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July 8, 2020

**VIA E-FILING**

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

Re: In the Matter of an Investigation into Self-Commitment and Self-Scheduling of  
Large Baseload Generation Facilities  
**Docket No. E999/CI-19-704**  
**Reply Comments**

Dear Mr. Seuffert:

Minnesota Power respectfully submits Reply Comments in response to the comments submitted on June 8, 2020, by the Minnesota Department of Commerce, Division of Energy Resources, Fresh Energy and the Sierra Club in the above referenced Docket.

Please contact me at (218) 355-3455 or [hcreurer@allte.com](mailto:hcreurer@allte.com) if you have any questions regarding this filing.

Yours truly,

Hillary A. Creurer  
*Regulatory Compliance Administrator*

HAC:  
Attach.

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

In the Matter of an Investigation into  
Self-Commitment and Self-Scheduling of  
Large Baseload Generation Facilities

Docket No. E999/CI-19-704

**MINNESOTA POWER'S  
REPLY COMMENTS**

**I. INTRODUCTION**

On June 8, 2020, the Minnesota Department of Commerce, Division of Energy Resources (“Department”), Fresh Energy and the Sierra Club submitted comments in the above-referenced Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities Docket.

**II. RESPONSE TO COMMENTS**

Minnesota Power (or the “Company”) has demonstrated its commitment and leadership to transforming its coal generating fleet over the last ten plus years. Some of the transformations include:

- Taconite Harbor Unit 3 was retired in 2015.
- Taconite Harbor Units 1 & 2 were economically idled in 2016 and continues to be available if needed to maintain regional reliability.
- Laskin Energy Center Units 1 & 2 were converted to Natural Gas in 2015.
- Boswell Units 1 & 2 were retired in 2018.

Additionally, major emission reduction retrofit projects have been completed at Boswell Units 3 & 4 in compliance with the Minnesota Mercury Emissions Reduction Act. The major environmental retrofits reduced mercury, particulate matter, acid gases, and sulfur dioxide.

To demonstrate Minnesota Power’s commitment to evolving and as part of its *EnergyForward* Strategy, the Great Northern Transmission Line was energized on June 1, 2020. The Great Northern Transmission Line will help provide customers with

50 percent renewable energy by 2021, as well as strengthen the grid across the Midwest and in Canada, enhancing reliability.

As Minnesota Power stated in its March 2, 2020 Compliance filing the Company is evaluating economic dispatch at the Boswell facility. However, all aspects of an economic dispatch operation needs to be fully evaluated, including impacts to customers, employees, generation facility, communities, contractual obligations, and system reliability. Minnesota Power believes it has met the obligation of the filing.

**A. *Customer Benefit***

During the period of July 1, 2018 to December 31, 2019 the Boswell facility provided a net energy benefit of \$32.0 million to customers. Minnesota Power recognizes there are short periods of time when the analysis does show a cost to customers but most of the costs incurred were during periods of 12 consecutive hours or less. Bringing a unit down to come offline and then shortly returning it to service is difficult to achieve due to minimum down time requirements, time required to come back online, and minimum time the generator must be online. In addition, regular cycling of the unit would increase startup costs due to inefficiencies and also increase emissions during these start-up periods, and likely forced outages with unplanned replacement energy costs. As agreed upon by the Department, the net costs incurred during these short time periods can't be avoided due to the operating characteristics of Boswell units 3 & 4.

**B. *Forward-looking Market Analysis***

Minnesota Power does monitor and conduct forward-looking market analysis to understand current market conditions and evaluate its energy market strategy. Factors that are considered in our forward-looking analysis include forecasted locational marginal prices ("LMP"), fuel costs, forecasted load, expected renewable production, and forced and planned outages.

Currently the Midcontinent Independent System Operator, Inc. ("MISO") Energy Market utilizes a single day dispatch process which does not consider the economics of running a baseload plant across multiple days. MISO has acknowledged the potential need for changes within the market structure to support a multi-day dispatch process. Minnesota

Power sees value for customers and more efficient dispatch of generation in multi-day dispatch process. Minnesota Power supports MISO continue to investigate implementing a multi-day dispatch process in the future.

**C. *Reliability Concerns***

Boswell Units 3 & 4 are the backbone of Minnesota Power's power supply that serves a unique customer base with high energy demands and located in a geographical area with no other large baseload generation. There is a need to understand the reliability of the transmission system infrastructure and the Integrated Resource Plan is a better platform to conduct that analysis and make those resource operating decisions.

**D. *Phenomenon of Uneconomic Dispatch***

In the Department's Comments there was an analysis to determine what percentage of DA coal energy was uneconomically dispatched above stated minimums. Based on coal units in this proceeding, the Department's results indicated that uneconomic DA dispatch minimum equal 28.9 percent of the total hourly cleared DA capacity and requested that utilities explain the phenomenon of dispatching above the minimum even when a unit was not economic.

There are two possible reasons which contribute to the appearance that the unit was uneconomically dispatched. The first is that both Boswell Units 3 & 4 participate in the MISO Ancillary Services Market. MISO clears ancillary products (spinning reserves, supplemental reserves, and regulation) when needed, which makes the clearing appear uneconomic. During the period of July 1, 2018 through December 31, 2019, the Boswell facility received \$1.0 million in revenue for providing ancillary products.

The other reason for the appearance that MISO uneconomically dispatched a unit is due to the fact that an incremental offer curve is utilized which is based on an estimated cost of fuel. In the analysis Minnesota Power provided as Attachment 1 of the March 2, 2020 Compliance filing the unit fuel was based on actual fuel costs and not incremental fuel costs.

**E. Forthcoming Analysis**

Minnesota Power appreciates the Department's confirmation that the analysis provided to date indicates a more detailed evaluation of the overall benefits and cost for alternative operations at Boswell units 3 & 4 (i.e. economic or seasonal dispatch). In Minnesota Power's IRP extension request filed May 29, 2020 (Docket No. E015/RP-15-690, E015/M-17-568, E015/GR-16-664) the Company committed to file on December 1, 2020, an interim report on the operating requirements and impacts of utilizing economic dispatch at each Boswell unit given impacts of the COVID-19 pandemic on the grain and MISO energy market. Note this report and actual timing is subject to Commission approval.

**III. CONCLUSION**

Minnesota Power believes it has met the obligations of the filing and remains committed to providing its customers with safe, reliable and affordable electric service.

Dated: July 8, 2020

Respectfully Submitted,



Hillary A. Creurer  
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In the Matter of an Investigation into  
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### **CERTIFICATE OF SERVICE**

Jill N. Yeaman certifies that on the 8th day of July, 2020, on behalf of Minnesota Power, she filed a true and correct copy of **Reply Comments** by posting the same on eDockets ([www.edockets.state.mn.us](http://www.edockets.state.mn.us)). Said document was also served via U.S. Mail or email as designated on the Official Service List on file with the Minnesota Public Utilities Commission in the above-referenced docket.

/s/ Jill N. Yeaman\_\_\_\_\_

Jill N. Yeaman

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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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_19-704_Official
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