

Staff Briefing Papers

Meeting Date October 7, 2021 Agenda Item *2

Company All Electric Utilities Subject to Minnesota Statute
 §216B.1691

Docket No. E-999/PR-21-12
 E-999/PR-02-1240

**In the Matter of Commission Consideration and Determination of Compliance
with Renewable Energy Standards for Year 2020**

In the Matter of the Green Pricing Verification Filing Process

Issues What action should the Commission take on the RES and SES compliance reports
 filed by electric utilities for year 2020?

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✓ **Relevant Documents**

Date

Utility Compliance Filings

Southern Minnesota Energy Cooperative April 19, 2021

Dairyland Power Cooperative May 3, 2021

Missouri River Energy Services May 7, 2021

Minnkota Power Cooperative & Northern Municipal Power Agency May 17, 2021

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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
Southern Minnesota Municipal Power Agency	May 19, 2021
Basin Electric Power Cooperative	May 20, 2021
Central MN Municipal Power Agency	May 26, 2021
Minnesota Power	May 27, 2021
L & O Power Cooperative	May 28, 2021
East River Power Cooperative, Inc.	May 28, 2021
Great River Energy	May 28, 2021
Otter Tail Power Company	June 1, 2021
Minnesota Municipal Power Agency	June 1, 2021
Xcel Energy, Report – Annual Report	June 1, 2021
Xcel Energy, Report – Revised Renewable Energy Certificate Requirement Report	June 2, 2021
Heartland Consumers Power District	June 15, 2021
Northwestern Wisconsin Electric	June 30, 2021
 <i>Party Comments</i>	
Department of Commerce	July 2, 2021
Department of Commerce	July 15, 2021

I. Statement of the Issue

What action should the Commission take on the RES and SES compliance reports filed by electric utilities for year 2020?

II. Background

In accordance with the Commission's March 19, 2010 Order (Docket No. E-999/CI-03-869), all entities covered under Minn. Stat. §216B.1691, except Xcel Energy, must retire Renewable Energy Credits (RECs) representing 20 percent of annual retail sales for calendar year 2020. Xcel Energy is required to retire RECs representing 30 percent of annual retail sales for calendar year 2020.

In 2001, Minnesota's Renewable Energy Objective (REO) statute, Minnesota Statute §216B.1691, was passed. Modifications have been made over the years, with significant changes in 2003¹ and 2007² and clarifications in 2010³.

The following renewable energy standards were established for the end of the year indicated:

2012	12 percent
2016	17 percent
2020	20 percent
2025	25 percent

For utilities that owned a nuclear generating facility as of January 1, 2007, their requirements are:

2012	18 percent
2016	25 percent
2020	30 percent ⁴

¹ In 2003, legislation required utilities to file reports with the Commission and that the Commission detail the standards and criteria for judging a utility's good faith effort to meet the objective. The Commission began setting those criteria in the June 1, 2004 order, which set reporting requirements for utilities to demonstrate their efforts to comply with the statute.

² Significant modifications were made to the statute in 2007 that included the addition of a Renewable Energy Standard (RES) to accompany the already existing REO and established renewable energy goals for years 2012-2025. Changes were also made to eligible energy technologies that included a higher threshold for hydroelectric capacity of 100 MW or less and biomass generation was modified to include landfill gas and anaerobic digester systems (please see Minnesota Statute §216B.1691, Subd. 1 (a)(5)).

³ Amendments were made in 2010 that clarified the definition of total retail electric sales that barred power supplied by a federal power marketing administration or other federal agency to be regarded as RES compliance. Please see Minnesota Statute §216B.1691, Subd. 1(c).

⁴ Minnesota Statute §216B.1691, Subd 2 a(a) and 2 a(b).

This year's compliance filings include solar energy standard (SES) reporting for certain utilities.⁵ Legislation in 2013 modified the Renewable Energy Objective by adding Subdivision 2f requiring public utilities to generate or procure 1.5 percent of their Minnesota retail electric sales from solar energy by 2020.⁶ The statute requires utilities to meet a portion of their SES requirement from small solar facilities (small solar carve-out).⁷ Several modifications to the small solar portion of the statute occurred in 2017 and 2018 with the current requirement for Minnesota Power (MP), Otter Tail Power (Xcel), and Xcel Energy to obtain at least 10 percent of the 1.5 percent SES requirement from solar facilities with 40 kW of capacity or less.⁸ The SES statute permits MP and OTP to apply individual customer solar garden subscriptions of less than 40 kW towards their small solar carve-out requirement.⁹ Finally, the statute permits utilities subject to the SES to exclude retail sales to the mining, paper mill and wood products manufacturing industries from the calculation of their SES requirement.¹⁰

In January of 2021, in the annual SES progress reporting docket, the Commission merged the SES reporting into the annual RES reporting form.¹¹

Sixteen utilities filed compliance reports between April 19 and June 30, 2021:

- Basin Electric Power Cooperative (Basin)
- Central Minnesota Municipal Power Agency (CMMPA)
- Dairyland Power Cooperative
- East River Electric Power Cooperative (East River)
- Great River Energy (GRE)
- Heartland Consumers Power District
- L&O Power Cooperative
- Minnesota Municipal Power Agency (MMPA)
- Minnesota Power (MP)
- Minnkota Power Cooperative
- Missouri River Energy Services & Northern Municipal Power Agency
- Northwestern Wisconsin Electric Company
- Otter Tail Power Company (OTP)

⁵ From July 2014 until July 2020, utilities were filing annual progress reports with the Commission. These can be found in Docket No. E-999/M-13-542, *In the Matter of the Implementation of Solar Energy Standards Pursuant to 2013 Amendments to Minnesota Statutes, Section 216B.1691*.

⁶ Minnesota Statute §216B.1691, subd. 2f(a)

⁷ Minnesota Statute §216B.1691, subd. 2f(b)

⁸ Minnesota Statute §216B.1691, subd. 2f(b) and subd. 2f(c)(1)

⁹ Minnesota Statute §216B.1691, subd. 2f(c)(2)

¹⁰ Minnesota Statute §216B.1691, subd. 2f(f)(1)(2)

¹¹ *In the Matter of Utilities' Annual Reports on Progress in Achieving the Solar Energy Standard, Order Accepting Reports and Modifying Future Reporting Requirements*, Docket No. E999-M-20-464, January 29, 2021.

- Southern Minnesota Energy Cooperative (SMEC)
- Southern Minnesota Municipal Power Agency (SMMPA)
- Xcel Energy (Xcel)

In July 2021, the Department of Commerce, Division of Energy Resources (Department) filed comments summarizing their review of the compliance reports and found all utilities in compliance with the 2020 RES and SES requirements. The Department was the only commentor in this docket.

III. Party Comments

The Department's July 2, 2021, comments confirm the utilities' REC retirements are in compliance with the statute and amounted to 24.6% of Minnesota retail sales. Please see the Department's summary table below.

Minnesota RES Compliance - 2020

Utility	2020 MN Retail Sales MWhs	RES Req. %	RES Req. MWhs	RECs Retired
Basin	843,146	20%	168,629	168,629
CMPMA	368,425	20%	73,685	73,685
Dairyland Power	872,977	20%	174,595	174,597
East River Electric	555,692	20%	111,138	111,191
GRE	10,492,967	20%	2,098,593	2,101,988
Heartland	239,374	20%	47,875	54,546
L&O Power Coop	266,592	20%	53,318	53,320
Minnesota Power	8,436,203	20%	1,687,241	1,687,241
Minnkota	1,535,559	20%	307,112	307,112
MMPA	1,803,107	20%	360,621	360,622
Missouri River Energy Service:	1,664,360	20%	332,872	332,872
NW Wisconsin**	592	20%	118	**
Otter Tail Power	2,564,650	20%	512,930	512,930
SMEC	708,943	20%	141,789	141,792
SMPMA	2,829,745	20%	565,949	565,949
Xcel	28,134,437	30%	8,440,331	8,440,332
Total	61,316,769			15,086,806

REC Retirements as a Percentage of MN Retail sales 24.6%

**NW Wisconsin serves approximately 98 Minnesota customers with 2020 sales of 592 MWhs. The Minnesota Commission permits NWECS to comply with its MN RES requirements with the submission of its Wisconsin RPS compliance report. The Company retired 25,268 RECs or 14.48% of its 3-year average Wisconsin retail sales of 174,501 MWhs. NWECS generated 36,026 MWh of renewable energy in 2020.

The Department’s July 15, 2021, comments focused on the SES obligations and summarized the requirements as follows:

- The total Minnesota retail sales for the compliance year, and the total amount of Minnesota retail sales excluded from the SES requirement;
- Annual solar generation on the utilities’ system for the compliance year, including the total number of units registered in M-RETS to that utility and solar renewable energy credits (SRECs) generated from those units; and
- Solar generation should be broken down into the following categories:
 1. facilities with 40 kW capacity or less;
 2. eligible community solar garden (CSG) subscriptions; and
 3. facilities over 40 kW.

The Department confirmed utility compliance with the SES and noted that utilities provided the SRECs coming from solar facilities less than 40 kW but did not explicitly report the total SRECs retired toward compliance from CSG subscriptions.¹² Therefore, a recommendation that in future reporting utilities include the total number of SRECs retired from CSG subscriptions.

A summary table for the SES was provided by the Department on page 2 of their July 15 comments. In addition to SES exclusions¹³, in their table, the Department highlighted the 1.5% SRECs as well as the small-scale carve-out of .15% required for each utility. As an example, Xcel's requirement is 378,057 SRECs plus 42,007 SRECs from small-scale solar, which totals their 1.5% SES requirement of 420,063.

Table 1: Summary of SES Compliance

	Xcel	Minnesota Power	Otter Tail Power
Total MN Retail Sales	28,134,437	7,889,945	2,564,650
SES Excl. Retail Sales	130,279	4,999,280	69,973
SES Retail Sales Oblig.	28,004,158	2,890,666	2,494,677
SES Requirement:			
Total SRECs Req. 1.5%	420,063	43,360	37,421
Small SREC Req 0.15%	42,007	4,336	3,743
Non-small SREC Req	378,057	39,024	33,679
SRECs Retired toward SES			
Total SRECs retired	422,017	43,360	41,164
Small SRECs retired	42,202	4,336	3,743
Total non-small SRECs ret.	379,815	39,024	37,421

IV. Staff Analysis

Staff appreciates the utilities' efforts in compiling the data and filing their compliance reports. As with last year's analysis, staff notes a slight decline in annual retail sales, which impacts the

¹² Department of Commerce, Comments at 2 (July 15, 2021).

¹³ Minn. Stat. 216B.1691, Subd 2f(f)(1) and (2) provide exclusions in calculating the SES:

(f) For the purposes of calculating the total retail electric sales of a public utility under this subdivision, there shall be excluded retail electric sales to customers that are:

(1) an iron mining extraction and processing facility, including a scam mining facility as defined in Minnesota Rules, part [6130.0100](#), subpart 16; or

(2) a paper mill, wood products manufacturer, sawmill, or oriented strand board manufacturer.

Those customers may not have included in the rates charged to them by the public utility any costs of satisfying the solar standard specified by this subdivision.

required RECs that are obligated to be retired.¹⁴ Just over 15 million RECs were retired for 2020 RES compliance, which is 1.89 million less than last year when there was a lower RES obligation (17% for utilities except Xcel that had 25%). Meanwhile, 506,541 SRECs were retired for the first year of SES compliance. Altogether, that totals nearly 2 million retired RECs.

Staff mentions that in their narrative filed June 1, 2021, Otter Tail Power stated they purchased SRECs to comply with the SES portion of the statute at the cost of \$102,662.26, which the Company intends to file for recovery under the Renewable Resource Cost Recovery (RRCR).¹⁵ “Otter Tail anticipates using the RRCR on an on-going basis for both SRECs recovery as needed, as well as the initial recovery of costs associated with new solar generation such as the Hoot Lake Solar farm (HL Solar).”¹⁶ ¹⁷ The Company shared their intent to establish a credit for solar exempt customers and the creation of a separate tariff that will be filed in the RRCR proceeding.¹⁸

The Department’s analysis is helpful in monitoring RES and SES compliance. Staff appreciates the recommendation requiring the reporting of SRECs retired from CSG subscriptions and is fully supportive. However, staff found an error in the reporting template that would have otherwise included this item. The template has been corrected for the 2022 reporting year and staff confirms this data request is incorporated. Having solved the error, there is no need for a decision option.

Finally, staff notes Xcel’s annual and voluntary Certified Renewable Percentage (CRP)¹⁹ was provided in their narrative. The 2020 CRP is estimated as 31.8%, an increase from last year’s 23.3%, and will be third-party verified. No Commission action is needed.

¹⁴ Utilities must retire a certain number of RECs associated with their retail sales, i.e., 20% and 30% of retail sales. Since last year, there is a decline of 2,834,094 MWhs in retail sales. 2019 MN Total Retail Sales: 64,150,863 MWhs and 2020 MN Total Retail Sales: 61,316,769 MWhs.

¹⁵ Otter Tail Power, Compliance Filing - RENEWABLE ENERGY STANDARDS FOR YEAR 2020 at 1 (June 1, 2021).

¹⁶ Id. at 3.

¹⁷ The Commission’s April 29, 2021 Order approved the Hoot Lake Solar Project (Docket No. 20-844) and authorized future cost recovery of Hoot Lake Solar through the RRCR Rider, subject to Commission review and approval of specific costs to be presented by OTP in a future petition under Minn. Stat. §216B.1645, subd. 2a.

¹⁸ Id. at 2-4.

¹⁹ The methodology has not changed for Xcel’s CRP:

V. Decision Options

- I. *Compliance with the Renewable Energy Standard*
 - A. Find that the utilities enumerated above and subject to Minnesota Statute §216B.1691 have complied with the 2020 renewable energy standard of 20 percent of annual retail sales (30 percent for Xcel).

- II. *Compliance with the Solar Energy Standard*
 - B. Find that the utilities subject to Minnesota Statute §216B.1691, subd. 2f - Minnesota Power, Otter Tail Power, and Xcel Energy - have complied with the Solar Energy Standard portion of the Renewable Energy Standard for 2020.

Certified Renewable Percentage (Minnesota) =

Total RE generation attributable to MN (MWh) – Trade margin adjustment – (REC sales + Windsource® RECs +
Renewable*Connect RECs + Wholesale REC transfers) + Purchased RECs

Total MN retail sales (MWh) – (Windsource® sales + Renewable*Connect sales) + (Solar*Rewards generation)