



Becker ♦ Cohasset ♦ Granite Falls ♦ Fergus Falls ♦ Hoyt Lakes ♦ Monticello ♦ Oak Park Heights ♦ Red Wing

February 11, 2021

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

**RE: In the Matter of Xcel Energy's 2020-2034 Upper Midwest Integrated Resource Plan, Docket No. E002/RP-19-368**

These comments are respectfully submitted on behalf of the Coalition of Utility Cities ("CUC"), an organization of eight member cities that host Minnesota's largest power plants. The organization's membership includes five communities that host or have hosted power plants owned and operated by Xcel Energy, including the cities of Becker, Granite Falls, Monticello, Oak Park Heights, and Red Wing.

CUC was formed more than 20 years ago to represent the interests of municipalities that host large generation facilities owned and operated by Investor-Owned Utilities ("IOUs"). Since then, the leaders of these cities have worked collectively in their own communities and at the State Capitol to address the unique challenges that accompany hosting a large generating facility. A guiding principle for these communities and the organization has been protecting the interests of local property taxpayers and businesses that can be deeply impacted by any shift in the status or tax contribution of the plant. As the end of life for each of these plants is considered, these considerations should be at the forefront more than ever.

The decisions made in this IRP process will be some of the most consequential events in the history of cities of Becker, Oak Park Heights, Monticello, and Red Wing. The property taxes paid by the utility to each of these cities makes up between 38 and 77% of their total property tax base, but the full impact of the plants go much deeper than what can be seen at the plant site or quantified on a spreadsheet. The plants, utility companies, and workers whose employment depends on the plant are tied into every aspect of civic life.

CUC applauds Xcel Energy's efforts to lead Minnesota and the nation toward reducing carbon emissions and advancing a goal of 100% carbon-free energy by 2050. The rapid advancement of energy technology has accelerated to a pace of change that might have previously seemed unimaginable, and the social, environmental, and economic benefits of these transitions will be widespread. However, as our state makes this transition, the most drastic, negative impacts will be concentrated on a narrow set of communities and workers. To call Minnesota's transition to carbon-free energy a success, we must work together to do right by the communities and workers that have powered our region for decades.

On this background, we urge the Public Utilities Commission ("PUC" or "the Commission") to do everything in its power to facilitate a fair, equitable, and just transition for the communities and workers. These comments are intended to provide a suggested framework for how PUC and other partners can support host communities, as well as comment on specific components of Xcel Energy's preferred plan.

## **Integrated Resource Planning Should Include Mandatory Transition Planning**

Xcel's initial and supplemental preferred plan filings both briefly address the subject of worker and community transitions.<sup>1</sup> We appreciate Xcel's acknowledgement that its preferred plan will have deep impacts on the communities in which those plants are located. However, the plan stops short of offering details or any specific commitments that Xcel is prepared to support to help execute this transition, other than to state that the company will continue to focus its economic development efforts on the communities in which its facilities are located.

As the Commission is aware, and is reflected in Xcel's filings, CUC participated with other partners including Xcel Energy, Minnesota Power, Center for Energy & Environment ("CEE"), Just Transition Fund, and others, to complete a host community impact study that was released by CEE in February 2020.<sup>2</sup> Throughout this process, CUC found a willing partner in Xcel. The final product of that study would not have been possible without the combined contributions of dollars, time, labor, and an incredible amount of data provided by Xcel.

That said, while the impact study helped tell the story of host communities and define the scope of the issues they will face at the time of plant retirement, it does not offer solutions or a path forward to address those challenges. Xcel has been working with the City of Becker on a range of economic development projects, and those efforts have shown promise in drawing new opportunities to the community. However, those efforts would benefit significantly from broader, more structured collaboration.

CUC urges the Commission to consider ordering the creation a community transition plan for every community that will face a plant transition in the coming decades, but most urgently for those communities seeing a proposed retirement within the next 10 years in this preferred plan. To the extent possible, this plan should include detailed information regarding issues of concern for both host communities and workers. From the community standpoint, a transition plan must include the following elements.

### ***Specific timelines for when the utility will take steps in the retirement process that will immediately impact local tax base.***

The CEE Impact Study goes a long way to discuss the sheer scale of the tax base contributions these plants make to their host communities. However, the utility property in these communities is not only unique because of its scale, but also in how it is assessed and valued by the State of Minnesota for purposes of determining its contribution to local tax base.

Whenever property is retired or there is a significant shift in its valuation, those impacts are felt immediately and drastically by a host community in the tax year that follows. If unforeseen, these shifts can cause massive property tax shifts onto other residents and businesses in the community. Heading toward plant retirement, communities have the benefit of understanding a general timeframe for

---

<sup>1</sup> See, e.g., Xcel Energy, Upper Midwest Integrated Resource Plan, 2020-2034, Supplemental Preferred Plan, June 30, 2020, Doc. ID 20206-164374-01, hereinafter "Supplemental Preferred Plan", Attachment C at p. 7.

<sup>2</sup> CEE Community Impact Study, "Minnesota's Power Plant Communities: An Uncertain Future," hereinafter "CEE Impact Study", available at [https://www.mncee.org/MNCEE/media/PDFs/Host-Communities-Study-Report-FINAL\\_2-24-20\\_updated.pdf](https://www.mncee.org/MNCEE/media/PDFs/Host-Communities-Study-Report-FINAL_2-24-20_updated.pdf)

retirement, but to adequately prepare and protect other taxpayers, additional detail collaboration will be essential.

Any transition plan should include a thorough identification and discussion of the steps the utility will take toward retirement and their estimated impact on local property tax base.

***Outlining benchmarks for the economic development support the utility will provide to communities to help mitigate retirement impacts.***

Consistent with the Commission's role in ensuring that a proposed resource plan is consistent with public interest and minimizing any adverse socioeconomic effects that may result from IRP proposals, CUC feels that PUC can play a critical role in providing structure and accountability to host community development efforts. Utilities in Minnesota have historically been strong partners in economic development, working closely with our member cities to attract new industries to these communities.

However, with these plants headed toward retirement, the stakes and urgency are much higher. This support requires specific commitments, structure, and accountability that could be initially outlined in a community transition plan to be filed with the Commission and supplemented periodically thereafter.

Relatedly, CUC supports the concept proposed by the International Brotherhood of Electrical Workers ("IBEW") in its letter to the Commission dated March 13, 2020, which would create and fund local transition centers. Coupled with on-the-ground support for community development, this concept has promise to provide the consistent, granular support communities will need.

***Identifying land use challenges in each community and how they will be overcome.***

The value of land as a key component of economic development is discussed in these comments below, but any transition plan should also thoroughly consider the specific challenges that will face each host community.

To the fullest extent possible, a transition plan should include details about the future disposition of property on the site of the plant. This may include, but is not limited to:

- Timelines for demolition and removal of major structures
- Identifying property that may remain on the plant site and its projected value to local tax base
- Details of environmental clean-up needed after the life of the plant
- Plans for future ownership and development of land owned by the utility

**Land Use as a Redevelopment Asset**

Land is by far one of the most valuable development assets available to a transitioning community. In some host communities, plants are surrounded by a great deal of buffer property that might be used for future development. In a community like Oak Park Heights, located along the St. Croix River and sandwiched between surrounding cities, very little land is available for future development, so questions about the site of the plant itself will be especially important.

In either case, it is essential that any development within or near these communities be driven by local stakeholders and take place with due consideration and deference to the community's vision for its own future development.

For example, one option that may seem like a natural fit in some plant communities is to site large-scale renewable development on land that is currently at or near the site of baseload generating facilities. In many cases, these proposals will have widespread local benefits and receive broad support. If executed with community input and collaboration, renewable development can be a key component of a

community's transition and a great opportunity for continued partnership between the utility and local government. However, there are pitfalls that must be considered to avoid unintended consequences of undermining a community's vision for its own development.

As specific proposals come forward, CUC urges the Commission and other stakeholders to proactively seek the views of community leaders to ensure this can be done successfully. In particular, are the scale and location of these developments consistent a host city's land use, zoning, and long-term economic development vision for itself?

We anticipate that with collaboration between parties and the support of the Commission, many of these concerns will be alleviated over time. However, because the stakes are so high and resources scarce for transitioning communities, it must be considered whether proposed developments would inhibit the community's future options in executing its transition, and if so, what adjustments can be made to overcome those challenges.

Finally, we urge the Commission to consider how it can play a role in supporting host communities as decisions about the disposition of the land come before it. For example, if plant buffer property is proposed for sale, can proceeds from that sale be employed to support community development, to the benefit of the host community and ratepayers? Are there other concepts within PUC's purview that provide opportunities? CUC's member communities look forward to future collaboration with the Commission on these topics.

### **Combined Cycle Resources at Sherco**

Xcel has identified the addition of a combined-cycle unit of approximately 800 MW at the site of the Sherco plant in Becker as a cost-effective way to ensure grid reliability as the company retires its coal generation and a key component of the company's ability to execute the transition to its 2050 vision. Because of the significant contributions it will make to the local and regional economy, CUC supports this proposal. In conjunction with other economic development efforts to attract large industrial investments to the region, this proposal will help form the basis of Becker's economic future while bridging the state's path toward the integration of additional renewable resources.

CUC looks forward to additional details about this proposal and its exact contributions to the local community. As a city of just under 5,000 in population, the Sherco plant's contributions to Becker's tax base is the most significant of any host community in the state, totaling as much as 77% of the city's tax base in some recent years, more than half of the local school district's, and 14% of Sherburne County's.<sup>3</sup>

Because of the scale of these contributions, we anticipate that it will only partially replace the total property tax contributions of the retirement of the three Sherco coal units which total 2,238 MW of generation. The successive retirement of each of these units in 2023, 2026, and the proposed final phase out of coal in 2030 will each send a shockwave through the community and deeply impact its property tax base.

Therefore, regardless of the extent to which the combined cycle plant helps to mitigate property tax loss, continued, aggressive economic development efforts to diversify the community's tax base are essential. This dynamic underscores the need for PUC to play a role in ordering comprehensive transition planning outlined above.

---

<sup>3</sup> CEE Impact Study at p. 10.

## **Retirement of the Allen S. King Plant will deeply impact Oak Park Heights**

CUC and the City of Oak Park Heights understand that the retirement of the Allen S. King Plant by 2028 is a key component of the company's path to achieving its carbon reduction goals. The City of Oak Park Heights is working to advance a community stakeholder and planning process that will help form the basis of the next steps it will take to mitigate the impacts of King's retirement.

Following Xcel's filing of its preferred plan, the City of Oak Park Heights established the King Plant Advisory Panel, a stakeholder group which includes numerous citizen members as well as representatives of key local organizations, the local chamber of commerce, state agencies, and the National Parks Service. Xcel Energy is also a member of the panel and an active participant in the process.

This work is currently proceeding, with the panel scheduled to provide a report on its findings to the City Council later this year. We look forward to providing additional detail on these efforts to the Commission as it comes available and a collective vision for the future of Oak Park Heights continues to take shape.

## **Extension of Monticello Nuclear**

CUC supports the proposed extension of the Monticello Nuclear Plant to 2040. The extension of this facility will ensure that it continues to be an economic engine for Monticello, Wright County, and the state throughout the 2030s. Roughly 50% of the City of Monticello's tax base is attributable to the plant, where 460 full-time employees earn an average wage of \$108,991.<sup>4</sup> The quantitative analysis performed by the University of Colorado at Boulder ("UCB") in conjunction with CEE's impact study provides insight into the economic benefits of extension.

As compared with a 2030 retirement, the UCB analysis estimates that continued operation of the Monticello plant will sustain thousands of jobs through the 2030s that would otherwise be lost, while the dollars invested through operations and property taxes paid at the plant will contribute hundreds of thousands of dollars to Wright County's GDP over the same period.<sup>5</sup>

That said, while extension of the plant would delay the impacts of plant retirements on the community, it will not do so forever. Facing a transition of this scale, an extra 10 years to plan and engage in development is a benefit, but the work still must start today. The City of Monticello is doing its part and is in the early stages of a long-range transition planning effort, but it needs other stakeholders to come to the table on the subject of eventual retirement as well.

If approved, license extension should not take urgency away from efforts to diversify the community's tax base, nor is it a long-term solution for the storage of nuclear waste likely to present itself in the immediate future. We urge PUC and Xcel Energy to make these discussions part of the next steps related to the Monticello plant.

## **Prairie Island Extension**

As should be clear from the data included in the CEE Impact Study, these comments, and the developing literature regarding host community transitions around the country, one of the most valuable assets a transitioning community can have is certainty about the timing and details of the transition they face.

---

<sup>4</sup> CEE Impact Study at p. 27.

<sup>5</sup> "Xcel Energy—Minnesota Utility Economic Impact Study," University of Colorado at Boulder, Leeds School of Business, April 2020, p. 41. Available at [https://www.mncee.org/MNCEE/media/PDFs/Xcel-Energy-MN-Economic-Impact-Analysis-Final-Report-042820\\_3.pdf](https://www.mncee.org/MNCEE/media/PDFs/Xcel-Energy-MN-Economic-Impact-Analysis-Final-Report-042820_3.pdf).

When combined with adequate time to execute a comprehensive transition plan, this type of certainty can be a determining factor in whether a community executes its transition plan in the most successful way possible. With that in mind, we voice our concern about the decision to delay consideration of extension of Xcel's two nuclear generating units located at the Prairie Island Nuclear Generating Station in Red Wing.

The Prairie Island plant contributes 54% of the tax base of the City of Red Wing, 22% of Goodhue County's, and 40% of the local school district's.<sup>6</sup> Based on 2018 data, the roughly 600 individuals employed directly at the plant earned an average annual income of more than \$109,000, compared to a median household income in Goodhue County of just under \$67,000.<sup>7</sup>

The licenses of the two nuclear units at Prairie Island currently extend through 2033 and 2034—just 12 and 13 years from now, respectively. The fact that they are not addressed in this IRP leaves Red Wing on the outside of this plan looking in, without the ability to effectively plan because the city is without certainty of what it is planning for.

Because of the massive fiscal and social contributions the plant makes toward the vitality of the City of Red Wing, CUC would support a proposal to extend the life of the Prairie Island facility. License extension would enable the plant to continue to produce carbon-free energy while providing the region more time to address the impacts of plant retirement. However, continued operation of the plant would also create additional nuclear waste that would be stored on site without a clear long-term solution for its disposal.

On the subject of when it will address the future of the Prairie Island facility, Xcel's supplement preferred plan says:

By delaying the decision regarding whether to extend the Prairie Island license, we can ensure that it will be made with more complete information, including outreach and discussions with the Prairie Island Indian Community, experience with the initial phases of planning for the Monticello re-licensing, and continuing efforts to identify a long-term waste storage solution.<sup>8</sup>

Again, while CUC has significant concerns about the uncertainty that will hang over the community's ability to plan, our organization also agrees with the sentiment expressed here. Continued outreach to the Prairie Island Indian Community and identification of a long-term waste storage solution are essential. CUC and the City of Red Wing hope to be active participants in those discussions, and hope they proceed as soon as possible.

## **Conclusion**

In closing, CUC reiterates its support for the bold steps Xcel's preferred plan takes to advance Minnesota's energy future. We remain committed to being active, collaborative partners in ensuring this transition is executed as successfully as possible. With questions or for additional information on these comments, please contact CUC's policy and legislative consultant Shane Zahrt of Flaherty & Hood, P.A. at (651) 295-1123 or SAZahrt@flaherty-hood.com.

Thank you in advance for your consideration of these comments and your continued attention to the impacts that this and future IRP processes will have on communities and workers.

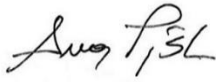
---

<sup>6</sup> CEE Impact Study at p. 54.

<sup>7</sup> U.S. Census Bureau QuickFacts, *available at* <https://www.census.gov/quickfacts/fact/table/goodhuecountyminnesota/PST045219?>

<sup>8</sup> Supplemental Preferred Plan at p. 64 of 78.

Respectfully submitted,



Greg Pruszinske  
Becker City Administrator  
President, Coalition of Utility Cities



Max Peters  
Cohasset City Administrator  
Vice President, Coalition of Utility Cities



Marshall Hallock  
Administrative Business Director, City of Red Wing  
Secretary/Treasurer, Coalition of Utility Cities