

March 15, 2021

PUBLIC DOCUMENT

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-20-828

Dear Mr. Seuffert,

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Minnesota Power's request for approval of three Power Purchase Agreements with Allete Enterprises

The petition was submitted on February 4, 2021 by:

Jennifer J. Peterson
Manager-Regulatory Strategy & Policy
Minnesota Power
30 West Superior Street
Duluth, MN 55802-2093

The Department **recommends denial**. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ SUSAN L. PEIRCE
Rate Analyst Coordinator

SLP/ja
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E015/M-20-828

I. BACKGROUND

On February 4, 2021 Minnesota Power (MP or the Company) filed a petition requesting approval of three power purchase agreements between the Company, and Allete Enterprises, Inc. for three solar projects: Laskin Solar (9.6 MW), Sylvan Solar (10 MW), and Duluth Solar (1.6 MW). MP requests that the Commission find that the solar projects are in the public interest, and authorize the Company to recover the PPA and lease costs through its RES Rider(?)

II. SUMMARY OF THE FILING

MP proposes the three solar projects as part of its proposals to assist in Minnesota's economic recovery from the COVID-19 pandemic. Total investment for the three solar projects is estimated at approximately \$40 million. The Company states that the three solar projects will enable it to meet its 2030 Solar Energy Standard (SES) requirements, to supply 10 percent of its eligible Minnesota retail sales from solar, earlier than 2030. A summary of each proposed project follows:

Laskin Solar is proposed as a 9.6 MW solar project to be located on the site of the Laskin Energy Park. MP owns the property on which the project would be placed, and will interconnect to MP's distribution system through a dedicated 23 kV line. MP estimates the cost of interconnecting Laskin Solar to its distribution system at \$425,000. MP estimates the levelized cost of the Laskin Project at **[TRADE SECRET DATA HAS BEEN EXCISED]**.

The Sylvan Solar Project is a 10 MW solar project to be located on MP owned land near the Company's Sylvan hydroelectric station west of Brainerd, Minnesota. Sylvan Solar will interconnect to MP's distribution system through a 34 kV distribution line at an estimated cost of \$175,000. MP estimates the levelized cost of the Sylvan Project at **[TRADE SECRET DATA HAS BEEN EXCISED]**.

The Duluth Solar project is planned to be a 1.6 MW project located near the Company's corporate headquarters on land owned by the City of Duluth. The estimated cost of the property lease is **[TRADE SECRET DATA HAS BEEN EXCISED]**. MP estimates the cost of connecting the Duluth project to its distribution system to be \$250,000. MP estimates the levelized cost of the Duluth Solar project at **[TRADE SECRET DATA HAS BEEN EXCISED]**.

III. DEPARTMENT ANALYSIS

The Department has concerns with MP's proposed solar projects which it details in the following comments.

A. MINNESOTA POWER DID NOT UNDERTAKE A COMPETITIVE BID PROCESS

Despite a Commission Order¹ requiring the Company to undertake a competitive bid process for the acquisition of future solar projects, MP did not undertake such a process in this instance. In its February 24, 2016 Order approving MP's Camp Ripley Solar Project, the Commission directed that,

As part of its next solar resource acquisition and for future acquisitions of solar generation, Minnesota Power shall use an open competitive process, including consideration of numerous locations.²

Despite this Commission directive, MP did not undertake a competitive bidding process in developing the three solar projects proposed here. MP states it pursued self-build projects rather than utilize an open bidding process because the self-build process would allow the Company to "provide expedited and targeted economic recovery benefits in northern Minnesota," and allow the Company to "intentionally spread investment opportunities equitably across its service territory and to directly target communities affected by the closure of coal-fired power plants."

MP states that it will solicit bids through a competitive RFP process for equipment and labor needed for the solar projects, and has issued an RFP for solar panels specifically focused on domestic and Minnesota-manufactured solar equipment to maximize local economic benefits.

B. AN RFP PROCESS COULD RESULT IN LOWER PRICED SOLAR

At the time of its most recently approved IRP³ in 2016, the Commission noted that modeling indicating that a range of \$80-\$100 per MWh for solar was likely overstated, given its recent approval of another utility's solar portfolio with a levelized price of \$73.20 per MWh.⁴

¹ *In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Camp Ripley Solar Project for Recovery through Minnesota Power's Renewable Resources 216B Rider under Minn. Stat. §216B.1645 and Related Tariff Modifications*, Order Granting Petition in Part and Requiring Reevaluation of Solar Energy Adjustment Rider, Docket No. E015/M-15-773, February 24, 2016

² *Ibid.* Order Point 10.

³ *In the Matter of Minnesota Power's Integrated Resource Plan*, Order Approving Resource Plan with Modifications, Docket No E015/RP-15-609, July 18, 2016.

⁴ *In the Matter of Xcel Energy's Petition for Approval of a Solar Portfolio to Meet Initial Solar Energy Standard*, Order Approving Solar Portfolio at 3, Docket No. E002/M-14-162, March 24, 2015.

Since 2016, solar prices have continued to decline. Otter Tail Power Company (OTP) filed a recent request for approval of its proposed 49.9 MW Hoot Lake Solar Project. Although OTP undertook an RFP process, the Department recommended a number of changes it felt could improve the openness and transparency of the process and improve the quality of bids. Even without the improvements to the RFP process, the estimated levelized cost of the Hoot Lake Solar Project is significantly lower than the costs of MP's three solar projects.⁵

The Department is particularly concerned about the estimated cost of MP's three solar projects given that Minn. Stat §216B.1691, Subd 2f(f) (1) and (2) excludes the retail electric sales to:

- (1) an iron mining extraction and processing facility, including a scam mining facilities as defined in Minnesota Rules, pt. 6130.0100, subpart 16; or
- (2) a paper mill, wood products manufacturer, sawmill, or oriented strand board manufacturer.

In addition to being excluded from the calculation of a utility's SES requirements, customers in these industries are excluded from paying for any of the costs associated with satisfying the SES requirement. In MP's case, its largest customers representing approximately 70 percent of its retail sales are exempt from paying for solar generation. The Department concludes that a competitive bidding process could result in lower priced solar projects.

B. MINNESOTA POWER HAS NO IMMEDIATE NEED FOR SOLAR TO MEET ITS SES

In its 2019 SES Report (Docket No. E999/PR-20-464), MP reported a balance of 78,011 SRECs. Using the energy sales forecast from the Company's recent IRP (21-33), assuming the same level of excluded sales and average of actual solar generation for 2019 and 2020, the Department estimates that MP has sufficient SRECs to meet its SES requirement through approximately 2025. (Attachment A)

The Department concludes that the lack of an immediate need for solar generation to meet its SES requirement provides the Company with the sufficient time to undertake an RFP competitive bid process for the acquisition of additional solar.

Given the lack of a competitive bidding process, the proposed levelized cost of the three proposed projects, and MP's lack of immediate need for additional solar, the Department recommends the Commission deny MP's three solar projects, and direct the Company to issue an RFP for additional solar.

⁵ OTP Hoot Lake Solar Project, Docket No. E017/M-20-844. The estimated levelized cost is considered trade secret information by OTP. The Department notes that the levelized cost of the Hoot Lake Project is significantly lower than the projects proposed by MP.

IV. DEPARTMENT RECOMMENDATIONS

The Department recommends the Commission deny Minnesota Power's request to build three solar projects, and direct the Company to issue an RFP for additional solar.

/ja

Attachment A: Estimate of SES Requirements

Total Retail	9,014,804,625						
Excluded	5,990,228,784						
Subj. to SES	3,024,575,841						
	MWh	less excl. sales	Subj to SES	SES Req.	Annual Gen.	Balance	Beg. Balance at yr-end 2020
2019	9,014,805	5,990,229	3,024,576			78,011	
2020	6,429,214	5,990,229	438,985	6,585		71,426	
2021	8,018,229	5,990,229	2,028,000	30,420	19,377	60,383	
2022	8,019,984	5,990,229	2,029,755	30,446	19,377	49,314	
2023	8,019,386	5,990,229	2,029,157	30,437	19,377	38,254	
2024	8,048,545	5,990,229	2,058,316	30,875	19,377	26,756	
2025	8,238,929	5,990,229	2,248,700	33,731	19,377	12,402	
2026	8,404,497	5,990,229	2,414,268	36,214	19,377	(4,435)	
2027	8,415,657	5,990,229	2,425,428	36,381	19,377	(21,439)	
2028	8,446,712	5,990,229	2,456,483	36,847	19,377	(38,909)	
2029	8,430,339	5,990,229	2,440,110	36,602	19,377	(56,134)	
2030	8,430,290	5,990,229	2,440,061	244,006	19,377	(280,763)	
Sales from Appdx A MP IRP 21-33							
Annual Generation reflects average actual solar generation for 2019 & 2020							
SES Requirement begins in 2020							
Balance = Prior-Yr balance + annual generation - SES requirement							

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
Public Comments**

Docket No. E015/M-20-828

Dated this 15th day of March 2021

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Elizabeth	Brama	ebrama@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-828_20-828
Matthew	Brodin	mbrodin@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 South Eighth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-828_20-828
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-828_20-828
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-828_20-828
Lucas	Franco	lfranco@liunagroc.com	LIUNA	81 Little Canada Rd E Little Canada, MN 55117	Electronic Service	No	OFF_SL_20-828_20-828
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_20-828_20-828
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-828_20-828
Anne	Rittgers	arittgers@mpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_20-828_20-828
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-828_20-828