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June 29, 2015

VIA ELECTRONIC FILING

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

RE: Supplemental Reply Comments of Great River Energy
In the Matter of Great River Energy's 2014 Integrated Resource Plan
MPUC Docket No. ET2/RP-14-813

Dear Mr. Wolf:

Great River Energy ("GRE") submits these limited Supplemental Reply Comments in response to the Reply Comments submitted on May 1, 2015 by the Environmental Intervenors.

Please contact me at (763) 445-6103 or lrossmccalib@greenergy.com if you have any questions.

Sincerely,

/s/ Lauren L. Ross McCalib
Manager, Resource Planning and Regulatory Affairs
GREAT RIVER ENERGY

Enclosure

c: Service List

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

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Great River Energy's
2015-2029 Resource Plan

Docket No. ET-2/RP-14-813

SUPPLEMENTAL REPLY COMMENTS OF GREAT RIVER ENERGY

Great River Energy ("GRE") submits these limited supplemental Reply Comments in response to the new analysis contained in the Environmental Intervenors' Reply Comments dated May 1, 2015, related to what Environmental Intervenors' refer to as the "profitability of Spiritwood." Environmental Intervenors' "preliminary calculation" regarding the profitability of Spiritwood Station was raised for the first time in Reply Comments, and GRE was not provided with an opportunity to respond to that analysis. Because the analysis is based on an inaccurate understanding of the MISO market and flawed assumptions, we submit these supplemental Reply Comments to identify those flaws and to clarify important issues relevant to this proceeding and the Commission's determination on GRE's Integrated Resource Plan ("IRP").

Ultimately, Environmental Intervenors rely on their unsound analysis to support their position that Stanton Station should be retired.¹ Contrary to Environmental Intervenors' assertion, however, as we detailed in the IRP and further discussed in our Reply Comments dated May 1, 2015, our modeling does not select the retirement of Stanton Station as a least cost plan.² Environmental Intervenors also assert that "retiring Stanton would protect GRE and its customers from unnecessary risk by eliminating

¹ Environmental Intervenor Reply Comments at 1 and 5.

² GRE Reply Comments at 25.

GRE's reliance on market sales." Environmental Intervenors appear to misunderstand the nature of GRE's participation in the MISO market. All GRE generators offer and sell energy into the MISO energy market and all GRE load purchases energy from the MISO energy market. Thus, GRE's load costs are offset by generation revenue. If Environmental Intervenors are suggesting that GRE should not offer our generators in the MISO energy market, they are suggesting a risky course of action that would result in our forfeiting revenue that offsets our load costs.

Environmental Intervenors go on to assert that **Stanton Station** should be retired because, in their view, **Spiritwood Station** is not "profitable."³ The profitability of Spiritwood Station has no bearing on whether the modeling recommends retirement of Stanton Station—a completely different facility. In addition, Environmental Intervenors' definition of "profitable" seems to be largely based on the revenues realized from the MISO energy market.⁴ The problem with this assumption is that the locational marginal prices ("LMPs") in the MISO energy market price energy at a commercial pricing node, and are not intended to cover the total costs of the generator. Generators supply additional benefits to their owners and the market, including resource adequacy and ancillary services. If LMP economics were the sole determinant of a generator's value, no new generators would be built, eventually compromising market reliability.

Environmental Intervenors' assumptions with respect to capacity pricing are also flawed. They assume that a sale of capacity by GRE to Missouri River Energy Services ("MRES") was a sale of capacity from Spiritwood Station.⁵ This is not correct. The sale to MRES was sourced, not from any specific generator, but from GRE's Zonal Resource Credits. Environmental Intervenors also attempt to connect the long-term value of a generator's capacity to the MISO annual Auction *Clearing Price* (not Auction

³ Environmental Intervenor Reply Comments at 2 ("Retirement of Stanton should also be included in GRE's IRP because GRE's operation of Spiritwood appears to be a significant drain on the company's resources.").

⁴ Environmental Intervenor Reply Comments at 2-3.

⁵ Environmental Intervenor Reply Comments at 3, 4.

Capacity Price).⁶ The Auction Clearing Price applies only to the upcoming planning year and is determined within two months of the start of the planning year after most long-term planning is complete. The Auction Clearing Price is not representative of multi-year and forward looking bilateral capacity sales. To assume the Auction Clearing Price is representative of capacity pricing over the planning horizon of the IRP is not reasonable.

Based on a flawed analysis, Environmental Intervenors continue to assert that GRE should retire Stanton Station. Environmental Intervenors fundamentally disregard the holistic and long term nature of integrated resource planning. As we discuss in our IRP and our Reply Comments, our Preferred Plan balances the needs of our members, meets the criteria the Commission uses to review resource plans,⁷ and provides the optionality to position GRE and our members for a changing energy future.

Dated: June 29, 2015

Respectfully submitted,

GREAT RIVER ENERGY

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⁶ Environmental Intervenor Reply Comments at 3.

⁷ Minnesota Rule 7843.0500, Subpart 3.

CERTIFICATE OF SERVICE

DOCKET No. ET2/RP-14-813

NATURE OF DOCKET: In the Matter of Great River Energy's 2015-2029 Integrated Resource Plan

I, Donna Boe, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing or by first class United States mail.

Dated this 29th day of June 2015.

/s/ Donna Boe

Donna Boe

Executive Assistant

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