

## Staff Briefing Papers

Meeting Date	July 30, 2020	Agenda Item **7
Company	Minnesota Power's (MP or the Company)	
Docket Nos.	<b>E015/RP-15-690</b> <b>In the Matter of Minnesota Power's 2015 Integrated Resource Plan</b>  E015/M-17-568 <b>In the Matter of Minnesota Power's Petition for Approval of the EnergyForward Resource Package</b>  E015/GR-16-664 <b>Minnesota Power's 2016 Rate Case</b>	
Issues	<ol style="list-style-type: none"> <li>Should the Commission approve MP's request for a six month extension for submitting its next Integrated Resource Plan (IRP), Baseload Retirement Study, and Securitization Plan, from October 1, 2020 to April 1, 2021?</li> <li>Should the Commission require MP to address any additional items in the December 1, 2020 interim update or in advance of its next IRP?</li> </ol>	
Staff	Sean Stalpes <a href="mailto:sean.stalpes@state.mn.us">sean.stalpes@state.mn.us</a>	651-201-2252



### Relevant Documents

### Date

Commission Order Approving 2015 Resource Plan with Modifications (Docket No. 15-690)	July 18, 2016
Commission Order Referring Gas Plant for Contested Case Proceedings (Docket No. 15-690)	September 19, 2017

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email [consumer.puc@state.mn.us](mailto:consumer.puc@state.mn.us) for assistance.

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



## Relevant Documents

## Date

Commission Order Approving Affiliated Interest Agreements with Conditions (Docket No. 17-568)	January 24, 2019
Minnesota Power, <i>Extension Request</i>	May 29, 2020
International Brotherhood of Electrical Workers L.U. 31, <i>Comments</i>	June 23, 2020
City of Cohasset, <i>Comments</i>	June 25, 2020
Grand Rapids Chamber of Commerce, <i>Comments</i>	June 25, 2020
Clean Energy Organizations, <i>Comments</i>	June 30, 2020
City of Hoyt Lakes, <a href="#">Public Comment</a>	July 1, 2020
Department of Commerce, <i>Comments</i>	July 1, 2020
Citizens Utility Board of Minnesota, <i>Comments</i>	July 1, 2020
LIUNA Minnesota & North Dakota, <i>Comments</i> (Docket No. 17-568)	July 1, 2020
Minnesota Power, <i>Letter/Extension Request</i>	July 1, 2020

## I. Statement of the Issues

Should the Commission approve Minnesota Power's (MP or the Company) request for an extension to file its next Integrated Resource Plan (IRP)?

Should Commission require MP to address any additional items in the December 1, 2020 interim update or in advance of its next IRP?

## II. Background

### A. Interrelationship of Dockets

There are four interrelated dockets to which the IRP extension applies:

- Docket No. 15-690 is MP's 2015 IRP, which originally set a February 1, 2018 deadline for MP's next IRP.
- Docket No. 17-568 is the Nemadji Trail Energy Center (NTEC) proceeding, in which the Commission extended the IRP filing date twice—first in the *Order Referring Gas Plant for Contested Case Proceedings* (establishing an October 1, 2019 filing date),<sup>1</sup> and second in its *Order Approving Affiliated Interest Agreements* (establishing an October 1, 2020 filing date).<sup>2</sup> Importantly, the NTEC Order also required MP to propose a securitization plan for early retirement scenarios at Boswell Energy Center.
- Docket No. 16-664 is MP's 2016 rate case. The Company's rate case is where MP was first directed to develop a securitization plan for the Boswell Energy Center; the Commission required the securitization plan to be filed in Docket No. 16-664 within two years of the Commission's March 12, 2018 Order.<sup>3</sup> The Commission subsequently modified this requirement in its May 29, 2018 Reconsideration Order, requiring only that MP "explore securitization" and "file a report on securitization" within two years of the order.<sup>4</sup> Note that two years from the Reconsideration Order is May 29, 2020, which is the date MP filed the extension request in the IRP, NTEC, and rate case dockets. In other words, MP did not file its securitization report in the rate case; it filed an extension request in three dockets, two of which address securitization.

---

<sup>1</sup> MPUC *Order Referring Gas Plant for Contested Case Proceedings*, Docket 17-568, Ordering paragraph 8 (September 19, 2017).

<sup>2</sup> MPUC *Order Approving Affiliated Interest Agreements* (NTEC Order), Docket No. 17-568, discussion at pp. 24-25 (January 24, 2019).

<sup>3</sup> MP extension request, p. 5.

<sup>4</sup> MPUC *Order Approving Affiliated Interest Agreements* (NTEC Order), Docket No. 17-568, discussion at pp. 24-25 (January 24, 2019).

- Docket No. 19-704 is the Commission’s Investigation into Self-Commitment and Self-Scheduling. The Clean Energy Organizations (CEO) and the Citizens Utility Board of Minnesota (CUB) explain how the IRP relates to that docket, and later sections of the briefing paper will discuss their comments and recommendations. Essentially, CEO and CUB contend that MP is not meeting its obligation in 19-704 because the Company believes that self-commitment and self-scheduling will be examined in the IRP.

To summarize, the 2015 IRP Order and the NTEC Order both established deadlines for MP’s next IRP, which is now set for October 1, 2020. The NTEC Order is related to the 2016 rate case on the issue of securitization, although MP’s requirements in each docket appear to be different in both scope and purpose. The NTEC Order directed MP to develop a plan to mitigate ratepayer impacts of a possible Boswell 3 and/or 4 early retirement scenario. The May 29, 2018 Reconsideration Order in the rate case directed MP to, **“in lieu of a securitization plan, continue to explore securitization and, within two years of the date of the order, file a report on securitization**, informed by the input of stakeholders, including the OAG and the Clean Energy Organizations.”<sup>5</sup> (Emphasis added by staff.) MP did *not* file a securitization report in the rate case docket, however, but is instead requesting, as part of an IRP extension request, to basically consolidate their requirements for securitization into its next IRP filing.

### *B. Case Background*

Minn. Rules part 7843.0300 subp. 2 requires an electric utility to file an IRP every two years. Minn. Stat § 216B.2422 subd. 2(a) states, “A utility shall file a resource plan with the Commission periodically in accordance with rules adopted by the Commission.”

MP last filed an IRP on September 1, 2015 (the 2015 IRP). The Commission approved the IRP with modifications on July 18, 2016. Among other things, the Commission found that the Company had not demonstrated that it was reasonable to invest in sulfur dioxide (SO<sub>2</sub>) reduction at the coal-fired Boswell Units 1 and 2, and instead required the Company to retire Boswell Units 1 and 2 when sufficient energy and capacity are available, but no later than 2022. MP retired the facilities in 2019. As noted in the previous section, the 2015 IRP Order required MP to file its next IRP on February 1, 2018.

On June 8, 2017, MP announced its *EnergyForward* Resource Package, which would include three components: (1) a power purchase agreement (PPA) with the 250 MW Nobles Wind Project in southwestern Minnesota; (2) a PPA with the 10 MW Blanchard Solar Project in central Minnesota;<sup>6</sup> and (3) affiliated interest agreements dedicating to MP 48% of the capacity of the natural gas combined cycle NTEC facility.

---

<sup>5</sup> MPUC *Order Granting Reconsideration in part, and Otherwise Denying Reconsideration Petitions*, Ordering paragraph 1.c., p. 5 (May 29, 2018).

<sup>6</sup> On April 28, 2020, MP notified the Commission that the developer of Blanchard Solar was unable to meet the established PPA terms and terminated its project PPA due to failure to gain a regulatory/site permit. However, in the Company’s COVID Relief filing (Docket No. 20-492), MP announced it is currently developing approximately 20 MW of solar projects in northern Minnesota.

In the June 8 letter, MP requested the Commission refer the package to the Office of Administrative Hearings (OAH) for a contested case proceeding. In addition, the Company explained it would be seeking additional time in order to accommodate the filing of its forthcoming *EnergyForward* Resource Package.

On July 28, 2017, the Company filed its initial petition for approval of its *EnergyForward* resource package.

On September 19, 2017, the Commission referred the proposed NTEC purchase to OAH for a contested case proceeding and approved the Company's request to file its next IRP on October 1, 2019.

On January 24, 2019, the Commission issued its *Order Approving Affiliated Interest Agreements with Conditions* (NTEC Order) for the NTEC facility. The Commission's NTEC Order required MP include in its next IRP:

- 1) a baseload retirement analysis that will examine the early retirement of MP's Boswell Units 3 and 4 facilities;
- 2) a securitization plan that could be used to mitigate potential ratepayer impacts associated with any early retirement of one or both of the Boswell 3 and 4 facilities; and
- 3) a proposed bidding process for supply-side acquisitions of 100 MW or more lasting longer than five years.

Further, the Commission's NTEC Order extended the deadline for MP to file its next IRP from October 1, 2019 to October 1, 2020.

On May 29, 2020, MP requested a six-month extension, from October 1, 2020 to April 1, 2021, to file its next IRP.

By July 1, 2020, the Commission received comments from:

- Department of Commerce (Department);
- CEO;<sup>7</sup>
- City of Cohasset;
- City of Hoyt Lakes;
- CUB;
- Grand Rapids Area Chamber of Commerce;
- Great Plains Institute (GPI), the Center for Energy and Environment (CEE), and Lasky Consulting (the stakeholder process facilitators);
- International Brotherhood of Electrical Workers Local Union 31 (IBEW Local 31); and

---

<sup>7</sup> CEO are comprised of: Fresh Energy, Sierra Club, Clean Grid Alliance, and Minnesota Center for Environmental Advocacy.

- LIUNA Minnesota & North Dakota

### III. MP's Extension Request

#### A. *Why Additional Time is Needed*

MP's May 29, 2020 extension request cited a number of factors that will make the current October 1, 2020 IRP deadline challenging, most of all the COVID-19 pandemic. MP explained that it serves some of the nation's largest price-sensitive and globally-competitive industrial customers, and the pandemic has introduced significant economic uncertainty and, in turn, difficulty in forecasting the energy needs of the customers MP serves.

For instance, MP noted that Northshore Mining and Hibbing Taconite are temporarily idled, Keewatin Taconite is indefinitely idled, and Minntac is partially idled. MP's paper customers, Blandin and Sappi, have also announced temporary idling. A six-month extension will provide additional time to assess the long-term implications of COVID-19 on MP's energy requirements.

Moreover, due to additional shifts in regional energy markets and COVID-19 impacts to demand, MP has initiated an internal investigation into the operating requirements and impacts of utilizing economic dispatch at each Boswell unit. MP stated it will provide a report on these operating scenarios.

MP and other stakeholders have also been engaged in a stakeholder process, which began in late-2019. In accordance with the Governor's orders, all in-person stakeholder meetings have been postponed. A six-month extension would allow the Company time to continue that process, discussing topics such as the Commission-ordered baseload retirement study, host community impacts, and IRP modeling and assumptions.

MP also mentioned that the Company is in the process of implementing a new capacity expansion modeling tool, EnCompass, that will be used to develop its next IRP. An additional six months will allow MP to refine, set-up, and address any IRP modeling issues.

#### B. *EnergyForward Resource Package Update*

The following is a list of some of the Commission's findings and requirements from MP's 2015 IRP and NTEC proceedings:

2015 IRP Order:

- Idle Taconite Harbor Energy Center 1 and 2 in 2016; cease coal fired operation by the end of 2020;
- Retire Boswell Energy Center Units 1 and 2 no later than 2022 (SO<sub>2</sub> reduction investments not approved);
- Pursue an RFP for possible procurement of combined cycle natural gas generation;
- Acquire 11 MW of solar by 2016, 12 MW by 2020, and 10 MW by 2025; and
- Achieve average annual energy savings of 76.5 GWh;

**NTEC Order:**

- NTEC agreements approved (~250 MW for MP's share);
- Development of a demand response rider;
- MP shall include in its next resource plan:
  - A baseload retirement analysis that thoroughly evaluates and includes a plan for the early retirement of MP's two remaining coal plants, Boswell 3 and 4, individually and in combination
  - A securitization plan; and
- MP shall consult with stakeholders regarding the company's modeling inputs and parameters in the next IRP.

On page 3 of its extension request, MP provided an update on its *EnergyForward* Resource Package:

With the MPUC approval of this package, Minnesota Power remains on track in implementing its *EnergyForward* strategy to increase the percentage of energy generated from renewable sources for customers and reducing carbon, and will exceed 50 percent in 2021 through the additions of wind and hydro resources totaling 500 MW this year.

Minnesota Power has moved further and faster, with a higher percentage of renewable energy in our generation mix than any other Minnesota utility. Construction is currently underway for the Nobles 2 Wind Project in southwestern Minnesota, a 250 MW resource for the Company that is online this year. Also this year, the Company intends to file with the Commission a revised solar plan that addresses the replacement for the Blanchard Solar Project and additional utility scale solar needed to comply with the Solar Energy Standard beyond 2020. Minnesota Power has also expanded its transmission system with the Great Northern Transmission Line to accommodate the Manitoba Hydro purchase agreements which begins on June 1, 2020. In total, these projects add over 2.2 million MWh of renewable energy to the portfolio. Finally, the Company has idled, refueled, or remissioned seven of its nine coal plants since 2005, and is committed to evaluating the most beneficial use of all its generating resources in this IRP and other Commission dockets. While Minnesota Power's energy mix has changed significantly over the past fifteen years, the requested extension will not compromise the Company's ability to meet its customers' near term resource requirements.<sup>8</sup>

### C. *Securitization Update*

As discussed in the Background section of the briefing paper, there are three orders that address a securitization plan for Boswell Energy Center:

---

<sup>8</sup> MP, Extension request, p. 3.

- In the 2016 rate case, MP was first directed to develop a securitization plan within two years of the Commission’s March 12, 2018 Order;
- In its May 29, 2018 Reconsideration Order, the Commission modified this requirement and directed MP, in lieu of a securitization plan, to continue to explore securitization and file a report on securitization; and
- In its January 24, 2019 NTEC Order, the Commission required MP to include in its next IRP “[a] securitization plan that could be used to mitigate potential ratepayer impacts associated with any early retirement of one or both of the Boswell 3 and 4 facilities.”<sup>9</sup>

MP’s extension request discusses its progress to date in developing a securitization plan. Specifically, MP is conducting the analysis using a “detailed securitization financial model,” which was developed in conjunction with Rocky Mountain Institute (RMI), that will incorporate financial analysis and IRP scenario modeling.<sup>10</sup> According to MP, “RMI will assist the Company in understanding the financial viability of using ratepayer-backed securitization to address potential unrecovered costs in the event of early retirement of its generation assets.”<sup>11</sup>

#### *D. December 1, 2020 Interim Update*

Understanding there is significant stakeholder interest in its next IRP, MP offered to provide an interim update on December 1, 2020, which can address the following items:<sup>12</sup>

1. An update of MP’s customer operations;
2. An interim report on stakeholder engagement done to date and additional engagement planned prior to the April 1, 2021 filing date;
3. A high-level overview of securitization learnings to date;
4. IRP modeling assumptions that resulted from the stakeholder modeling subgroup process; and
5. An interim report on the operating requirements and impacts of utilizing economic dispatch at each Boswell unit given impacts of the COVID-19 pandemic on the grid and MISO energy market.

---

<sup>9</sup> MPUC Order Approving Affiliated Interest Agreements, Ordering paragraph 6.b. (January 24, 2019).

<sup>10</sup> MP, Extension request, p. 5.

<sup>11</sup> MP, Extension request, p. 5.

<sup>12</sup> MP, Extension request, pp. 5-6.



## IV. Parties' Comments

### A. Support for the Extension Request

The Department, the City of Cohasset, the City of Hoyt Lakes, the Grand Rapids Area Chamber of Commerce, the International Brotherhood of Electrical Workers Local Union 31, and LIUNA Minnesota & North Dakota filed comments supporting MP's extension request. Below, staff includes a few of the reasons parties provided to explain why an extension is warranted.

- Department of Commerce:** "Overall, the Department agrees with MP's explanations regarding the benefits of delaying filing the IRP and the ability of an interim update to mitigate the risks of delay. The Department notes that MP's most recent Annual Forecast Report under Minnesota Rules chapter 7610, filed July 17, 2019 in Docket No. E999/PR-19-11 provided a load and capability table. The only system capacity deficits are between winter 2022 and summer 2024. These projected deficits are relatively small and in the very near future, such that their resolution would be difficult to address as an IRP issue; it can be addressed through short-term, bilateral contracts.

To enable Commission oversight of MP's reliability situation, the Department recommends that the Commission add to MP's proposed December 1, 2020 interim update a load and capability report and a progress report regarding the on-going, Commission-approved additions to the Company's resource portfolio."<sup>13</sup>

- City of Cohasset:** "Decisions about Boswell that could shape our community's collective future for decades should not be rushed. We appreciate and support Minnesota Power's request to take the time necessary to have a robust stakeholder process that includes our perspective."<sup>14</sup>
- City of Hoyt Lakes:** Hoyt Lakes supported what MP discussed in its extension request.
- Grand Rapids Area Chamber of Commerce:** "A six month extension will allow for a modified version of stakeholder engagement to continue that ensures the voices of stakeholders are heard while revising processes to incorporate the latest COVID-19 prevention guidance from the State of Minnesota. In addition, local stakeholders like the Chamber are currently prioritizing how to help our local businesses, local governments, and residents weather this storm. We do not have the time we had earlier in 2020 to devote to this important initiative at the moment and a six month extension that allows us to continue focusing on the challenges right in front of us would be appreciated."<sup>15</sup>

---

<sup>13</sup> Department comments, p. 4.

<sup>14</sup> City of Cohasset comments, p. 1.

<sup>15</sup> Grand Rapids Area Chamber of Commerce comments, p. 2.

- **IBEW Local 31:** “Local 31 agrees with the Company’s position that the current Pandemic has made for irregular working circumstances including a rate of depressed customer load that is not representative of normal operations, the divided attention of Company resources and interested parties with respect to response planning, and an inability to be heard as a public stakeholder due to Minnesota directives on social distancing.”<sup>16</sup>

The Commission also received one public comment supporting the extension.

### *B. Opposition to the Extension Request*

CEO and CUB oppose MP’s extension request. There were also five public comments that opposed the extension, citing similar reasons as those provided in CEOs’ and CUB’s comments.

#### 1. Timely IRPs are in the public interest

CEO and CUB discussed why further delay in the assessment of MP’s system is not in the public interest. CEOs’ comments focused on the urgency in examining the economics of investments in energy efficiency, wind, solar, and storage compared to the continued operation of coal plants. CUB also emphasized the importance of following the Commission’s own IRP rules and “the need for least-cost planning on a regular, timely basis;”<sup>17</sup> CUB noted it has been more than five years since MP last filed an IRP and discussed why this does not serve the public interest:

In order for resource planning to be most effective, IRPs must be filed on a regular basis and continuously adjusted to meet shifting needs of consumers and the constantly evolving economic, environmental, technological, and regulatory factors that influence energy use, production, and transmission. In the period between a utility’s IRP filings, the utility alone has visibility into its plans and the full picture of factors impacting resource decisions.<sup>18</sup>

#### 2. MP has not established a basis for the Commission to grant a variance

While CUB acknowledged that the Commission’s authority to grant variances is broad, CUB argued that the Commission should only grant variances when the value added outweighs the value lost when a rule is not strictly enforced. CUB further argued that MP has not met each of the three variance requirements in Minn. Rule 7829.3200 Subp. 1:<sup>19</sup>

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. granting the variance would not adversely affect the public interest; and

---

<sup>16</sup> IBEW Local 31 comments, p. 1

<sup>17</sup> CUB comments, p. 2.

<sup>18</sup> CUB comments, p. 3.

<sup>19</sup> CUB comments, p. 5.

C. granting the variance would not conflict with standards imposed by law.

Similarly, CEO argued that MP did not establish an excessive burden. CEO noted that MP has been aware of its requirements for the next IRP since the October 29, 2018 hearing in the NTEC docket, which resulted in the January 24, 2019 Order finalizing the current deadline.<sup>20</sup>

Regarding the pandemic and the Governor's Stay at Home Order, CEO argued that "Minnesota Power has not provided any detail on why its legal and technical staff has not continued to work on the necessary modeling, analysis and review."<sup>21</sup> Furthermore, CEO noted that since the Governor issued the Stay At Home Order in the Spring of 2020, the stakeholder groups continue to meet via video conference. CUB also argued that Minnesota workers have had several months to adjust to working from home, and the recent settlement of MP's rate case has freed up time for Company resources.<sup>22</sup>

### 3. Boswell economic dispatch analysis and securitization plan

CEO and CUB discuss the IRP's relationship to the Commission's Investigation into self-commitment and self-scheduling (Docket No. 19-704) and the securitization report required in the 2016 rate case (Docket No. 16-664).

CUB recommends that if the Commission grants the extension, it should require MP to move forward with the review and potential switch to economic dispatch of the Boswell Energy Center. CEO recommend that "regardless of the Commission's action on MP's IRP extension request, the Commission should take no action on MP's request to also delay the [self-scheduling] analysis."<sup>23</sup>

On securitization, CEO noted that a delay of the IRP will also result in a delay of the securitization report. Such additional delay will postpone the report until after the filing period for the 2021 legislative session.

CUB also mentioned the legislative session, stating that "enabling securitization in Minnesota may require legislative action, putting further pressures on the timeline ... It is important that the Commission conduct its consideration of this plan as soon as possible if the tool is going to be useful for the transition of Minnesota Power's generation fleet."<sup>24</sup> CUB also argued that "securitization must be addressed in a timely manner if it is to help mitigate the costs of stranded assets."<sup>25</sup>

---

<sup>20</sup> CEOs comments, p. 4.

<sup>21</sup> CEOs comments, p. 5.

<sup>22</sup> CUB comments, p. 6.

<sup>23</sup> CEOs comments, p. 8.

<sup>24</sup> CUB comments, p. 7.

<sup>25</sup> CUB comments, p. 7.

## V. Staff Analysis

### A. *The Five-Year Gap between MP's IRPs*

Both the CEO and CUB emphasized the importance of timely IRPs, and staff shares these concerns. Staff would add that a lack of regularity in utility IRPs is not an issue not unique to MP. Moreover, staff agrees that, ideally, IRPs could be filed in the manner in which the Commission's resource planning rules envision. At the same time, however, the conversation about IRP extensions requires a nuanced, case-specific approach.

For example, Otter Tail Power last filed an IRP in 2016, and they have received approval to extend its next IRP deadline to September 2021, due to its involvement in the North Dakota State Implementation Plan Process. Prior to filing its 2019 IRP, Xcel last issued an IRP in January 2015, and in fact, Xcel's 2015 IRP took roughly two years to complete, which was partially because Xcel proposed retiring Sherco 1 and 2 in reply comments (so the process basically had to start over). MP's next IRP deadline has already been extended twice, the first was so it would not overlap with the NTEC proceeding, and the second was to allow the Company time to conduct a robust baseload retirement analysis.

There has also been a greater focus on stakeholder engagement. For example, at the conclusion of Xcel's 2015 IRP, Xcel was required to file its next IRP on February 1, 2019. However, the Commission granted Xcel's request for a five-month extension to "allow the Company enough time to complete discussions with stakeholders, including discussion of the results of recent and forthcoming studies of state-wide demand-side potential and the impacts of power-plant closures."<sup>26</sup> (Staff notes that Xcel's stakeholder process was much further along than MP's when Xcel requested more time.)

With this in mind, while CEO and CUB raise valid concerns about the regularity of IRP filings—and again, staff shares these concerns—recent resource plan proceedings have been managing a number of issues that did not exist in the early-1990s when the rules were established. Such issues include the early retirement of utilities' largest baseload power plants, significant investments in renewable energy, highly sophisticated and thorough modeling, and more stakeholder involvement. Hopefully, future IRP proceedings will not continue to encounter numerous extensions, and proceedings can be timelier; in the meantime, utilities and parties have requested, and the Commission has determined, that there have been justified reasons for allowing more time, and the Commission has broad authority to allow more time.

### B. *Continuing the Stakeholder Process*

In this instance, MP's reasons for seeking more time mirror Xcel's 2019 IRP (except Xcel's stakeholder process was not halted by a pandemic), whereby there is a heightened focus on stakeholder engagement at a time when long-term planning for baseload assets is a central component. As discussed in the July 1, 2020 letter that MP filed on behalf of the third-party

---

<sup>26</sup> Docket No. E-002/RP-15-21, *Order Extending Deadline for Filing Next Resource Plan* (January 30, 2019).

facilitators of the stakeholder process, the schedule for future stakeholder meetings will depend on whether the extension request is approved or denied:

If the extension request is granted, we intend to convene these five half-day meetings on a monthly cadence starting in July and ending in November, with the possibility of convening an additional meeting if needed to ensure stakeholder input is adequately incorporated.

If the extension request is not granted, we will implement a streamlined version of these three steps, which would include fewer meetings, a more frequent cadence of meetings, or both.

While we defer to the commission and parties in assessing whether a deadline extension is in the public interest, as facilitators of this process we want to point out that one of the benefits of a stakeholder process like this is to incorporate voices that do not typically engage in Commission proceedings. Keeping the October 1st, 2020 deadline may limit our ability to meaningfully engage some stakeholders.<sup>27</sup>

CEO and CUB argued that MP has not been excessively burdened by the pandemic, as several months have passed since the Governor's Stay at Home Order, and MP's technical staff has had several months to perform additional analysis since adjusting to working from home.<sup>28</sup>

Staff notes in response that on page 2 of its extension request, MP *did* address how the pandemic has required MP dedicate resources to other projects, such as resolving the rate case and the COVID relief docket. These are likely just two examples out of many, and staff does not believe MP needs to provide an exhaustive list of redirected workload given the significant challenges all of society has faced with regard to COVID-19.

Additionally, MP's discussion of the stakeholder process explains why more time is needed for modeling, analysis, and review—in other words, the additional analysis is not confined to MP's own technical staff, but rather a broader effort. As noted in the facilitators' July 1, 2020 letter, meetings for the joint stakeholder group were postponed in early-March, with plans to commence again in late-July. CEO references stakeholder engagement via video conferencing, but as staff understands it, there have been only two virtual meetings among the modeling subcommittee—one in March and one in May—but none with the joint group.

Thus, staff sees CEOs' and CUB's argument that MP's technical staff has had months to conduct additional modeling as largely irrelevant. The purpose of the stakeholder process was for the joint group, which includes those who are not typically involved in IRP proceedings, to work collaboratively with the modeling subcommittee to create planning scenarios for MP to

---

<sup>27</sup> MP Letter, July 1, 2020, p. 4.

<sup>28</sup> CEOs comments, p. 5 and CUB comments, p. 6.

incorporate into its IRP filing. The facilitators' letter outlines a three-phase approach for developing these planning scenarios, and Phase 1 has not yet begun.

MP stated that the "extension would allow the Company time to do the important work of hearing from all interested stakeholders, particularly in the host community directly affected by a Baseload Retirement Study, and building consensus where able."<sup>29</sup> Thus, "excessive burden," in staff's view, should not be confined solely to MP's workload, but also MP's ability to complete the stakeholder process that MP's technical staff will ultimately use to finish its analysis.

### C. Economic Uncertainty

MP is a unique electric utility in Minnesota, in that it has an unusually high concentration of industrial demand, with 13 high load factor industrial customers comprising about 70% of the Company's total electric load. As a result, MP's system may have high variation in demand depending upon overall economic conditions.

MP stated that the COVID-19 pandemic had created "unprecedented uncertainty for utilities around the country,"<sup>30</sup> and six additional months will allow the Company to gain more insight into the pandemic's impact on the system's energy needs. CEO responded that economic uncertainty "will not be resolved in six months," and MP "is equipped to discuss the uncertainty inherent in a 15-year, forward-looking load forecast."<sup>31</sup>

Staff notes that MP did not suggest that uncertainty will be resolved in six months. Rather, the Company listed several customers that have already begun changing its operations, and more time could improve the Company's ability to develop a more informed forecast. Clearly there are forecasting challenges when MP's largest customers are either temporarily idled, partially idled, indefinitely idled, or facing closure. Therefore, staff believes there are pragmatic reasons to, as LIUNA puts it, "let the dust settle"<sup>32</sup> before starting what will be a very robust IRP proceeding.

However, this is not to say MP necessarily needs a full six months to assess the situation, and staff generally agrees with CEO that MP could still capture an amount of uncertainty in a 15-year, forward-looking load forecast. The reason is because MP's annual forecasts have historically been able to mitigate forecast error over the long-term. When viewed retrospectively, planning periods will always have volatile individual years, but a 15-year forecast can account for that through a sensitivity analysis.

As an example, below is an excerpt from a figure MP includes in each of its Annual Forecast Reports, or AFRs, which is a review of AFR forecast accuracy (specifically total energy sales

---

<sup>29</sup> Extension request, pp. 2-3.

<sup>30</sup> Extension request, p. 2.

<sup>31</sup> CEOs, p. 4.

<sup>32</sup> LIUNA comments, pp. 1-2.

forecast error). For this example staff uses the 2008-2013 period to reflect a period of high uncertainty—the aftermath of the 2008-09 financial crisis.<sup>33</sup> Looking at the AFR 2008 row, the green-shaded cell is the current-year forecast error, the red-shaded cell is the year-ahead forecast error, and the blue-shaded cell is the 5 year-ahead forecast error:

	2008	2009	2010	2011	2012	2013
AFR 2000	-3.1%	23.6%	-2.2%	-1.6%	-2.8%	-0.2%
AFR 2001	0.5%	28.0%	1.4%	2.4%	1.2%	2.9%
AFR 2002	2.3%	30.7%	2.4%	3.1%	1.4%	2.7%
AFR 2003	-3.1%	24.6%	-2.9%	-1.7%	-2.2%	-1.7%
AFR 2004	3.7%	30.8%	1.7%	4.8%	4.1%	5.6%
AFR 2005	3.1%	30.7%	2.5%	3.3%	2.0%	4.4%
AFR 2006	4.5%	34.3%	5.9%	7.0%	6.0%	7.5%
AFR 2007	2.2%	31.4%	3.5%	4.8%	3.6%	5.2%
AFR 2008	2.5%	31.0%	3.2%	3.7%	2.4%	3.6%

When looking at the bottom row of the table, AFR 2008, there was a significant over-prediction in the year-ahead forecast, an error of 31%, which can be expected because the recession was difficult to predict. However, as the years go on, the error declines significantly (because the economy recovers). Looking down the road, the 5-year ahead forecast error (the blue-shaded cells) remains roughly around +/- 5%, which is a common forecast sensitivity used in IRP.

The excerpt of the table shown below is average forecast error, which is based on AFRs from 2000-2018. Staff included a red box around MP's average 5-year forecast error, 4.5%, and the average 5-year forecast error with no economic downturns, 1.7%, since AFR 2000. This speaks both to the accuracy of MP's forecasting and also CEOs' argument that a 15-year forecast is likely able to capture uncertainty when using a long-term time horizon.

N.n%	= Year-Ahead Forecast	Avg Year-Ahead Error =	1.7%
		Avg Year-Ahead Error (No Downturns) =	-1.9%
N.n%	= Current Year Forecast	Avg Current Year Error =	-0.4%
N.n%	= 5 Year-Ahead Forecast	Avg 5 Year Error =	4.5%
		Avg 5 Year Error (No Downturns) =	1.7%

#### D. Relationship to Self-Commitment and Self-Scheduling Docket

Generally speaking, staff believes disputed issues in the Commission's Investigation into Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities (Docket No. 19-704) are outside the scope of what is at issue here. The self-scheduling docket will examine utility dispatch practices in baseload plants and explore whether modifications to those practices would be in the public interest. Reply Comments, including MP's, were filed on July 8, 2020 in that docket, and Response Comments are expected to be filed July 23, 2020. The Commission will later determine, among other things, if utilities' March 2, 2020 filings were adequate.

Ideally, the IRP will not disrupt issues parties raise in the self-scheduling docket, nor be a reason for utilities to avoid critical analysis. CEO and CUB seem to be arguing that delaying the IRP would delay or limit information that is germane to, or arguably absent from, the self-

<sup>33</sup> The complete table, which shows total forecast error from 2000-2018, can be accessed in Docket No. 19-11.



scheduling docket. If MP's filings in the self-scheduling docket are indeed insufficient or incomplete, perhaps the Commission may need to order MP to file the data relevant to Docket No. 19-704. This is not an issue staff is prepared to address at this time, but if MP acknowledges that it has not provided information in Docket No. 19-704 because it is waiting for the IRP process to be completed, then this could be problematic for reasons explained below.

First, it should be noted, IRP proceedings can often take longer-than-expected due to unforeseen circumstances. As discussed previously, extension requests are made not just in-between IRPs, but during them, and one example is when Xcel's 2015 IRP was essentially restarted after Xcel proposed retiring Sherco 1 and 2 in their Reply Comments. And Xcel's 2019 IRP was filed on July 1, 2019, and comment periods in that docket have already been extended twice. Thus, while MP's IRP analysis can inform the self-scheduling docket, or vice versa, staff believes the Commission should be cautious about linking the two dockets.

Also, to the extent ratepayers can realize savings in the near-term due to different approaches to power plant dispatch, ratepayers should not have to wait a year or more for the completion of the IRP in order to receive those savings. Staff notes that neither Xcel nor Otter Tail Power—two other utilities required to conduct self-commitment and self-scheduling analysis—have suggested linking together the Commission's Investigation with open or future IRP dockets.

In addition, IRP dockets are not filed regularly, whereas the self-commitment and self-scheduling analysis is required to be submitted annually. The Commission's intention for initiating a new, investigative docket (which became Docket No. 19-704) was explained in the Commission's November 13, 2019 Order in Docket No. 18-373:

The Commission agrees that a separate docket will provide a more focused forum for these issues. Thus, the Commission will open an investigation in a separate docket to require Minnesota Power, Otter Tail, and Xcel to report their future self-commitment and self-scheduling analyses using a consistent methodology by including fuel cost and variable Operations and Maintenance costs.

Finally, Minnesota Power, Otter Tail, and Xcel will be required to submit an annual compliance filing analyzing the potential options for seasonal dispatch generally, and potential options and strategies for utilizing "economic" commitments for specific coal-fired generating plants, including a specific explanation of barriers or limitations to each of these potential options, including but not limited to technical limits of the units and contract requirements (shared ownership, steam offtake contracts, minimum fuel supply requirements, etc.) as relevant, on March 1, 2020, and each year thereafter.

In the investigation docket, the Commission will require Minnesota Power, Otter Tail, and Xcel to provide stakeholders with the underlying data (work papers) used to complete their analyses, in a live Excel spread sheet, including, at minimum, the



data points listed below for each generating unit, with the understanding that this may include protected data.<sup>34</sup>

Again, ideally the Commission will not have to involve itself or take any action relating to the ongoing self-commitment and self-scheduling proceeding. But several statements from the CEOs' comments were quite concerning, in particular CEOs' characterization of MP's extension request as an "attempt to avoid compliance [in Docket No. 19-704] by attempting to delay this analysis in the IRP."<sup>35</sup>

#### *E. Securitization Report and Baseload Retirement Analysis*

Similar to the IRP's relationship to the self-scheduling docket, in general, staff would prefer not to have issues merged with the rate case when there are two different sets of facts that led to the Commission's decision. This is especially important here because the two requirements are different: the rate case reconsideration order required a very modest examination of securitization, whereas the NTEC Order had a very specific focus on early retirement scenarios.

To explain further, the Commission's NTEC Order required MP to include a securitization plan "that could be used to mitigate potential ratepayer impacts associated with any early retirement of one or both of the Boswell 3 and 4 facilities."<sup>36</sup> By contrast, the Commission's initial March 12, 2018 rate case Order accepted MP's rate-mitigation proposal and extended the Boswell units' accounting lives to 2050. The March 12, 2018 Order also accepted the CEOs' proposal to require the Company to file a plan to securitize any unrecovered depreciation expenses remaining when the Boswell units are retired prior to 2050. On reconsideration, the Commission found the Company's rate-mitigation proposal unnecessary and restored the units' previous depreciation schedule. The Commission also modified that a securitization *report* be filed in lieu of a securitization *plan*.

In order to address the parties' recommendations, the Commission will likely need to untangle what MP is expected to file as it pertains to securitization. CEO recommends "that the Commission not grant an extension for Minnesota Power's securitization plan," but the Commission's reconsideration order in the rate case does not require a "plan." Similarly, CUB recommends the plan include "a review of multiple hypothetical retirement dates for Boswell," which is not reflective of the Commission's reconsideration order.

In fairness, MP was not clear in its extension request why it could not comply with its rate case requirements. In addition, MP was the first to move in the direction of consolidating the two securitization filings. And, importantly, MP did not meet its requirement to file a securitization report within two years of the reconsideration order. The Commission can therefore still require MP to file its securitization report in the rate case docket as soon as practicable

---

<sup>34</sup> MPUC Order, *In the Matter of the Review of the 2017-2018 Annual Automatic Adjustment Report for All Electric Utilities*, Docket No. 18-373, November 13, 2019, p. 7.

<sup>35</sup> CEOs comments, p. 8.

<sup>36</sup> NTEC Order, ordering paragraph 6.b.

because, in staff's view, MP did not explain why there is an excessive burden in simply filing a report that examines the issue.

What is clear is that Ordering Paragraph 6.b. of the Commission's NTEC Order envisioned that the securitization *plan* shall be included as part of the next IRP to mitigate the rate impacts of possible early retirement scenarios. Therefore, to require "hypothetical retirement dates for Boswell," as CUB recommends, or to require a "securitization plan" in the rate case, as CEO recommend, is only consistent with the NTEC Order, not the rate case reconsideration order.

The Commission has already determined in the rate case reconsideration order that, given the fact that Boswell reverted to its previous depreciation schedule, the securitization plan is unnecessary. So the Commission might further decide here that one securitization report is most practicable, and that it is not time-sensitive. This would be an argument for adopting MP's approach of consolidating the two reports and file one securitization plan in the IRP.

However, for reasons previously explained, the least-muddled path forward might be keeping the two filings separate, in which case the Commission would adopt **Decision Option 2**. This would mean there will be two securitization reports, each filed in the dockets in which they were ordered. Given what MP explained in its extension request, there has been significant work done to date on the topic of securitization, so it should not be overly difficult to comply with the Commission rate case reconsideration order.

#### *F. Statement of the Issues*

1. Should the Commission grant MP's request for an extension?

The COVID-19 pandemic places burden on the Company in a number of ways: First, there is the burden of the COVID-19 pandemic itself, including the challenges of coping with and adjusting to disrupted circumstances, that is felt by all stakeholders. Next, the facilitators of the stakeholder process needed to halt the meetings for the joint group for several months. In addition, MP discussed how the economic uncertainty driven by the COVID-19 pandemic has significantly impacted the operations of several of MP's largest industrial customers, which creates uncertainty in MP's ability to forecast its energy needs. Due to these burdens, staff recommends the Commission allow MP some amount of additional time to file its next IRP.

However, staff believes CEO and CUB made several valid points about why filing a new IRP soon is in the public interest. First, it has been more than five years since MP last filed an IRP, and staff agrees that it is the public interest to conduct least-cost planning regularly. Second, CUB noted that the price of renewable energy has declined precipitously since MP's 2015 IRP, and the NTEC proceeding delayed the assessment of additional renewable energy.

Note that the Department's recommendation for MP to file a load and capability report,<sup>37</sup> while important, will only provide a glimpse into whether MP has sufficient capacity on its system to

---

<sup>37</sup> A "load and capability report" reflects a utility's excess/deficit capacity position for the planning period, starting with the approved and existing resources on its system. The estimated net capacity position will typically

meet its reliability requirements. But MP's net capacity position is only one factor to consider in resource planning; IRP proceedings seek to minimize the present value of societal costs, which means evaluating resources that can reduce MP's energy costs as well as social costs from environmental externalities. MP's next IRP will include new modeling (with a new capacity expansion model, EnCompass) that will show how different types of resources can yield a variety of system benefits, including providing economic sources of energy, reducing overall societal costs, and hedging against spikes in market prices.

Again, staff supports extending the deadline for MP to file its next IRP, both to recognize the burdens imposed by the COVID-19 pandemic and the importance of continuing the stakeholder process. But how much time MP needs is an open question, as it involves balancing these burdens with the public interest benefit of regular least-cost planning.

To at least account for the hiatus in the stakeholder process, staff believes it would be reasonable for MP not to have to file an IRP in 2020. But both supporters and opponents of the extension provided legitimate reasons when defending their position, so staff believes it would be perfectly reasonable for the Commission to extend the deadline to any point between the beginning of next year and MP's proposed April 1, 2021 date.

2. Should Commission require MP to address any additional items in the December 1, 2020 interim update or in advance of its next IRP?

MP offered to file an interim update by December 1, 2020, which will include an update on its customer operations, stakeholder process, securitization, IRP modeling, and economic dispatch (see Decision Options 5.a.-e.). The Department added to that list a load and capability report and a progress report regarding the ongoing, Commission-approved additions to the Company's resource portfolio (see Decision Option 5.f.) Staff agrees that if the Commission extends the IRP until April 1, 2021, an interim update by December 1, 2020 would be helpful. The Commission can also require MP to explore additional items to discuss in that update.

## VI. Decision Options

1. Approve Minnesota Power's request for a six-month extension for submitting its next Integrated Resource Plan, Baseload Retirement Study, and Securitization Plan, from October 1, 2020 to April 1, 2021. *(MP, Department, City of Cohasset, City of Hoyt Lakes, IBEW, LIUNA)*
2. Approve Minnesota Power's request for a six-month extension for submitting its next Integrated Resource Plan, Baseload Retirement Study, and Securitization Plan. Require MP to file its securitization report, pursuant to the Commission's May 29, 2018 Reconsideration Order in Docket No. 16-664, as soon as practicable.
3. CUB Option (not CUB's preferred option): Approve MP's six-month extension, and the Company shall (1) move forward with the review and potential switch to economic dispatch of the Boswell Energy Center in Docket No. 19-704 and (2) file its Securitization Plan on the current schedule, including a review of multiple hypothetical retirement dates for Boswell and a discussion of the necessary elements of legislation to enable securitization.
4. Deny Minnesota Power's request for a six-month extension for submitting its next Integrated Resource Plan, Baseload Retirement Study, and Securitization Plan, from October 1, 2020 to April 1, 2021. *(CEO, CUB)*
5. Require MP to file an Interim Update by December 1, 2020, which will include the following items:
  - a. An update of Minnesota Power's customer operations
  - b. An interim report on stakeholder engagement done to date and additional engagement planned prior to the April 1, 2021 filing date
  - c. A high level overview of securitization learnings to date
  - d. IRP modeling assumptions that resulted from the stakeholder modeling subgroup process
  - e. An interim report on the operating requirements and impacts of utilizing economic dispatch at each Boswell unit given impacts of the COVID-19 pandemic on the grid and MISO energy market. *(MP)*
  - f. A load and capability report and a progress report regarding the ongoing, Commission-approved additions to the Company's resource portfolio. *(Department)*