wind on the wires™
Bringing Wind Power to Market

December 20, 2013

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of Utility Renewable Energy Cost Impact Reports Required by Minnesota Statutes Section 216B.1691, Subd.2e.

PUC Docket Number/s: E-999/CI-11-852
OAH Docket Number: N/A

Dear Dr. Haar:

Wind on the Wires (WOW) is pleased to offer these comments on the Commission's November 6, 2013 Notice of Comment Period in the above-captioned matter. WOW represents the interests of the wind industry and many environmental organizations in the Midwest. Our footprint mirrors that of the Midcontinent Independent System Operator (MISO), and our members include project developers, turbine manufacturers, clean energy advocacy and public interest organizations, tribal representatives, and businesses that supply goods and services to the wind industry. WOW's mission is to overcome the barriers to bringing wind energy to market. The organization does this through technical/transmission, regulatory and state policy work, and education/outreach.

I. PUC GUIDING PRINCIPLES

WOW feels the principles proposed by the PUC are appropriate. In particular, we are pleased the Commission is working to refine the current system for reporting renewable energy costs. The original filings pursuant to 216B.1691, Subd.2e have shown that for the vast majority of Minnesota ratepayers, the addition of renewables under the RES has been a benefit in terms of both outright reductions in electric rates and in the hedging value of the fixed price resources. That said, the methodology guiding the current utility-by-utility reporting system is not uniform, thereby making comparisons between utilities difficult. Additionally, the current individual utility-selected methodology fails to give context to the few situations where RES compliance appears to have led to major rate increases.

A. The PUC Should Focus on Resource Plans and Assess Costs Using A Capacity Expansion Model

Fundamentally, the focus of this proceeding should be to answer the question of whether Minnesota's Renewable Energy Standard (RES) has increased or decreased electric rates as compared to a baseline scenario in which a RES had not been enacted. The question is not whether the addition of renewables has caused current rates to go up; rather, it is whether rates have changed more under RES compliance than they would have using a resource-agnostic planning scenario. To answer this question, it is essential to determine what electric rates would have been under a fictional non-RES scenario.

In line with the Commission's stated principle of fostering transparency through the use of publicly available information, WOW and our members recommend the Commission start an analysis pertaining to what would have occurred absent the RES by specifically looking at electric utility resource plans on file. In particular, the Commission should determine whether approved/accepted utility resource plans are more costly than alternative plans that do not include RES compliance. This could be accomplished by requiring utilities to look at specific plan scenarios that do not include renewables, or by determining the utility least-cost expansion plan considering all potential renewable and non-renewable resources without a RES compliance constraint. The resulting costs of either of these plans could be compared against the costs of a plan with full RES compliance to determine the difference in rate impact between the two.

To this end, it is WOW's position that the best way to construct credible alternative scenarios is through a capacity expansion model that takes a look at all system costs over a resource planning period, within the structure of the Commission Resource Planning Process. To do otherwise would be to advocate for guesswork from the perspective of the utility and other interested parties, and would run contrary to the fundamental principles guiding resource planning in Minnesota

II. ANSWERS TO COMMISSION QUESTIONS

A. WOW supports the Commission staff recommendation to start the analysis in 2005. This start date will capture existing renewable facilities placed in service in anticipation of the REO/RES and currently contributing to each utilities RES requirement. WOW also supports the recommendation that the cost analysis look out 15 years from each utilities next filed IRP.

B. WOW questions whether there is really a difference between REO and RES assets on a prospective basis. All REO assets became RES assets at the point when each utility's REO requirement changed into a standard (2012 for most utilities, as early as 2003 for Xcel Energy). As of 2007, all utilities knew what their renewable requirements would be and WOW assumes that they planned to meet their REO obligations with the understanding that these resources would help them comply with the RES once the transition occurred. As a result, WOW is not convinced that there was a sufficient difference between REO resource procurement and RES resource procurement to warrant separate accounting of the costs. AS a result, we recommend that all renewables procured since 2005 be counted, regardless of whether a utility believes they were procured for the REO or the RES.

C. As noted above, WOW does not believe that there is value in separately accounting for REO resources. However, WOW recommends that RES costs should be segregated from Solar Energy Standard (SES) costs for the reason that 216B.1691 Subd. 2f calls for solar procurement decisions to be made separately from resource acquisitions made in compliance with 216B.1691 Subd. 2a. Further, in order for a like-to-like comparison amongst utilities WOW recommends that RES costs be further segregated by the definitions set in 216.1691 Subd. 1. Not all RES eligible energy technologies have similar cost profiles. In order to foster transparency and comparability the Commission's RES cost analysis must account for the differences in cost between eligible RES generation sources, and the different compliance strategies of each utility.

D. WOW believes that it would be appropriate to separate actual, calculated rate impacts and future, estimated impacts with respect to the costs of RES compliance. Projects that are already contracted for or on-line provide known costs that can be compared with the known costs of alternatives, which allows for a more accurate look at rate impact. Resources that are planned, but not yet procured are much less certain with respect to actual cost and should be characterized as "estimated rate impacts," and updated when actual costs are known.

   WOW recommends that both annualized and levelized costs be included. Short term rate impacts are a function of procuring any new resource and therefore WOW recommends for context that annualized costs be compared to similarly sized capacity expansions of other generation resources. WOW also recommends that in order to provide a realistic representation of the actual costs of compliance with 216b.1691 that the Commission's analysis stress the levelized cost of electricity over the entire contract performance period. Long term multi-year performance is the value proposition upon which wind power purchase agreements are signed and this fact should be reflected in the cost analysis conducted by the Commission.

E. WOW recommends the inclusion of additional renewable energy expenditure rows such as "RE Costs-Online", "RE Costs-In Development", "RE Net Short" and "Total RE Costs" *in addition to, but not instead of* rows B through E, because it will make for a more detailed and thoughtful documentation of renewable energy costs. As a document that will likely be very public and in order to foster transparency, provide a realistic representation of all costs, and to enable comparison across utilities Table 1 should be viewed as the source of data that shows the cost or benefit of the RES and SES to ratepayers, and that also gives context to individual utilities' resource acquisition decisions.

F. WOW believes the best available source from which to report and calculate non-renewable generation's revenue requirements will be each investor owned utilities most recent rate case.

G. WOW's position is that the best way to determine the impact on utility electric rates will be a short declarative statement whether or not and to what extent RES resources have resulted in higher or lower electric rates over the contracted or renewable ownership time period, as compared to what those rates would have been absent the RES. Each utility has complex electric rates made up of multiple drivers, thereby making it difficult to compare at baseline with their peers. That said, large scale renewables have a unique impact on electric rates over the term of the PPA or utility investment. A simple statement that RES resources will result in higher or lower, or more stable electric rates by x dollars and y percentage compared to the non-RES scenario over the planning horizon is what is required to make a fair comparison between covered electric utilities.

H. The alternative non-RES scenario ultimately used should come from the capacity expansion model and not be a fictionalized proxy. To guess at a "gas-only," "wholesale market only", "new coal only" approach runs counter to what the Department and Commission would actually propose and order. It further ignores the fact that even absent a RES requirement, utilities may have found renewables to be the most cost-effective alternative and implemented them in lieu of non-renewable resources. In fact, it is wholly possible that the RES compliance scenario may be the most cost-effective scenario. The alternative used must be a plausible scenario from a resource planning perspective.

WOW thanks the Commission for the opportunity to provide comments on this important docket. If the Commission has any questions please contact Joseph Sullivan, Regional Policy Manager - West at jsullivan@windonthewires.org or by phone at 651-644-3400.