

May 23, 2022

Will Seuffert - Executive Secretary
MN Public Utilities Commission
121 7th Place East
Suite 350
St. Paul, MN 55101

Re: **IN THE MATTER OF SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY'S
2022-2036 INTEGRATED RESOURCE PLAN: DOCKET NO. ET9/RP-21-782**

Dear Mr. Seuffert:

The enclosed document contains Southern Minnesota Municipal Power Agency's response to the Minnesota Department of Commerce, Division of Energy Resources' Information Requests 5-11 in the above referenced docket.

This document has been filed by e-filing with Minnesota Public Utilities Commission on May 23, 2022, as shown in the attached Certificate of Service.

If you have any questions, please contact me at (507) 292-6460.

Sincerely,



Mark S. Mitchell
Director of Operations and COO

Attachments
cc: Dave Geschwind

MSM:jh

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Joseph Sullivan	Vice-chair
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

In the Matter of Southern Minnesota Municipal Power Agency's 2022-2036 Resource Plan
Docket No. ET9/RP-21-782

**Southern Minnesota Municipal Power Agency's response to the Minnesota Department of
Commerce, Division of Energy Resources' Information Requests 5-11**

CERTIFICATE OF SERVICE

I, Joseph A. Hoffman, hereby certify that I have this day served a copy of the following, or a summary thereof, on Will Seuffert and Sharon Ferguson by e-filing and First Class mail, and to all other persons on the attached service list by electronic service or by First Class mail.

Dated this **23rd** day of **May, 2022**

/s/ Joseph A. Hoffman

Joseph A. Hoffman

Director – Agency and Government Relations
Southern Minnesota Municipal Power Agency
507-292-6427

Official Service List
Southern Minnesota Municipal Power Agency
2022-2036 Integrated Resource Plan
Docket No. ET9/RP-21-782

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_21-782_RP-21-782
Douglas M.	Carnival	dmc@mcgrannshea.com	McGrann Shea Carnival Straughn & Lamb	N/A	Electronic Service	No	OFF_SL_21-782_RP-21-782
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_21-782_RP-21-782
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174 Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_21-782_RP-21-782
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_21-782_RP-21-782
David P.	Geschwind	dp.geschwind@smmpa.org	Southern Minnesota Municipal Power Agency	500 First Avenue SW Rochester, MN 55902	Electronic Service	No	OFF_SL_21-782_RP-21-782
James	Hartson			59931 300th Street Waltham, MN 55982	Paper Service	No	OFF_SL_21-782_RP-21-782
Joe	Hoffman	ja.hoffman@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_21-782_RP-21-782
Mike	Jones	mikejones@lignite.com	Lignite Research Council	1016 E Owens Ave Ste 200 PO Box 2277 Bismarck, ND 58502	Electronic Service	No	OFF_SL_21-782_RP-21-782
Nate	Jones	njones@hcpd.com	Heartland Consumers Power	PO Box 248 Madison, SD 57042	Electronic Service	No	OFF_SL_21-782_RP-21-782
Ronald J.	Klinefelter	Klinefelter@wapa.gov	Western Area Power Administration	Office Of General Counsel 12155 West Alameda Parkway Lakewood, CO 802282802	Electronic Service	No	OFF_SL_21-782_RP-21-782
Robert	Lunder	Robert.Lunder@mdu.com	Montana-Dakota Utilities (ET)	400 N 4th St Bismark, ND 58501	Electronic Service	No	OFF_SL_21-782_RP-21-782
Jan	Malcolm	Health.Review@state.mn.us	Minnesota Department of Health	PO Box 64975 St. Paul, MN 55164-0975	Electronic Service	No	OFF_SL_21-782_RP-21-782
Mark S	Mitchell	ms.mitchell@smmpa.org	SMMPA	500 2st Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_21-782_RP-21-782
Christina	Pierson	christinap@cmpasgroup.org	Central Minnesota Municipal Power Agency	459 S Grove St Blue Earth, MN 56013	Electronic Service	No	OFF_SL_21-782_RP-21-782
Chrisitna	Pierson	christinap@cmpas.org	Central Municipal Power Agency/Services	459 S Grove Street Blue Earth, MN 56013	Electronic Service	No	OFF_SL_21-782_RP-21-782
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_21-782_RP-21-782
Robert H.	Schulte	rhs@schulteassociates.com	Schulte Associates LLC	1742 Patriot Rd Northfield, MN 55057	Electronic Service	No	OFF_SL_21-782_RP-21-782
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-782_RP-21-782
Beth H.	Soholt	bsoholt@windonthewires.org	Wind on the Wires	570 Asbury Street Suite 201 St. Paul, MN 55104	Electronic Service	No	OFF_SL_21-782_RP-21-782
Jeremy	Sutton	Jsutton@rpu.org	Rochester Public Utilities	4000 E River Rd Rochester, Minnesota 55906	Electronic Service	No	OFF_SL_21-782_RP-21-782
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_21-782_RP-21-782
Toni	Volkmeier	toni.volkmeier@state.mn.us	MPCA	520 Lafayette Rd. N. St. Paul, MN 55155	Electronic Service	No	OFF_SL_21-782_RP-21-782

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #5

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 5:

The Department understands that the U.S. Environmental Protection Agency has recently proposed a new rule targeting compliance with federal ozone air-quality standards that would require NO_x emission reductions in twenty-six “upwind” states, including Minnesota. The proposed EPA “Federal Implementation Plan” would require Minnesota to participate in the emission allowance trading system for Seasonal NO_x allowances under the “good neighbor” or “interstate transport” provision of the Clean Air Act by 2023 and meet new NO_x emission limits by 2026. Does SMMPA agree with this understanding? If not, why not?

SMMPA Response to Request 5: SMMPA agrees with the department’s understanding of the proposed rule.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #6

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 6:

The Department understands that the proposed rule, among other things, would force existing coal units that do not have specific emission reduction equipment for Oxides of Nitrogen (NOx) emissions to install Selective Catalytic Reactors (SCRs) by 2026. Does SMMPA agree with this understanding? If not, why not?

SMMPA Response to Request 6: SMMPA's understanding of the proposed FIP is that it does not require the installation of an SCR, but that may be the practical effect. The FIP would provide a reduced allowance allocation to a unit like Sherco 3 based on the assumption that an SCR is installed. Absent the addition of an SCR, operating Sherco 3 with an allowance allocation calculated based on an assumed emission rate of 0.05 lb/mmBtu would significantly restrict the operation of the unit.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #7

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 7:

The Department understands that a minimum estimate of the cost of installation of Selective Catalytic Reactors at a generic coal-fired power plant would be \$11,000 per ton of NOx, or at least \$100 million. Does SMMPA agree with this understanding? If not, why not?

SMMPA Response to Request 7: SMMPA does not have a current estimate of the cost of a SCR unit on the Sherco 3 facility co-owned with Xcel. However, based on an engineering estimate prepared several years ago, we believe the cost will be well in excess of \$100 million.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #8

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 8:

A. The Department understands that installation of Selective Catalytic Reactors (SCRs) would be necessary at Sherco unit 3 by 2026. Does SMMPA, Xcel agree with this understanding? If not, why not?

B. The Department understands that installation of SCRs would not be necessary at any other unit. Does SMMPA agree with this understanding? If not, why not?

SMMPA Response to Request 8A: As stated in our response to Request 6, addition of an SCR is not technically required by the proposed FIP, but without an SCR the operation of the unit would be significantly reduced to stay below the allocated allowance budget. Even with the addition of an SCR, operation would be limited as the proposed dynamic allowance budgeting reduces the allowance budget over time.

SMMPA Response to Request 8B: SMMPA agrees with the department's understanding that SCRs would not be required at any other SMMPA generating units.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #9

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 9:

The Department understands that the rule does not have provisions exempting units planned for retirement—specifically for units retiring between 2026 and 2035. Does SMMPA agree with this understanding? If not, why not?

SMMPA Response to Request 9: SMMPA understands there is a proposed provision in the FIP that would ease the backstop limit requirement through 2028 for units that would be retired by 2029. Beyond that, we do not believe there are any other accommodations for units retiring in the 2026-2035 timeframe. We believe there should be flexibility to make accommodations for units that have committed retirement dates, particularly when that commitment is documented in an enforceable state or federal implementation plan related to other EPA rules.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #10

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 10:

Has SMMPA undertaken any analysis of the potential impact of U.S. EPA's proposed rule? If so, please provide a summary of the analysis and conclusions. If no analysis has been undertaken, please explain why not.

SMMPA Response to Request 10:

SMMPA is coordinating review of the proposed FIP with Xcel to determine the potential impacts to Sherco 3. Our understanding is that the EPA has assumed a 20-year amortization period for the costs of installing SCRs in its evaluation of the economic impacts of the proposed rule. Given the planned 2030 retirement date for Sherco 3 and the FIP requirement to have an SCR installed by the 2026 ozone season, the useful life over which to amortize the costs of a Sherco 3 SCR is only five years. Requiring an investment well in excess of \$100 million with a cost recovery period of five years would result in an unacceptable cost burden on our members' customers.

While Sherco 3 could operate without an SCR with a backstop limit of 0.14 lb/mmBtu, we would likely have to significantly limit the operation to maintain an average emission rate below the limit. While, in theory, the proposed FIP includes an allowance trading program we could possibly utilize if we exceed the backstop allowance limit, we believe the proposed dynamic budgeting and allowance bank cap will create uncertainty and volatility in the market that will result in few, if any, allowances traded and at prices that would be prohibitively expensive. Further, we believe the allowance surrender penalty of 3:1 if the backstop limit is exceeded is overly punitive.

SMMPA has significant concerns about the impact of the proposed FIP on its ability to provide reliable and affordable capacity and energy to its members. Given the generating capacity shortfall in MISO as identified in the recent capacity auction, we believe it would be extremely difficult to replace the

Agency's 360 MW share of Sherco 3 and the associated energy production if the proposed FIP were to result in limited operation of Sherco 3 or if the unit is forced to retire earlier than planned.

**Response of Southern Minnesota Municipal Power Agency
To
Minnesota Department of Commerce, Division of Energy Resources**

Docket Number: ET9/RP-21-782

Information Request: #11

Date of Request: May 12, 2022

Date Response Due: May 23, 2022

Requestor: Chris Davis

Response Date: May 23, 2022

Response By: Mark S. Mitchell, Director of Operations & COO

Email Address: ms.mitchell@smmpa.org

Phone Number: 507-292-6460

Request 11:

At what point in U.S. EPA's rulemaking process would SMMPA file a notice of changed circumstances pursuant to Minnesota Rules 7843.0500 in the most recent resource plan or an update in the current resource plan?

SMMPA Response to Request 11: Given the uncertainty relating to many aspects of the proposed FIP, SMMPA has not yet considered this to be a changed circumstance as it relates to the Agency's IRP. At this time, SMMPA has not established when in the EPA's process that determination would be made. SMMPA will continue to monitor the proposed FIP process and will provide required notifications to the Commission.