) Long Range Transmission Plan (LRTP) transmission line project as a reason to order the early closure of Boswell Unit 4 by 2030. While we are supportive of the LRTP projects and believe they allow for the integration of additional renewable resources onto the grid, there is tremendous uncertainty about their ability to deliver the resources needed to allow for the closure of Boswell Unit 4 by 2030. The LRTP lines still need to go through a certificate of need and route permit process, followed by construction. Even if completed on schedule, transmission lines are not themselves a generator of electricity and MP would need to procure actual resources to offset the closure of Boswell Unit 4. As is well recognized, there is significant interest from utilities across the MISO footprint in the potential for the LRTP projects to add more renewable resources. The first tranche of LRTP projects will relieve some of the congestion on the grid, but how much and how quickly MP can utilize the transmission resource is uncertain at this point. As the DOC notes, a 2030 closure of Boswell Unit 4 may require the construction of a 593 MW combined cycle gas power plant to ensure system reliability. With this level of uncertainty, we believe the most prudent course of action is to move forward with MP's plan to look at refueling options for 2035 and revisit the issue in the next IRP.

Lastly, on behalf of our members who perform maintenance work at the Boswell facility we would wholeheartedly echo the points made by the City of Cohasset in their reply comments. Simply put, the fast exit timelines for Boswell Unit 3 and 4 closures are not sufficient for a just transition. With the support of the community, the workers at the Boswell facility have ensured that the residents and businesses of Northeastern Minnesota have had reliable power for over 60 years. It is important that early retirement of either unit includes the time needed for the

community to plan for its economic future. MP's preferred plan aligns the acquisition of replacement resources with the reality of the permitting process and construction timelines. It also provides an opportunity for the company to look at potential options for refueling Boswell Unit 4 in a way that reduces carbon emissions but preserves jobs and tax base.

Office of the Attorney General (OAG)

The OAG's analysis is specifically focused on the question whether the proposed Nemadji Trail Energy Center Combined Cycle Gas Plant (NTEC) is needed. The analysis appears to presume no early retirement for either Boswell Unit 3 or Unit 4. With those assumptions, the OAG arrives at the conclusion that NTEC is not needed. While we support the position of Minnesota Power that NTEC is needed, we would emphasize that the OAG's analysis implies a need to continue electricity generation at Boswell Unit 3 and 4 into the foreseeable future. Therefore, to the extent that the Commission considers moving forward with the OAG's recommendation to remove NTEC from the resource plan, we believe that it is necessary to find that Boswell Unit 3 is needed past the proposed early retirement date in 2030 and approve a resource plan with no early retirements for either unit.

We would also note that it is unclear from the OAG's comments whether their finding that NTEC is not needed for MP is based on an assumed 50% or 20% ownership of the facility.

Clean Energy Organizations (CEOs)

As a component of their comments on the Minnesota IRP, the CEOs included a "Health and Equity Report," that sought to examine the impact of the MP system on health and equity metrics. As a threshold matter, the report does very little to recognize the benefits, including the health benefits, of a regulated utility system that provides reliable electric service to all customers. Electricity is critical to ensuring that residents of northeastern Minnesota have access to clean drinking water and a functioning sewage system. It is needed for the operation of a wide array of modern healthcare devices and is integral to the operation of hospital facilities. Electricity is required for refrigeration, an important resource needed for ensuring access to food and medicines. Electricity and/or natural gas is needed to keep homes cool on hot days and to heat many homes during the winter. The Texas Department of State Health Services attributed 246 deaths to the February 2021 winter storm which resulted in significant loss of electricity for residents.[1] This included deaths from carbon monoxide due to the use of portable generators. This is not to downplay the impacts of air pollution, including those from the power sector, or the importance of equitable outcomes, but to recognize that lack of access to reliable power has significant health outcomes, especially on vulnerable populations, and encourage the Commission to balance reliability considerations with the environmental and health impacts of electricity generation.

Furthermore, the regulated utility model is unique as a service provider in its requirement to serve all residential customers equally within its service territory. This differs from other sectors of the economy where providers of goods and services are usually prohibited from explicit

[1] Texas puts final estimate of winter storm death toll at 246, Patrick Svitek, The Texas Tribune; 01/02/22

discrimination based on a protected class but can otherwise deny service and set prices in an arbitrary manner. We believe the utility model is one that provides significant benefits to residents of lower-income and rural communities who often face reduced access to other needed services.

The regulated utility sector is also notable for its high rates of unionization and jobs that have high wages and benefits. We have supported recent efforts by utilities in other dockets to include reportable workforce goals on their projects for those underrepresented in the construction industry–including women and people of color. Additionally, our state registered apprenticeship programs offer career training and earn-while-you-learn approach that enhances the health and wealth of communities of color, women and veterans. Both of our organizations work on public projects where there are workforce and contracting goals that we routinely meet and exceed. Our community partnerships continue to grow and foster relationships that make sure that when our contractors are hiring, that the workers reflect the demographic shifts of our state and region. All of this is to say we believe the utility sector can be an important component of advancing equity in the state through the benefits and opportunities it provides workers who perform construction and maintenance, including those traditionally underrepresented in the industry. We are proud of the work that our registered apprenticeship programs are doing in this regard.

The report also highlights the significant disparities in access to rooftop solar in Minnesota–with more than 40% of rooftop solar adopters in the highest-income quintile and less than 5% in the lowest-income quintile. These disparities highlight one of the disadvantages of investing in distributed generation resources which disproportionately benefit wealthier residents. To the extent that there is to be more investment in solar generating assets, we would instead primarily encourage that investment to be in utility scale, grid-wide assets that are utilized by, and benefit all ratepayers–including those that are lower-income.

<u>Nemadji Trail Energy Center (NTEC)</u>

Both the OAG and the CEOs filed comments opposing NTEC and urging the Commission to reverse previous decisions made granting an affiliated interest agreement. We would strongly advocate that the Commission not reverse that decision. The NTEC project has been through an extensive regulatory process in two states that included a legal challenge which went all the way to the Minnesota Supreme Court. If we are going to move forward with the energy transition, which includes the proposed early retirement of Boswell Unit 3 and the refueling of Boswell Unit 4, it will require that new sources of energy generation be constructed. While we recognize that circumstances change over time, we are concerned that project opponents (regardless of resource type) will be incentivized to pursue legal challenges in an effort to delay project construction and then return to the Commission in a future docket and argue that changed circumstances require the reversal of a previous decision. This would undoubtedly lead to delays and continual efforts to relitigate issues that were previously decided.

We would also note that several recent trends suggest the importance of erring on the side of reliability in resource decisions. Within the past few years, we have seen what happens when

energy systems, both in the United States and in Europe, have not constructed and maintained the resources needed to meet their capacity needs. Residents have unfortunately experienced significantly higher energy costs and service failures. We have also seen warnings within the MISO system of projected capacity shortfalls in the coming years. Planned retirements of coal plants have had to be pushed back because of concerns about reliability. Minnesota has a strong track record of building the generation capacity needed to ensure service for all customers. We believe that has been the prudent approach and one that calls for the construction of the NTEC facility.

Thank you for considering these comments.

Sincerely,

Nathan Runke, Regulatory and Political Affairs Coordinator, International Union of Operating Engineers Local 49

Adam Duininck, Director of Government Affairs, North Central States Regional Council of Carpenters