

**STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE**

In the Matter of a Petition for Exemption by  
Minnesota Municipal Power Agency from  
Conservation Improvement Charges

Docket No. \_\_\_\_\_

**PETITION FOR EXEMPTION**

Minnesota Municipal Power Agency (MMPA), on behalf of its electric generation facility Shakopee Energy Park, respectfully submits this Petition for Exemption from CenterPoint Energy's (CenterPoint) Conservation Improvement Program (CIP) investment and expenditure requirements pursuant to Minn. Stat. §216B.241.

MMPA should not be required to pay CenterPoint natural gas CIP charges for two main reasons. First, MMPA and its members already exceed CIP spending requirements. Second, Shakopee Energy Park qualifies for the CIP exemption under Minn. Stat. §216B.241 subd. 1a(b). Following the background information section, these two arguments are discussed in turn.

**I. BACKGROUND**

MMPA is a municipal power agency and political subdivision of the State of Minnesota engaged in the generation and transmission of electrical power and energy to twelve municipally-owned member utilities. MMPA currently serves the Minnesota municipal utilities in Anoka, Arlington, Brownton, Buffalo, Chaska, East Grand Forks, Le Sueur, North St. Paul, Olivia, Shakopee, and Winthrop. MMPA will begin serving the Minnesota municipal utility in Elk River in 2018.

MMPA is constructing Shakopee Energy Park (Facility), an electric generation facility with a capacity of 46.7 megawatts, located in Shakopee, Minnesota. The Facility

will use natural gas as its primary fuel source, supplied by CenterPoint at retail rates. Under its current Tariff, CenterPoint applies Conservation Improvement Program charges, which include a Base Charge and an Adjustment (collectively CIP Charges) for all non-exempt customers. MMPA should not be required to pay these CIP Charges because MMPA's members contribute to the Conservation Improvement Program and the Facility qualifies for an exemption.

## **II. MMPA ALREADY EXCEEDS CIP SPENDING REQUIREMENTS**

The Facility should be exempt from the CIP Charges because MMPA's member municipal utilities already comply with, and exceed, the CIP spending requirements of Minn. Stat. §216B.241. MMPA's member municipal utilities spent \$2.17 million in CIP expenditures during 2014 and budgeted \$2.75 million in CIP expenditures for 2016, equivalent to 1.52 percent and 1.80 percent of their gross operating revenues from electricity sales, respectively.<sup>1</sup> These actual and budgeted expenditures surpass the statutory requirement for municipalities to spend and invest 1.5 percent of their gross operating revenues from electricity sales on energy conservation improvements.<sup>2</sup> If the Facility is not exempted, MMPA faces higher spending requirements than other Minnesota electric utilities.

MMPA's electric generation would be disadvantaged and less competitive without a Facility exemption. The CIP Charges would increase fuel costs by \$0.2971 per dekatherm of natural gas consumed. The effect of the CIP Charges would be a 10% increase in fuel costs based on current natural gas prices.<sup>3</sup> Increased fuel costs adversely affect MMPA's competitive position by constraining Facility dispatch and increasing the electric rates paid by MMPA member retail customers.

CIP Charges applied to the Facility would cause MMPA customers to pay incremental CIP costs each year. Based on historical data, the Facility would have

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<sup>1</sup> See Appendix A, Tables A-1 and A-2, for itemized lists of these expenditures.

<sup>2</sup> MINN. STAT. § 216B.241 subd. 1b(b)(1).

<sup>3</sup> CenterPoint Energy's City Gate, Sales Service Large Volume Interruptible Weighted Average Cost of Gas (WACOG) for June 2016 was \$2.5274 per dekatherm; conservatively assume a delivery charge of \$0.325 per dekatherm; fuel cost increase =  $(\$0.2971) / (\$2.5274 + \$0.325) = 10.4\%$ .

consumed, on average, [Trade Secret Data Begins Trade Secret Data Ends] of natural gas annually.<sup>4</sup> Without an exemption, the \$0.2971 per dekatherm CIP Charges, as applied to this annual average, would have increased MMPA member annual CIP costs by [Trade Secret Data Begins Trade Secret Data Ends].

MMPA's members already exceed the CIP spending requirements. The CIP Charges would cause MMPA to expend incremental CIP costs as compared with other Minnesota utilities. These costs disadvantage MMPA's competitive position and increase electric rates to MMPA member retail customers. These reasons alone justify an exemption from the CIP Charges. However, the Facility also qualifies for an exemption under Minnesota Statute.

### III. THE FACILITY QUALIFIES FOR THE EXEMPTION UNDER STATUTE

The Facility qualifies for an exemption from the CIP Charges under Minn. Stat. §216B.241subd. 1a(b). The relevant statutory language reads as follows:

The owner of a large customer facility may petition the commissioner to exempt both electric and gas utilities serving the large customer facility from the investment and expenditure requirements of paragraph (a) with respect to retail revenues attributable to the large customer facility. The filing must include a discussion of the competitive or economic pressures facing the owner of the facility and the efforts taken by the owner to identify, evaluate, and implement energy conservation and efficiency improvements.<sup>5</sup>

A discussion follows demonstrating the Facility qualifies as a large customer facility, MMPA faces economic and competitive pressures, and energy efficiency and conservation were considered in the design of the Facility.

#### A. The Facility Qualifies as a Large Customer Facility

A large customer facility is defined as "all buildings, structures, equipment, and installations at a single site that collectively . . . consume not less than 500 million cubic feet of natural gas annually."<sup>6</sup> Calculations in Appendix B demonstrate that the Facility is

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<sup>4</sup> See Appendix B.

<sup>5</sup> MINN. STAT. § 216B.241 subd. 1a(b).

<sup>6</sup> MINN. STAT. § 216B.241 subd. 1(i).

projected to consume over [Trade Secret Data Begins Trade Secret Data Ends] of natural gas annually. This value exceeds the statutory requirement of 500 million cubic feet by [Trade Secret Data Begins Trade Secret Data Ends]. Based on projected consumption, the Facility qualifies as a Large Customer Facility.

#### **B. MMPA Faces Economic and Competitive Pressures**

The electric utility business is highly competitive, reinforced by federal energy policy that aims to maintain a maximum level of competition, consistent with public interest.<sup>7</sup> The majority of MMPA's competition stems from other electric utilities, specifically large-scale investor owner utilities or cooperatives. MMPA's competitors have larger facilities, demands, and resources. Incremental costs, such as the CIP Charges, have a disparate impact on smaller utilities like MMPA.

MMPA dispatches its generation assets in the Midcontinent Independent System Operator (MISO) wholesale electricity markets. The MISO wholesale markets are economically efficient because MISO provides equal access to the transmission system and matches supply and demand of electricity at the lowest cost. MMPA competes with power producers across the MISO footprint in the wholesale markets to generate cost-effective electricity.

MMPA faces strong competitive pressures from large-scale utilities and operates in economically efficient wholesale electricity markets. MMPA is forced to selectively invest in very efficient and innovative generation projects in order to provide cost-competitive power and energy.

#### **C. Energy Efficiency and Conservation Projects**

MMPA selected the generation system and designed the Facility with an emphasis on energy efficiency and conservation. MMPA selected a system that generates and distributes electricity close to MMPA's electrical load and off-sets the need to purchase electricity through the wholesale electrical marketplace. With these attributes, MMPA

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<sup>7</sup> *Otter Tail Power Co. v. United States*, 410 U.S. 366, at 374.

can operate the Facility very efficiently by responding to local electrical needs, wholesale market pricing signals, and fuel conditions.

The Facility uses natural gas as its primary fuel source. Natural gas, when burned, emits less air emission than other fossil fuels. The Facility's five Wartsila reciprocating natural gas-fired electrical generating units (engines and accompanying generators) are accompanied by five post-combustion catalytic controls (selective catalytic reduction and catalytic oxidation). MMPA will vent the exhaust gases generated at the Facility through this emission control equipment to the five stacks constructed adjacent to the main engine hall. The design also includes a liquefied natural gas storage tank and vaporizer to serve as a backup fuel source. The Facility provides a reliable source of electricity through extraordinary weather or market conditions, cleaner than other fossil fuels.

MMPA designed a system that not only generates electricity efficiently, but also recycles and stores excess system heat. The Facility will capture waste heat that is typically sent to radiators through a closed loop system, and store it in the form of hot water in an outdoor aboveground storage tank. MMPA plans to use this stored heat for the Facility's heating needs. This system also has the capability to heat and cool other buildings with additional upgrades. MMPA plans to market this capability to third parties.

Many characteristics of the Facility demonstrate the importance of energy efficiency and conservation. MMPA carefully selected an efficient generation system that provides clean and reliable electricity to its members, enables responsive and economic operation, and incorporates novel recycling concepts for current and future programs. Because the Facility design already incorporates the necessary investments in conservation and energy efficiency, MMPA will not seek to avail the Facility of CenterPoint's Conservation Improvement Programs in the future.

#### **IV. CONCLUSION**

MMPA's member municipal utilities already exceed the statutory Conservation Improvement Program spending requirements. MMPA would be competitively disadvantaged if this Petition is not granted, and MMPA's customers would pay the price.

MMPA should also be granted an exemption because the Facility qualifies under statute. Shakopee Energy Park is a large customer facility, operating against highly efficient wholesale electricity markets and many types of competitors, and was designed with an eye toward energy efficiency and conservation.

MMPA respectfully requests this Petition for Exemption from Conservation Improvement Program charges be granted.

Dated: September 9, 2016

Respectfully submitted,

**Avant Energy, Inc.**  
Agent for MMPA

/s/ Kelsey Dillon  
Kelsey Dillon

**APPENDIX A**

Table A-1: Itemized List of MMPA Member 2014 Actual CIP Expenditures

<b>Member Organization</b>	<b>Total CIP</b>	<b>Total CIP (% of GOR)</b>
Anoka	\$ 381,794	1.57 %
Arlington	\$ 26,906	1.60 %
Brownton	\$ 1,576	0.36 %
Buffalo	\$ 200,686	1.75 %
Chaska	\$ 493,945	1.53 %
East Grand Forks	\$ 333,315	2.40 %
Le Sueur	\$ 93,141	1.18 %
North St. Paul	\$ 128,827	1.52 %
Olivia	\$ 31,740	1.46 %
Shakopee	\$ 447,145	1.16 %
Winthrop	\$ 30,021	1.92 %
<b>TOTAL</b>	<b>\$ 2,169,096</b>	<b>1.52 %</b>

Table A-2: Itemized List of MMPA Member 2016 Budgeted CIP Expenditures

<b>Member Organization</b>	<b>Total CIP</b>	<b>Total CIP (% of GOR)</b>
Anoka	\$ 500,000	1.90 %
Arlington	\$ 26,328	1.50 %
Brownton	\$ 7,410	1.65 %
Buffalo	\$ 179,829	1.50 %
Chaska	\$ 563,775	1.60 %
East Grand Forks	\$ 330,721	2.40 %
Le Sueur	\$ 124,605	1.50 %
North St. Paul	\$ 129,998	1.50 %
Olivia	\$ 40,140	1.50 %
Shakopee	\$ 825,650	2.00 %
Winthrop	\$ 25,845	1.50 %
<b>TOTAL</b>	<b>\$ 2,754,301</b>	<b>1.80 %</b>

**APPENDIX B**

**[Trade Secret Data Begins**

**Trade Secret Data Ends]**