

January 14, 2015

Daniel P. Wolf
Executive Director
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. ET2/RP-14-813

Dear Mr. Wolf,

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

AI-Corn Clean Fuel and Heartland Corn Products Petition to Intervene in Great River Energy's 2014 Integrated Resource Plan.

The petition was filed on December 2, 2014 by:

David M. Aafedt
Winthrop & Weinstine, P.A.
Capella Tower, Suite 3500
225 South Sixth Street
Minneapolis, Minnesota 55402

An objection to the petition was filed on December 11, 2014 by Great River Energy (GRE).

The Department has no position on the petition, but offers the attached comments to clarify the Department's role in GRE's Integrated Resource Plan and in setting GRE's rates.

Sincerely,

CHRISTOPHER T. DAVIS
Rates Analyst

CTD/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

REPLY COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. ET2/RP-14-813

I. BACKGROUND

On December 2, 2014, Al-Corn Clean Fuel and Heartland Corn Products submitted a petition to intervene in Great River Energy's (GRE) 2014 Integrated Resource Plan (IRP), citing their interest in ensuring "that GRE is meeting its obligations to its industrial members to deliver reliable services 'at-cost,' consistent with Minnesota law."¹

On December 11, 2014, GRE filed its objection to Al-Corn Clean Fuel and Heartland Corn Products' petition to intervene. GRE claimed that:

Petitioners have not demonstrated 1) that their interest in "at cost" service is a "peculiar" one, as distinguished from an interest common to other ratepayers, 2) that the outcome of this proceeding will bind or affect them with respect to the costs they pay for electric service, or 3) that their interest in "at cost" service will not be adequately addressed by the Department of Commerce ("Department").

On January 12, 2015, Al-Corn Clean Fuel and Heartland Corn Products responded to GRE's objection. The Petitioners indicated that, as "high-demand industrial customers," their interests were distinct from those of general ratepayers, noting that the Department of Commerce:

. . .has not taken the position that it will, or even can, represent the interests of Petitioners. While the Department may be representing the interests of "general ratepayers," it is not

¹ Al-Corn Clean Fuel used the same language in GRE's prior IRP, where they were allowed to be a party but were not allowed to delay the proceeding to obtain answers to late-filed information requests. May 28, 2013 *Order Denying Request for Time Extension*, Docket No. ET2/RP-12-1114.

representing the peculiar interests of Petitioners, or high-demand industrial customers.

II. DEPARTMENT'S RESPONSE

While taking no position on AI-Corn Clean Fuel and Heartland Corn Products' request to intervene, the Department provides the following clarification regarding the Department's role in GRE's IRP and in setting GRE's rates.

A. RESOURCE PLANNING

Minnesota Statutes § 216B.2422, subd. 2 states that, in the resource plan proceedings of a generation and transmission cooperative such as GRE:

. . . the Commission's order shall be advisory and the order's findings and conclusions shall constitute prima facie evidence which may be rebutted by substantial evidence in all other proceedings.

Even though the Commission's Order on GRE's IRP is advisory, the Department is conducting its analysis with the understanding that the analysis supporting the Commission's eventual Order will have significant bearing on GRE's future regulatory proceedings (such as a certificate of need proceeding). In that role, the Department's analysis will examine the most cost-effective ways for GRE's resource plan to ensure reliable service over the planning period, along with meeting all other provisions of relevant Minnesota statutes.

Minnesota Rules, part 7843.0500, sets forth the factors the Commission is to consider when concluding that a set of resource options is optimal. The resource plan must be evaluated based on the ability to:

- A. maintain or improve the adequacy and reliability of utility service;
- B. keep the customers' bills and the utility's rates as low as practicable, given regulatory and other constraints;
- C. minimize adverse socioeconomic effects and adverse effects upon the environment;
- D. enhance the utility's ability to respond to changes in the financial, social, and technological factors affecting its operations; and
- E. limit the risk of adverse effects on the utility and its customers from financial, social, and technological factors that the utility cannot control.

Therefore, the Department's analysis of GRE's IRP will focus on:

- Whether GRE's overall planning approach is reasonable;
- Whether GRE's energy and demand forecasts are reasonable and replicable;
- The extent to which demand-side management can fulfill GRE's load requirements;
- Whether GRE has resource needs, and if so, the optimal resource additions;
- Whether GRE is expected to meet Minnesota's renewable energy standards; and
- Whether and how compliance with pending state and national environmental legislation may impact GRE's operations.

B. RATES

As noted above, AI-Corn seeks to ensure that "GRE is meeting its obligations to its industrial members to deliver reliable services 'at-cost,' consistent with Minnesota law." While the Department's analysis will consider both reliability and the overall cost-effectiveness of GRE's IRP, AI-Corn seeks to ensure that services to industrial customers are provided "at cost," which appears to be a request concerning rate design. Specifically, providing service "at cost" to a customer class means that apportionment of revenue responsibility must be set at cost, which is a key rate design matter. Since GRE is not rate-regulated by the Commission, that request would go beyond the scope of the issues to be decided in GRE's IRP.

If AI-Corn seeks any rate-design decisions by the Commission, the Commission provided guidance in its May 28, 2013 Order in GRE's prior IRP (Docket No. ET2/RP-12-1114):

Finally, to the extent that AI-Corn wishes to pursue the type of information sought in its information requests [the rate consequences of employee compensation packages, and historical operating investments], its better course is to pursue its rights as a member of [Steele-Waseca Cooperative Electric], and the governance processes of the cooperative to which it belongs. It is [Steele-Waseca Cooperative Electric's] board of directors that is charged with setting the electric rates about which AI-Corn inquires, and it is to [Steele-Waseca Cooperative Electric], at least in the first instance, that it must turn for the information that it seeks.

III. CONCLUSION

As noted above, the Department takes no position on Al-Corn's petition to intervene. The discussion above identifies how the Department intends to conduct its analysis in this proceeding. If the Commission concludes that the Petitioners are not adequately represented by the Department's participation and analysis as outlined above, the Commission could approve the Petitioner's request to intervene or take other action as appropriate.

/ja

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
Reply Comments**

Docket No. ET2/RP-14-813

Dated this 14th day of January 2015

/s/Sharon Ferguson

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