

August 22, 2018

PUBLIC DOCUMENT

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

RE: **PUBLIC Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E015/M-18-401

Dear Mr. Wolf:

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

Petition of Minnesota Power for Approval of a 10 MW Blanchard Solar Power Purchase Agreement

The *Petition* was filed on June 18, 2018 by:

Jenna Warmuth
Senior Public Policy Advisor
Minnesota Power
30 West Superior Street
Duluth, MN 55802

The Department recommends approval of Minnesota Power's requests, contingent on removal of one provision in the Power Purchase Agreement.

Sincerely,

/s/ MICHAEL LONG
Rate Analyst

ML/ja
Attachment

Before the Minnesota Public Utilities Commission

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

Docket No. E-015/M-18-401

I. INTRODUCTION

On June 18, 2018, Minnesota Power (MP or the Company) filed the Company's *Petition for Approval of a 10 MW Blanchard Solar Power Purchase Agreement* (Petition) for approval of a 25-year power purchase agreement (PPA) with Cypress Creek Renewables to procure energy and capacity from the Blanchard Solar, LLC (Blanchard Solar) generation facility. The Petition requests that the Minnesota Public Utilities Commission (Commission):

1. Approve the PPA;
2. Find that the PPA is a resource that can be applied by MP to its obligations under the Solar Energy Standard (SES) set forth in Minn. Stat. § 216B.1691, subd. 2f; and
3. Authorize cost recovery for the PPA through MP's Fuel and Purchased Energy Rider (FPE Rider) pursuant to Minn. Stat. § 216B.1645

II. BACKGROUND

On July 28, 2017 in Docket No. E015/AI-17-568 MP filed the Company's *Petition for Approval of the EnergyForward Resource Package and Compliance Filing* requesting approval of its EnergyForward Resource Package, including the executed PPA with Blanchard Solar for 10 MW of solar energy.²

On September 19, 2017, the Commission's *Order Referring Gas Plant for Contested Case Proceedings, and Notice and Order for Hearings* (Docket No. E015/AI-17-568) ordered MP to refile its solar PPA in a separate docket.

On June 18, 2018, MP filed a petition for the approval of a revised PPA with Blanchard Solar.

On July 20, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its comments, recommending that MP:

² *Petition for Approval of the EnergyForward Resource Package* in Docket No. E015/AI-17-568

1. Reconcile Section 3.2 and Exhibit G of the PPA, and provide clarification regarding the **[TRADE SECRET DATA HAS BEEN EXCISED]**; and
2. **[TRADE SECRET DATA HAS BEEN EXCISED]**; and
3. Explain how the assessed damages penalty under Section 4.4 was derived, provide support for this derivation, and explain how the damage penalty amount adequately protects ratepayers.

The Company filed its reply comments on July 31, 2018. The reply comments provide the following responses to the Department's comments, as stated above:

1. The Company clarifies that the **[TRADE SECRET DATA HAS BEEN EXCISED]** and adequately protects ratepayers.
2. The Company states that, due to the **[TRADE SECRET DATA HAS BEEN EXCISED]**. Finally, the Company explains that the **[TRADE SECRET DATA HAS BEEN EXCISED]** is the result of contract negotiations, and the removal of this provision would likely result in a higher PPA price and other disadvantageous terms for MP's customers. The Company recommends that the Commission not accept the Departments recommendation to remove this provision.
3. The Company attests that the delay damages amount under Section 4.4 of the PPA is the result of contract negotiations rather than the cost of replacement power, and is comparable to a previous solar PPA executed by MP. The Company then contends that, in the event of delay, MP would procure replacement renewable generation from the MISO Day-Ahead market and any required solar renewable energy credits to comply with the Solar Energy Standard, both of which are projected to be **[TRADE SECRET DATA HAS BEEN EXCISED]**. For these reasons, MP states that the existing delayed damages amount adequately protects ratepayers.

III. DEPARTMENT ANALYSIS

The Department organizes its response comments according to the three recommendations made in its comments, filed on July 20, 2018:

1. In its reply comments, MP asserts that **[TRADE SECRET DATA HAS BEEN EXCISED]**. The Department appreciates MP's clarification of the two sections and agrees that the existing **[TRADE SECRET DATA HAS BEEN EXCISED]** is reasonable and adequately protects ratepayers.

2. In its reply comments, the Company contends that **[TRADE SECRET DATA HAS BEEN EXCISED]**. The Company goes on to state that, if this provision were to be removed, Cypress Creek would likely require a higher PPA price and other terms and conditions that would disadvantage ratepayers. MP did not indicate whether the Company has discussed the proposed revision with Cypress Creek.

The Department notes that, in previous PPAs approved by the Commission, the Department has recommended the removal of **[TRADE SECRET DATA HAS BEEN EXCISED]** to protect ratepayers and that those amendments have been accepted without any resulting increase in PPA price or new terms and conditions.¹

It is unclear why the removal of a **[TRADE SECRET DATA HAS BEEN EXCISED]** would cause Cypress Creek to significantly increase the PPA price or impose additional terms and conditions to ratepayers' disadvantage. If the risk of incurring **[TRADE SECRET DATA HAS BEEN EXCISED]** is minimal, any corresponding increase in price to incorporate that risk is also expected to be minimal.

The Department recommends that the Commission order MP to remove the provision that establishes **[TRADE SECRET DATA HAS BEEN EXCISED]**.

3. In its reply comments, the Company attests that in the event of a delayed operation date it would procure replacement generation from the MISO Day-Ahead market and any necessary S-RECs, both of which are projected to be priced **[TRADE SECRET DATA HAS BEEN EXCISED]**. The Company agrees that the projected pricing for replacement generation and S-RECs, combined with the proposed delay damages provision, protects ratepayers against overpaying in the event of a delay.

IV. DEPARTMENT RECOMMENDATION

The Department recommends approval of the PPA contingent on MP removing the provision that establishes **[TRADE SECRET DATA HAS BEEN EXCISED]**.

The Department also recommends that the Commission authorize recovery of the costs of the PPA through MP's FPE rider.

/ja

¹ See Northern States Power Company's reply comments, filed September 8, 2017. Docket No. E002/M-17-561.

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 Response Comments**

Docket No. E015/M-18-401

Dated this 22nd day of August 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allte.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_18-401_M-18-401
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-401_M-18-401
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-401_M-18-401
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_18-401_M-18-401
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Lori	Hoyum	lhoyum@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-401_M-18-401

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Susan	Ludwig	sludwig@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_18-401_M-18-401
Herbert	Minke	hminke@allete.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	Yes	OFF_SL_18-401_M-18-401
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-401_M-18-401
Jennifer	Peterson	jppeterson@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Susan	Romans	sromans@allete.com	Minnesota Power	30 West Superior Street Legal Dept Duulth, MN 55802	Electronic Service	No	OFF_SL_18-401_M-18-401
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-401_M-18-401
Jenna	Warmuth	jwarmuth@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802-2093	Electronic Service	No	OFF_SL_18-401_M-18-401
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-401_M-18-401