

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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April 16, 2020

**In the Matter of the Petition of Northern States
Power Company for Approval of a Plan to Offer
Generating Resources into the MISO Market on
a Seasonal Basis.**

Docket No. E999/CI-19-809

REPLY COMMENTS OF CLEAN ENERGY ORGANIZATIONS

Fresh Energy, Sierra Club, and Union of Concerned Scientists (together, the “Clean Energy Organizations” or the “CEOs”) submit these reply comments in response to the Commission’s January 10, 2020 *Notice of Comment Period* regarding Xcel Energy’s (“Xcel” or “the Company”) proposal to offer two coal generating units into the MISO market on a seasonal basis. Specifically, the CEOs offer brief comments in response to the Department of Commerce’s (“the Department’s”) April 1, 2020 *Initial Comments*.

Commission Authority and Role in this Proceeding

The Department recommends that the Commission take no action on Xcel’s request for approval of the seasonal Unit Commitment Plan for two reasons:

- 1) The Company can implement these changes on its own, and
- 2) The Commission’s approval will cause unnecessary confusion and complexity.

The relevant section of the Department’s *Comments* states:

“Overall, the Department supports Xcel’s efforts to reduce costs and carbon emissions. Yet, as evidenced by the fact that the Company has already changed the way it bids its coal-fired generation facilities into the energy market administered by the Midcontinent System Operator (MISO), overall the Department concludes that the Commission need take no action on Xcel’s request to change its bid strategy again....

...Moreover, Xcel is already required to operate its system efficiently. Thus, there is no need for the Commission to advise the Company on how to operate its system. Further, doing so may cause undue confusion and complexities under differing jurisdictions.

MISO is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) and must abide by FERC's various regulations. Xcel, as a participant in the MISO energy market, must abide by MISO's rules that are subject to FERC's jurisdiction. Given that the Company is fully aware of its federal, state and local regulatory requirements and is capable of and compensated for meeting them, the Department recommends that the Commission avoid adding further complexity in directing Xcel's operations."¹

The CEOs agree that the Company already has an obligation to operate its system efficiently and can change its bidding strategy to achieve lower energy costs for customers without Commission approval. As the Department points out, the Company's decision in 2019 to change its bid strategy from "must-run" to economic bidding for the King and Sherco 2 coal units did not require Commission approval. However, we disagree with the assertion that action by the Commission on this matter would cause confusion or complexity. We also disagree with the Department's contention that, because the utility is "already required to operate its system efficiently... there is no need for the Commission to advise the Company on how to operate its system."²

There is no evidence that approval by the Commission would tread on the jurisdiction of FERC or MISO, and neither of those organizations has expressed any concern with Xcel's proposal. As the Department notes, proposals to revise electric rates, including energy adjustment provisions, are subject to Commission decision per Minnesota Rules 7825.2390. In short, while Commission approval of the Company's seasonal Unit Commitment Plan is not *required* in order for Xcel to pursue that strategy, the Commission may do so, and such action is within the Commission's jurisdictional authority.³ Just because utilities are obligated to operate their units efficiently does not mean they will automatically do so; indeed, studies show that many rate-regulated utilities are not operating units efficiently.⁴ One primary purpose of Commission oversight, therefore, is to ensure efficient operations.

¹ Department of Commerce, *Initial Comments* filed April 1, 2020 in Docket 19-809, p 2 ([link](#))

² *Id.*

³ Minnesota Statute §216B.16 ([link](#))

⁴ See, e.g., Jeremy Fisher *et al*, *Playing With Other Peoples' Money: How Non-Economic Coal Operations Distort Energy Markets*, Sierra Club, October 2019, ([link](#))

The Commission must, of course, approve any changes to fuel charges via the fuel adjustment clause. The CEOs do not take a position on whether the Commission should preapprove the Company's request to true-up 2020 fuel costs to actuals that may differ from the initial 2020 fuel forecast. The CEOs understand that the current FCA reform process includes a true up to actuals and that the Company does not propose to alter this process. We appreciate the Company's work to inform parties proactively and highlight that actual fuel costs for 2020 may be impacted, either up or down, as a result of the proposed Unit Commitment Plan changes.

Seasonal vs. Year-Round Economic Dispatch

The Department additionally asserts that "Xcel's proposed seasonal strategy cannot represent the most economic path" and that the seasonal strategy "merely turns the must-run strategy on its head."⁵ The CEOs disagree with the Department's assertion, which neglects an important consideration; that is, economic dispatch selects the most affordable energy generators within reliability constraints, but it does not consider all costs or technical parameters of a generator. Year-round economic dispatch would be the most efficient and affordable strategy if it included a reasonable forward look for commitment and if generators priced increased wear and tear (e.g., incremental operations and maintenance costs) into their bids. These parameters are not currently part of MISO's economic dispatch decisions.

The seasonal dispatch strategy proposed by Xcel will enable the Company to achieve additional operational savings over a year-round economic dispatch strategy. As discussed in the CEO's *Initial Comments*, Xcel's modeling exercise found that the seasonal Unit Commitment Plan is likely to generate \$51.5 million in savings from 2020-2028 as a result of lower operations and maintenance costs and avoided capital costs at the two units.⁶

Conclusion and Recommendations

The proposed Unit Commitment Plan is expected to generate \$90-\$130 million in savings for Minnesota customers while significantly reducing carbon emissions. The CEOs reiterate our recommendations from our *Initial Comments* that the Commission:

1. Approve Xcel's petition and Unit Commitment Plan.
2. Require Xcel to provide an initial report within 6 months of the Commission Order in this docket, cross-filed with the Commission Investigation into Self Commitment (docket 19-704), and thereafter to provide annual updates on the Unit Commitment Plan in docket 19-704.
3. Require Xcel to include in future reports in docket 19-704:
 - A comparison of actual fuel charge impacts, O&M savings, capital expenditure savings, and emissions versus the modeling results presented in this filing.

⁵ *Id.* at 5.

⁶ Clean Energy Organizations, *Initial Comments* filed April 1, 2020 in Docket 19-809, p 3 ([link](#))

- Reporting on the operations of each unit in each quarter of the reporting period including offline days for reserve shutdown or outage, starts by type (MISO economic, MISO reliability dispatch, Company must run), and the duration of each start by type.
- An analysis of the hours King or Sherco 2 would have been committed during non-peak seasons if offered into the MISO day-ahead market.
- Actual workforce impacts at each unit.

Thank you for the opportunity to provide input on this matter, and for the Commission's consideration of our comments.

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