

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of an Investigation into
Implementing Changes to the Renewable
Energy Standard and Newly Created Carbon
Free Standard Under Minn. Stat. § 216B.1691

PUC Docket No. E999/CI-23-151

COMMENT

The Minnesota Large Industrial Group (“MLIG”), a continuing ad hoc consortium of large industrial end-users of energy in Minnesota spanning multiple utilities and functioning to represent large industrial interests before regulatory and legislative bodies, submits the following comment pursuant to the Notices of Comment Period issued by the Minnesota Public Utilities Commission (“Commission”) first issued in this matter on November 8, 2023.

I. INTRODUCTION

House File Number 7 became effective on February 7, 2023, and amended Minn. Stat. §216B.1691 to include, among other items, a carbon-free standard requiring electric utilities to be carbon free by 2040 (“2040 legislation”). The Notice of Comment Period sets forth the following topics open for comment:

1. How should the Commission define carbon free? Are any clarifications necessary regarding what resources should be considered carbon free?
 - a. Provide examples of resources that would fit any proposed definition of carbon free, including any requested clarifications.
2. How should the Commission consider partial compliance with respect to Minn. Stat. §216B.1691, Subd. 2d.(b), including both subpoints (i) and (ii)?
3. What considerations should the Commission make when operationalizing the definition of “environmental justice areas” as defined in Minn. Stat. §216B.1691, Subd. 1(e)?

- a. Considerations could include, for example, geographic specification of an “area” to census block, census track, or zip code.
4. Additional Considerations?

MLIG offers these Comments in response to the issues identified in the Commission’s Notice of Comment.

II. ANALYSIS

A. Woody Biomass Should Qualify as an Eligible Resource

Regarding the first topic in the Commission’s Notice of Comment, MLIG supports the Comment of the Minnesota Forest Industries (“MFI”) submitted on June 10, 2024 (“MFI Comment”). MFI urges the Minnesota Public Utilities Commission to include woody biomass from mill residuals, timber harvest residuals, forest salvage (e.g., fire, windstorm, snowstorm, insect and disease damage), and forest restoration used for electric energy production to be considered carbon free under Minn. Stat. § 216B.1691 by Minnesota Session Laws, 2023, Regular Session Chapter 7 (H.F. No. 7).

MLIG believes this determination is important for two reasons. First, it is good policy to implement the 2040 legislation in a way that benefits state and local industries. By allowing woody biomass to qualify as an eligible carbon-free resource the Commission will encourage the market development for this product in a way that will generate benefits beyond carbon-free electricity generation. As noted by MFI, the Intergovernmental Panel on Climate Change (“IPCC”) has acknowledged the benefits of sustainable forest management;¹ the IPCC’s analysis has been incorporated into resource planning via Minn. Stat § 216B.2422, Subd. 3(b) and the state’s adoption of greenhouse gas emission costs calculated by the United States Environmental Protection Agency.²

Second, MLIG supports the inclusion of this resource because prudent forest management mitigates wildfire risk, some of which are caused by electric utilities.³ More and more, utilities

¹ MFI Comment, at 1.

² See https://www.epa.gov/system/files/documents/2023-12/epa_scghg_2023_report_final.pdf.

³ See, e.g., <https://www.forbes.com/sites/zacharyfolk/2024/03/07/xcel-energy-admits-role-in-sparking-texas-worst-wildfire-in-its-history/>.

are required to monitor forest management and actively participate in wildfire mitigation to prevent wildfires that can be triggered by high winds and fallen trees and abnormally dry conditions. Inclusion of woody biomass as an eligible technology will help create a market for this resource, which in turn, will reap benefits in the management of Minnesota's forests and mitigate against wildfires caused by electric utilities.

B. The Commission Should Broadly Consider Partial Compliance under Minn. Stat. §216B.1691, Subd. 2d.(b) to Maintain Affordability and Reliability

Minn. Stat. §216B.1691, Subd. 2d.(b) provides:

Subd. 2d. **Commission order.** (a) The commission shall issue necessary orders detailing the criteria and standards used to: (1) measure an electric utility's efforts to meet the standards under subdivisions 2a, 2f, and 2g; and (2) determine whether the utility is achieving the standards.

(b) In the order under paragraph (a), the commission shall include criteria and standards that: (1) protect against undesirable impacts on the reliability of the utility's system and economic impacts on the utility's ratepayers and that consider technical feasibility; and (2) **require** the commission to allow for partial compliance with subdivision 2g from:

(i) electricity generated from facilities that utilize carbon-free technologies for electricity generation, but only for the percentage that is carbon-free; and

(ii) an electric utility's annual purchases from a regional transmission organization net of the electric utility's sales to the regional transmission organization, but only for the percentage of annual net purchases that is carbon-free, which percentage the commission must calculate based on the regional transmission organization's systemwide annual fuel mix or an applicable subregional fuel mix. (emphasis added)

In passing this section of the 2040 legislation, the Minnesota Legislature required the Commission to develop criteria and standards to measure a utility's efforts and achievements in meeting the eligible energy technology (or renewable) standard (RES),⁴ the solar energy standard (SES),⁵ and the carbon-free standard (CFS).⁶ The Commission is required to include criteria and standards that protect against undesirable impacts to reliability and affordability, and allow for

⁴ Minn. Stat. § 216B.1691, Subd. 2a.

⁵ Minn. Stat. § 216B.1691, Subd. 2f.

⁶ Minn. Stat. § 216B.1691, Subd. 2g.

partial compliance with the carbon-free standard utilizing i) carbon-free electricity generated from facilities utilizing carbon-free technologies; and ii) carbon-free market purchases.

In crafting this section of the legislation, the Legislature explicitly allows utilities to partially comply with the CFS. MLIG believes this provision is important, and likely essential, in allowing utilities to work toward full compliance with the standard, but at a pace that makes sense for customers and maintains the reliability and affordability of the energy they purchase.

1. The Commission Should Require Utilities to File Certain Scenarios and Cost Information in their IRPs to Determine Reasonable Costs of Implementing the 2040 Legislation.

MLIG encourages the Commission to consider the rate impacts of compliance with the CFS and the RES and SES, as described in Minn. Stat. § 216B.1691, Subd. 2e, as it determines the standards and criteria for partial compliance under Minn. Stat. § 216B.1691, Subd. 2d.(b). Consistency and transparency in the reporting of the costs incurred to achieve compliance with the RES, SES and CFS is crucial in allowing the Commission to monitor the pace of investments and determine the magnitude of the exemptions and partial compliance that should be permitted and required.⁷

The Commission has previously determined “resource plan proceedings generally offer the best opportunity to examine the utility-specific rate impact of meeting the Renewable Energy standards.”⁸ MLIG understands that the relationship between the preference for renewable resources, environmental costs, and rates is already discussed in resource planning and other dockets before the Commission. But the production and presentation of rate impacts is rarely uniform across utility dockets, and the Commission should carefully develop the “uniform reporting system” required in Minn. Stat. §216B.1691, Subd. 2e. MLIG submitted Comments in this docket under a previous Notice, recommending the Commission require utilities to file certain information in their integrated resource plans (“IRPs”),⁹ including:

⁷ Minn. Stat. § 216B.1691, Subd. 2e refers to the “rate impact of activities of the electric utility necessary to comply with this section” (emphasis added).

⁸ See *In the Matter of Detailing Criteria and Standards for Measuring an Electric Utility’s Good Faith Efforts in Meeting the Renewable Energy Objectives Under Minn. Stat. § 216B.1691*, Docket No. E-999/CI-03-869 Order Clarifying Criteria and Standards for Determining Compliance Under Minn. Stat. 216B.1691, p. 9, March 9, 2010.

⁹ Which requirement should apply to all resource plans pending and impending before the Commission.

1. the average current rate for each customer class as of the year of the IRP filing,
2. projected rate increases by customer class for each year of the IRP action plan, and
3. the net present value of the utility's revenue requirement over the life of the plan, under various scenarios, and separately identifying the environmental costs.¹⁰

MLIG continues to support these requirements as a way to uniformly track the cost of implementation of the 2040 legislation.

In addition, MLIG requests the Commission require utilities to file:

4. a reference case scenario, detailing the least cost plan, from a ratepayer impact perspective,¹¹ for meeting the CFS by 2040, even if the intermediate benchmarks for 2030 and 2035 set out in Minn. Stat. § 216B.1691, Subd. 2g(1) and (2) are missed; and
5. a reference case scenario, detailing the least cost plan, from a ratepayer impact perspective,¹² to meet the CFS by 2050, which were goals incorporated in recent resource planning dockets of Xcel Energy and Minnesota Power.¹³

These two reference case scenarios would give the Commission and intervening parties the information they need to understand the utility's preferred plan versus other possible plans, with the ability to evaluate (i) the least cost way of meeting the carbon free target by 2040, independent of whether the intermediate targets are met; and (ii) the cost premium for achieving the carbon free target ten years earlier than the Commission determined was reasonable in two recent resource plans.¹⁴ Furthermore, by including these scenarios, which exclude the influence of various modeling assumptions, the Commission will understand how the modeling assumptions influence the utility's preferred plan. Of course, simply including these assumptions 'would not mandate a specific result. Instead, it would simply help provide the Commission and various stakeholders a more fulsome picture of the various potential options before the Commission.

¹⁰ See MLIG Comment, p. 5-7, August 2, 2023.

¹¹ In other words, exclusive of the various modeling assumptions built into statute. E.g, Minn. Stat. § 216B.2422, Subd. 3.

¹² In other words, exclusive of the various modeling assumptions built into statute. E.g, Minn. Stat. § 216B.2422, Subd. 3.

¹³ See *In the Matter of the 2020-2034 Upper Midwest Integrated Resource Plan of Northern States Power Company d/b/a Xcel Energy*, Order Approving Plan with Modification and Establishing Requirements for Future Filings, at 30, ordering para. 2.A. (April 15, 2022); *In the Matter of Minnesota Power's 2021-2035 Integrated Resource Plan*, Order Approving Plan and Setting Additional Requirements, at 13 ordering para. 1 (January 9, 2023).

¹⁴ *Id.*

As part of these reference case requirements, MLIG requests the Commission provide utilities and customers with some expectation as to what is a “reasonable” cost increase, to provide a target or range of costs that are acceptable and in the public interest to achieve compliance with the 2040 legislation. This would provide guidance to utilities and customers as they prepare their IRPs and budgets, and allow the Commission to determine in future proceedings whether the actual costs of approved IRPs were reasonable, or whether the pace of investments need to be slowed to maintain affordability.

Uniformity and transparency in the reporting of rate impacts is imperative as the Commission balances the state’s competing statutory objectives of reasonable rates under Minn. Stat. § 216B.03 and rapid decarbonization. MLIG requests the Commission order utilities to provide the information above, and that the Commission issue guidance on what cost increases are reasonable and in the public interest to implement the RES, SES and CFS. This additional information and guidance will help the Commission determine whether and when partial compliance is required to maintain affordable rates.

2. The Commission Should Require Utilities to File Reliability Metrics to Ensure Implementation of the 2040 Legislation Does Not Jeopardize Reliability.

As important as just and reasonable rates and reasonable cost increases to meet decarbonization targets, reliability cannot suffer as a result of utility efforts to implement the 2040 legislation. The Commission should set specific reporting requirements to establish a framework for evaluating how compliance with the RES, SES and CFS affects system reliability, in order to avoid any unintended consequences of system impacts that are presently outside the scope of modeling review. The Commission should require the utilities to analyze the findings available in their current reliability filings,¹⁵ determine whether implementation of the 2040 bill has caused reliability impacts and file a report annually to document their performance according to approved reliability metrics, and whether changes to their implementation plans are necessary to maintain

¹⁵ See, e.g., utilities’ annual reliability filings under Minnesota Rules 7826.0500 through 7826.0700 and biennial transmission filings required under Minn. Stat. 216B.2425.

reliability.¹⁶ MLIG believes the current reliability reporting is insufficient to isolate instances attributable to implementation of the 2040 legislation, and therefore a more elaborate framework needs to be created so that the Commission can monitor reliability according to benchmarks and metrics to determine whether offramps or partial compliance may be required.

III. CONCLUSION

MLIG appreciates the opportunity to comment on these important topics. MLIG respectfully requests the Commission include woody biomass as an eligible resource, and adopt the approaches outlined in this comment to further productive discussions in resource planning dockets to determine what investments and reliability impacts are reasonable in the implementation of the 2040 legislation. MLIG looks forward to additional dialogue on the topics in the Notice of Comment Period.

Dated: June 28, 2024

Respectfully submitted,

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¹⁶ See also, Missouri River Energy Services, Initial Comments, p. 6-7 (recommending the Commission update its framework for evaluating how compliance with the standards might affect system reliability, and suggesting the Commission track the frequency, duration and severity of Energy Emergency Alerts initiated by MISO and the Southwest Power Pool, Inc., and monitor capacity deficiencies in MISO's seasonal Planning Resource Auction) (August 2, 2023).