

February 11, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. E015/M-24-344

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Petition for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resource Rider under Minn. Stat. §216B.1645 and Related Tariff Modifications.

The Petition was filed by Minnesota Power on November 13, 2024.

The Department recommends approval with conditions and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Sydnie Lieb, Ph.D.
Assistant Commissioner of Regulatory Analysis

Analyst(s) AB/RW/ad
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E015/M-24-344

I. INTRODUCTION

On November 13, 2024, Minnesota Power filed its *Petition for Approval of Investments and Expenditures in the Boswell Solar Project for recovery through Minnesota Power's Renewable Resource Rider* (Petition).¹ The Boswell Solar Project is an 85 MW solar energy facility that will be near the Boswell Energy Center (BEC) in Itasca County, Minnesota and will cost approximately \$163.5 million to build. The Petition requests that the Commission:

- Approve for investments and expenditures related to Boswell Solar Project and the Boswell Interconnector pursuant to Minn. Stat. §216B.1645.
 - Minnesota Power claims development of this 85MW solar project will facilitate compliance under the requirements of Minn. Stat. §216B.1691.
- Approve including the costs associated with the project in the existing Renewable Resources Factor under the Renewable Resources Rider.

II. PROCEDURAL BACKGROUND

January 9, 2023	The Commission issued its <i>Order Approving Plan and Setting Additional Requirements</i> (IRP Order). ² The IRP Order ordered Minnesota Power to acquire up to 300 MW of regional/in-service territory or net-zero solar by 2026, as practicable. The order also approved a bidding process for Minnesota Power.
November 13, 2024	Minnesota Power filed a petition for approval of investments and expenditures in its Boswell Solar Project for recovery through its Renewable Resources Rider. ³
December 4, 2024	The Department of Commerce – Division of Energy Resources (Department) filed a request for extension of time to file comments. The

¹ *In the Matter a Petition for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resource Rider under Minn. Stat. 216B.1645 and Related Tariff Modifications*, Minnesota Power, Petition, Docket No. E015/M-24-344, November 13, 2024, (eDockets) [202411-211891-01](#) (hereinafter, "Petition").

² *In the Matter of Minnesota Power's 2021–2035 Integrated Resource Plan*, Order Approving Plan and Setting Additional Requirements, Docket No. E015/RP-21-33, July 22, 2024, (eDockets) [20231-191970-01](#), (hereinafter, "IRP Order").

³ On the same day, Minnesota Power also filed for approval of the Regal Solar Project – a 119.5 megawatt ("MW") solar energy facility that will be located in Benton County near Royalton, Minnesota – to comply with the IRP Order. *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Regal Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645*, Docket No. E015/M-24-343, November 13, 2024, (eDockets) [202411-211895-01](#).

Public Utilities Commission (Commission) posted a Notice of Extended
Comment Period

Below are the Department's Comments in response to the Petition.

III. DEPARTMENT ANALYSIS

A. COMPLETENESS

The Commission's Rules define the Petition as a "miscellaneous filing" under Minnesota Rules 7829.0100, subp. 11 since no determination of Minnesota Power's overall revenue requirement is necessary. Minnesota Rules part 7829.1300 subp. 3 contains the completeness requirements for miscellaneous filings. The Petition was also filed pursuant to Minn. Stat. § 216B.1645, which also contains completeness requirements.

The Department reviewed the Petition for compliance with the completeness requirements. The Department concludes that the Petition is complete.

B. APPROVE MINNESOTA POWER'S INVESTMENTS

The Petition requests Commission approval for investments, expenditures and costs related to Boswell Solar Project (Project) and the Boswell Interconnector pursuant to Minn. Stat. §216B.1645. Minn. Stat. § 216B.1645 allows the Commission to approve a schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of Minn. Stat. § 216B.1691. Minn. Stat. § 216B.1691 describes Minnesota's Renewable Energy Objectives and lays out Renewable Energy Standards (RES) and Carbon Free Standards (RES) for Electric Utilities. Minnesota Power claims development of this 85 MW solar project will facilitate compliance under the requirements of Minn. Stat. § 216B.1691.

As part of its review of the Petition, the Department looked at the need and alternatives for the Project, ratepayer protections and whether the Project meets the RES and CFS as described in Minn. Stat. § 216B.1691.

B.1. Need and Alternative Analysis

In terms of need, the IRP Order ordered Minnesota Power to acquire up to 300 MW of regional/in-service territory or net-zero solar by 2026, as practicable.⁴ The Project is an 85 MW solar energy facility. This Project is proposed as one of the projects to meet the requirements of the IRP Order.⁵

⁴ IRP Order at point 1(b).

⁵ See Footnote 3 above for another proposed project.

Furthermore, as both an “eligible energy technology” and a “carbon-free” technology (discussed further below), the Project will help Minnesota Power to continue to comply with the new Minnesota Renewable Energy Standard (RES) and Carbon Free Standard (CFS). Minnesota Power states it is currently exceeding the RES requirement in the near term but that it continues to assess power supply resources and pathways to meet the CFS requirements.⁶ Therefore, the Department concludes that Minnesota Power has a need for solar per the most recent IRP and for new CFS-qualifying resources.

In terms of alternatives, Minnesota Power evaluated several alternatives under the Company’s Commission-approved bidding process. Below the Department concludes that Minnesota Power reasonably followed the steps outlined by the Commission and calculated the levelized cost of the various bids correctly. Based upon this analysis, the Department concludes that Minnesota Power has demonstrated a need for the Project and that the bidding process demonstrated there are no superior solar alternatives. Therefore, the Department recommends that the Commission approve Minnesota Power’s investment in the Project.

B.2. Ratepayer Protections

The Department recommends that the Commission limit cost recovery to the capital cost cap for the Project with the capital cost recovered being set at the costs bid by Minnesota Power for the Project.⁷ With this recommendation, if up-front capital costs exceed the cap, the Company, not customers, bears the costs. If savings are achieved, however, the Company retains them. Third-party bidders are treated in this manner, so treating Minnesota Power in the same manner is reasonable and preserves the integrity of the bidding process. To not implement such a cap would give the Company a competitive advantage in that other bidders bear the risk of cost overruns—a risk which Minnesota Power would not face.

Consistent with prior Commission decision,⁸ the Department recommends the Commission authorize Minnesota Power to request Commission approval to exceed the cost-cap if it can show that any cost it incurred above the cap are the result of a government action (e.g. tariff, trade investigation, etc.) that causes a meaningful disruption to solar panel supplies and market prices.

⁶ Petition, at 5.

⁷ For two prior examples of this condition see:

In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Wind Generation from the Company’s 2016-2030 Integrated Resource Plan, Order Approving Petition, Granting Variance, and Requiring Compliance Filing, Docket No. E002/M-16-777, September 1, 2017, (eDockets) [20179-135205-01](#).

In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of Sherco Solar 3 and the Apple River Solar Power Purchase Agreement, Order, Docket No. E002/M-22-403, October 25, 2023, (eDockets) [202310-199871-01](#), at point 5.

⁸ See: *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of Sherco Solar 3 and the Apple River Solar Power Purchase Agreement*, Order, Docket No. E002/M-22-403, October 25, 2023, (eDockets) [202310-199871-01](#), at point 5a.

C. RENEWABLE ENERGY STANDARD (RES) AND CARBON FREE STANDARD (CFS) OBLIGATIONS

Minn. Stat. § 216B.1691 describes Minnesota’s Renewable Energy Standard Objectives and provides RES and CFS obligations for Minnesota Electric Utilities.

C.1. RES Obligation

Minn. Stat. § 216B.1691 Subd 2(a) states

Each electric utility shall generate or procure sufficient electricity generated by an eligible energy technology to provide its retail customers in Minnesota, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that the electric utility generates or procures an amount of electricity from an eligible energy technology that is equivalent to at least the following standard percentages of the electric utility's total retail electric sales to retail customers in Minnesota by the end of the year indicated:

- (1) 2012 12 percent
- (2) 2016 17 percent
- (3) 2020 20 percent
- (4) 2025 25 percent
- (5) 2035 55 percent.

The term “eligible energy technology” is defined by Minn. Stat. § 216B.1691 subd. 1 (c) as including solar. The Department concludes that the Project qualifies for application toward Minnesota Power’s EETS and RES obligation.

C.2. CFS Obligations

Minn. Stat. § 216B.1691 subd. 2g states:

In addition to the requirements under subdivisions 2a and 2f, each electric utility must generate or procure sufficient electricity generated from a carbon-free energy technology to provide the electric utility's retail customers in Minnesota, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that the electric utility generates or procures an amount of electricity from carbon-free energy technologies that is equivalent to at least the following standard percentages of the electric utility's total retail electric sales to retail customers in Minnesota by the end of the year indicated:

- (1) 2030 80 percent for public utilities; 60 percent for other electric utilities
- (2) 2035 90 percent for all electric utilities
- (3) 2040 100 percent for all electric utilities.

The term "Carbon-free" is defined by Minn. Stat. § 216B.1691 subd. 1 (b) as a technology that generates electricity without emitting carbon dioxide. As solar generation does not emit carbon dioxide, the Department concludes that the Project qualifies for application toward Minnesota Power's CFS obligation.

D. RENEWABLE RESOURCE RIDER

Minnesota Power is seeking Commission approval for investments, expenditures, and costs related to the Project through Minnesota Power's Renewable Resources Rider.

Minn. Stat. § 216B. 1645, subd. 2a (a) defines which projects qualify for rider recovery:

A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243, or were determined by the commission to be reasonable and prudent under section 216B.243, subdivision 9.

Thus, Minn. Stat. § 216B. 1645, subd. 2a (a) provides three paths for a project to address the RES or CFS to qualify for rider recovery:

- approval via Minn. Stat. § 216B.243, which establishes the CN requirements;
- approval via Minn. Stat. § 216B.2422, which allows a utility to select resources through a Commission-approved bidding process; or
- approval via Minn. Stat. § 216B.243 subd. 9 which states that the CN requirements do not apply to a wind or solar generation facility that is intended to be used to meet the requirements of the EETS or the CFS.

In section III.B above, the Department concludes that Minnesota Power's resource acquisition process and analysis was reasonable. In section III.C above, the Department concludes that the Project can be applied toward Minnesota Power's RES and CFS obligation. Although the company is exceeding its RES requirements in the near term, the company has a need for additional energy under its CFS requirements. The Project would help meet this need. Finally, the Department concludes that the Project qualifies for a CN exemption because it is being acquired via a bidding process approved by the Commission.

In summary, these three sets of analysis indicate it is reasonable to conclude that the Project will address the RES and CFS and that the Project was acquired via Minn. Stat. § 216B.2422. Therefore, the Department recommends the Commission authorize future cost recovery of the Projects through the Renewable Resource Rider, subject to Commission review and approval of specific costs to be presented by the Company in a future petition.

E. MINNESOTA POWER'S BIDDING PROCESS

Order Point 4 of the IRP Order states the following.

Minnesota Power must use a bidding process for its future resource acquisitions for the projects in the IRP, as follows:

- a. Ensure that the RFP is consistent with the Commission's then-most-recent IRP order and direction regarding size, type, and timing unless changed circumstances dictate otherwise.
- b. Provide the Department and other stakeholders with notice of RFP issuances.
- c. Notify the Department and other stakeholders of material deviations from initial timelines.
- d. Update the Commission, the Department, and other stakeholders regarding changes in the timing or need that occur between IRP proceedings.
- e. In instances where Minnesota Power or an affiliate proposes a project, engage an independent evaluator to oversee the bid process and provide a report for the Commission.
- f. Request that the independent evaluator, if engaged, specifically address the impact of material delays or changes of circumstances on the bid process.
- g. Any RFP issued by Minnesota Power must include the option for both PPA and BOT proposals unless the Company can demonstrate why either a PPA or BOT proposal is not feasible.
- h. Require Minnesota Power to notify the Commission of a detailed net book value offered by Minnesota Power in a future rate recovery proceeding.
- i. Within 30 days of developing an RFP, require Minnesota Power to file a compliance filing detailing the RFP process and to include a template of the RFP.⁹

⁹ *In the Matter of Minnesota Power's 2021-2035 Integrated Resource Plan*, Order Approving Plan and Setting Additional Requirements, Docket No. E015/RP-21-33, January 9, 2023, (eDockets) [20231-191970-01](#) at 14.

Minnesota Power completed a Request for Proposal (RFP) process with the help of an independent evaluator seeking 300 MW of regionally located solar generation.¹⁰ The RFP could have included PPAs, Build-Operate-Transfer (BOT) agreements, and/or self-build projects. Eleven proposals were received “consisting of two energy storage projects, one PPA, two self-build projects, one BOT project, and five BOT or PPA proposals.”¹¹ After review by the independent evaluator, six of the eleven projects were found to not meet the criteria set forth by the RFP; the remaining five moved on to cost evaluations.¹² The lowest cost options were found to be Minnesota Power’s self-build proposals Boswell Solar and Regal Solar.¹³ The selected projects total 204.5 MW out of the 300 MW that the RFP sought. Minnesota Power did not select the full 300 MW due to significant cost differences between the selected projects (Boswell and Regal) and the next least-expensive proposal.¹⁴ The Department concludes that Minnesota Power has complied with the RFP process outlined in the company’s IRP Order.

F. ECONOMIC DEVELOPMENT

Minn. Stat. § 216B.1691, subd. 9 (a) describes reasonable actions the Commission must take to maximizes net benefits to all Minnesota citizens.

- (1) the creation of high-quality jobs in Minnesota paying wages that support families;
- (2) recognition of the rights of workers to organize and unionize;
- (3) ensuring that workers have the necessary tools, opportunities, and economic assistance to adapt successfully during the energy transition, particularly in environmental justice areas;
- (4) ensuring that all Minnesotans share (i) the benefits of clean and renewable energy, and (ii) the opportunity to participate fully in the clean energy economy;
- (5) ensuring that statewide air emissions are reduced, particularly in environmental justice areas; and
- (6) the provision of affordable electric service to Minnesotans, particularly to low-income consumers.

In the IRP Order, the Commission required Minnesota Power to meet its customer and renewable product needs between 2025 and 2030 by: working with organized labor and other interested stakeholders to maximize socioeconomic benefits to customers and host communities by prioritizing utility investment in its service territory; use of local labor for construction and permanent staffing; and, development of apprenticeship pathways when procuring new energy resources.

¹⁰ *Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power’s Renewable Resources Rider under Minn. Stat. § 216B.1645*, MP, Petition, Docket No. E015/M-24-344, November 13, 2024, (eDockets) [202411-211891-01](#) at 11-12.

¹¹ *Id.*

¹² *Id.*

¹³ *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Regal Solar Project for Recovery through Minnesota Power’s Renewable Resources Rider under Minn. Stat. § 216B.1645*, Petition, MP, November 13, 2024, (eDockets) [202411-211895-01](#).

¹⁴ *Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power’s Renewable Resources Rider under Minn. Stat. § 216B.1645*, MP, Petition, Docket No. E015/M-24-344, November 13, 2024, [202411-211891-01](#) at 13.

In discussing economic development within the petition, Minnesota Power states that it plans to utilize local union labor, businesses, and diverse suppliers as much as possible to ensure that the community surrounding the Project can benefit from the Project's construction.¹⁵ Once operational, the Project will boost 2028 regional employment by about 10 jobs.¹⁶ The Project is also located in a census tract identified by the U.S. Department of Energy as containing or adjoining a tract containing a coal-fired electric generation unit retirement.¹⁷ This location allows the utility to reinvest in a community affected by the energy transition.¹⁸ The Department concludes that the Project meets the requirements or for economic development as described in Minn. Stat. § 216B.1691, subd. 9 (a) and the IRP Order.

G. RELIABILITY

The need for 300 MW of solar generation arose from Minnesota Power's most recent IRP. The IRP process seeks "to select a plan that balances the needs for maintaining reliability, reducing adverse environmental and socioeconomic burdens, and minimizing rates," by analyzing various options under a variety of assumptions and with intense stakeholder input.¹⁹ Although this project was not specifically selected in the IRP process, the resource type and capacity were modeled and determined to meet the needs of the system without negatively impacting reliability. Furthermore, the Project will follow the MISO process, which is designed to interconnect and operate generation in a fashion that does not impact reliability. Overall, the Department concludes that there is no indication that the Project will create negative reliability impacts.

H. RATEPAYER IMPACTS

Minnesota Power's bidding process evaluates reasonable alternatives in an economic manner. The Project was selected, in part, due to having the lowest levelized cost of energy—which means having the lowest direct impact on ratepayers. Therefore, the Department concludes that the Project's impact on ratepayers is reasonable.

I. TAX MATTERS

Minnesota Power expects the Project to go into service in 2027 and will qualify for production tax credits (PTC). The Project will use prevailing wage and apprenticeship requirements and is expected to qualify for 110 percent of the PTC value, which is approximately \$63.4 million in earned credits during the first 10 years the Project is in service.²⁰

¹⁵ *Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645, MP, Petition, Docket No. E015/M-24-344, November 13, 2024, [202411-211891-01](#) at 14.*

¹⁶ *Id.*

¹⁷ *Id.* at p. 10.

¹⁸ *Id.* at p. 36.

¹⁹ *In the Matter of Minnesota Power's 2021-2035 Integrated Resource Plan, Order Approving Plan and Setting Additional Requirements, Docket No. E015/RP-21-33, January 9, 2023, (eDockets) [20231-191970-01](#) at 3.*

²⁰ *Petition of Minnesota Power for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. § 216B.1645, MP, Petition, Docket No. E015/M-24-344, November 13, 2024, [202411-211891-01](#) at 24.*

In addition, MP stated:²¹

The IRA allows PTCs generated after 2022 to be transferred (sold) to an eligible taxpayer in exchange for cash. The Company intends to transfer (sell) the credits for the Boswell Solar Project. Transferring credits is a benefit to customers because the ADITA [Accumulated Deferred Income Tax Asset] will remain unchanged; the credits earned will increase the ADITA, but the cash received will immediately reduce the ADITA. This will allow the ADITA to decrease faster than if the Company retained the credits for its own use. Minnesota Power expects to transfer the PTCs at a discount which is necessary to incentivize eligible transferee taxpayers to purchase the credits. The discount will reduce the net benefit of the PTCs to customers, but the cumulative benefit of immediately reducing the ADITA through the sale of PTCs and customers seeing those benefits sooner will outweigh the detriment of the discount. The benefits will flow through the Renewable Resource Rider.

The Department reviewed MP's estimate of PTC benefits of \$63.4 million for the first 10 years the Project is in-service and concludes that the estimate is reasonable.

The Department generally agrees with MP's proposal to sell PTCs and recommends Commission approval. However, to ensure there are net benefits to ratepayers, the Department recommends that the Commission require MP to track the actual cost and benefits of selling PTCs in its annual renewable energy rider filings. To calculate the cost, MP would use the increased RES Rider revenue requirement due to additional costs/discount from selling the PTCs. To calculate the benefit, MP would calculate the revenue requirement impact of the reduced ADITA from selling the PTCs. To the extent the cost benefit tracker does not show a net benefit to ratepayers, the Department recommends MP refund the difference. The Department made similar recommendations in Xcel's Renewable Energy Standard Rider in Docket No. E002/M-23-454.²²

J. OTHER CRITERIA

The Department is not aware of other criteria of interest.

J.1. Required Information

The Department believes the requirements of this chapter have been satisfied by Minnesota Power's petition.

²¹ Petition, at 25.

²² *In the Matter of the Petition of Northern States Power Company d/b/a/ Xcel Energy, for approval of 2024 Renewable Energy Standard (RES) Rider Revenue Requirements and a Revised RES Adjustment Factor*, Comments. Department of Commerce, June 17, 2024, Docket No. E002/M-23-454, [20246-207761-02](#), at 15-16.

IV. DEPARTMENT RECOMMENDATIONS

Based on analysis of Minnesota Power's *Petition for Approval of Investments and Expenditures in the Boswell Solar Project for Recovery through Minnesota Power's Renewable Resource Rider* and the information in the record, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. COMPLETENESS

- The Department recommends that the Commission find the Petition complete.

B. APPROVE MINNESOTA POWER'S INVESTMENTS

- B.1. The Department recommends the Commission approve Minnesota Power's investment in the Boswell Solar Project.
- B.2. The Department recommends the Commission limit cost recovery to a capital cost cap with the costs recovered set at the costs bid by Minnesota Power for the Boswell Solar Project.
- B.2. The Department recommends the Commission authorize Minnesota Power to request Commission approval to exceed the cost-cap if it can show that any cost incurred above the cap are the result of a government action (e.g. tariff, trade investigation, etc.) that causes meaningful disruption to solar panel supplies and market prices.

C. RENEWABLE ENERGY STANDARD AND CARBON FREE STANDARD

- C.1. The Department recommends that the Commission determine that the Boswell Solar Project qualifies for application toward Minnesota Power's RES obligation.
- C.2. The Department recommends that the Commission determine that the Boswell Solar Project qualifies for application toward Minnesota Power's CFS obligation.

D. RENEWABLE RESOURCE RIDER

- The Department recommends that the Commission determine that the Boswell Solar Project is exempt from the CN requirements under the Bidding Exemption because the Project was selected in a bidding process approved by the Commission.
- The Department recommends that the Commission authorize future cost recovery of Boswell Solar Project through the Renewable Resource Rider, subject to commission review and approval of specific costs to be presented by Minnesota Power in a future petition.

E. TAX MATTERS

- The Department recommends that the Commission approve MP's proposal to sell PTCs. However, to ensure there are net benefits to ratepayers, the Department recommends that the Commission require MP to track the actual cost and benefits of selling PTCs in its annual renewable energy rider filings

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E015/M-24-344

Dated this **11th** day of **February 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
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