

July 8, 2020

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

RE: **Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E999/CI-19-704

Dear Mr. Seuffert:

Attached are the Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

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

The Department recommends that the Minnesota Public Utilities Commission (Commission) **take certain actions on a going forward basis**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ STEVE RAKOW
Analyst Coordinator

SR/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E999/CI-19-704

I. INTRODUCTION

On November 13, 2019, the Minnesota Public Utilities Commission (Commission) issued its *Order Accepting 2017-2018 Electric Reports and Setting Additional Requirements* (2019 Order) in Docket No. E999/AA-18-373. In the 2019 Order the Commission included the following Order Points (footnote omitted):

8. Minnesota Power, Otter Tail, and Xcel shall submit an annual compliance filing analyzing the potential options for seasonal dispatch generally, and potential options and strategies for utilizing “economic” commitments for specific coal-fired generating plants. The utilities shall include a specific explanation of barriers or limitations to each of these potential options, including but not limited to technical limits of the units and contract requirements (shared ownership, steam offtake contracts, minimum fuel supply requirements, [sic] (shared ownership, steam offtake contracts, minimum fuel supply requirements, etc.) as relevant, on March 1, 2020, and each year thereafter.
9. The Commission will open an investigation in a separate docket and require Minnesota Power, Otter Tail, and Xcel to report their future self-commitment and self-scheduling analyses using a consistent methodology by including fuel cost and variable O&M costs, matching the offer curve submitted to MISO [Midcontinent Independent System Operator, Inc.] energy markets.
10. In the investigation docket, Minnesota Power, Otter Tail, and Xcel shall provide stakeholders with the underlying data (work papers) used to complete their analyses, in a live Excel spread sheet, including, at a minimum, the data points listed below for each generating unit, with the understanding that this may include protected data.

Hourly data for all units:

- a) Date and hour
- b) Commit status (Null / Economic / Emergency / Must Run / Outage / Not Participating)
- c) Dispatch Status for Energy (Null / Economic / Self Schedule)
- d) Cleared MW
- e) Day ahead locational marginal price at unit node
- f) Real time MW adjustment
- g) Real time locational marginal price at unit node
- h) Day ahead dispatch minimum

- i) Real time dispatch minimum
- j) Fuel cost (\$/MWh)
- k) Variable operations and maintenance costs (\$/MWh)
- l) Day ahead locational marginal price representative of utility load zone
- m) Real time locational marginal price representative of utility load zone
- n) Whether Day Ahead Cleared = Day Ahead Dispatch Minimum (0 or 1)
- o) Actual production in MWh (for all 8,760 hours of the year)
- p) Day ahead MISO payment
- q) Real time MISO payment
- r) Net MISO energy payment
- s) Production costs $((J+K) * O)$
- t) Net cost or benefit $(R-S)$

Monthly or annual data for all units:

- u) Revenue from ancillary services (Monthly)
- v) Fixed operations and maintenance costs (preferably monthly) or reasonable estimates in approximation thereof
- w) Capital revenue requirements (annual) or reasonable estimates in approximation thereof
- x) Average heat rate at economic minimum
- y) Average heat rate at economic maximum

On December 13, 2019, the Commission issued its *Notice of Comment Period* (Notice) in the instant docket. The Notice established comment periods regarding procedural issues.

In response to the Notice, on January 13, 2020, procedural comments were filed by:

- City of Minneapolis;
- Fresh Energy;
- Minnesota Department of Commerce, Division of Energy Resources (Department);
- Minnesota Office of the Attorney General—Residential Utilities Division;
- Minnesota Power, a public utility operating division of ALLETE, Inc. (Minnesota Power);
- Northern States Power Company, doing business as Xcel Energy (Xcel);
- Otter Tail Power Company (Otter Tail); and
- Sierra Club.

On January 28, 2020, reply comments were filed by Minnesota Power, Otter Tail, and Xcel.

On February 28, 2020 Xcel filed Xcel's *Annual Report* (Xcel Report). The Xcel Report provided data regarding:

- Allen S. King Generating Station (King);
- Monticello Nuclear Generating Station (Monticello);
- Prairie Island Nuclear Generating Station (Prairie Island) units 1 and 2; and
- Sherburne County Generating Station (Sherco) units 1, 2, and 3.¹

On March 2, 2020 Minnesota Power filed its *Annual Compliance Filing* (MP Report). The MP Report provided data regarding Boswell Energy Center (Boswell) units 3 and 4.² Also, Otter Tail filed its *Annual Compliance Filing* (OTP Report) as well. The OTP Report provided data regarding the Big Stone Plant (Big Stone) and Coyote Station (Coyote).³

Table 1 below shows the ownership arrangements for Big Stone and Coyote.

Table 1: OTP Unit Ownership Arrangements

Utility	Big Stone Ownership Share	Coyote Ownership Share	ISO Membership
Otter Tail Power Company	53.9%	35.0%	MISO
Montana Dakota Utilities	22.7%	25.0%	MISO
NorthWestern Energy	23.4%	10.0%	SPP
Minnkota Power Cooperative	0.0%	30.0%	MISO

On May 4, 2020 the Commission issued its *Order Clarifying Filing Requirements and Schedule*.

On May 5, 2020 Sierra Club requested a one week extension to the comment deadline, to June 8, 2020.

On May 11, 2020 the Commission granted Sierra Club's request.

¹ Regarding Sherco unit 3, Southern Minnesota Municipal Power Agency (SMMPA) owns 41 percent and Xcel owns the remainder. SMMPA serves 18 municipal electric utilities in Minnesota.

² Regarding Boswell unit 4, WPPI Energy owns 20 percent and Minnesota Power owns the remainder. WPPI Energy serves 51 cooperative and municipal electric utilities.

³ Note that NorthWestern Energy provides electric and/or natural gas services to 349 cities in the western two-thirds of Montana, eastern South Dakota and central Nebraska. Montana-Dakota Utilities is a subsidiary of MDU Resources Group, Inc., a company providing retail natural gas and/or electric service to parts of Montana, North Dakota, South Dakota and Wyoming. Minnkota Power Cooperative serves as operating agent for the Northern Municipal Power Agency; Northern Municipal Power Agency actually owns the share of Coyote and serves 12 municipal electric utilities in eastern North Dakota and northwestern Minnesota.

On June 8, 2020 comments were filed by:

- Sierra Club;
- Fresh Energy; and
- the Minnesota Department of Commerce, Division of Energy Resources (Department June Comment).

On June 10, 2020, the Commission issued its *Notice of Extended Reply and Response Comment Period* (Second Notice). The Second Notice established reply and response comment periods regarding the following issues:

- Are the March 1, 2020 filings by the utilities adequate?
- What conclusions can be drawn from the data filed by the utilities on March 1, 2020 in conjunction with what has been learned earlier in this investigation?
- How should the Commission use the information provided by the utilities in this docket going forward?
- Should the Commission require the utilities to evaluate any specific facilities for economic commitment?
- Should the Commission establish enforcement procedures for this issue?
- Are there other issues or concerns related to this matter?

Below are the reply comments of the Department regarding the issues listed in the Second Notice.

II. DEPARTMENT ANALYSIS

A. ARE THE MARCH 1, 2020 FILINGS ADEQUATE?

The Department recommends that the Commission determine that the March 1, 2020 filings by the utilities are adequate. Generally, the filings contained the required information and provided an adequate basis for analysis of the utilities' dispatch-related decisions. As discussed in the Department June Comment, refinements and improvements can be made in future filings. However, the possibility of improvement in the future does not render the starting point inadequate.

B. WHAT CONCLUSIONS CAN BE DRAWN FROM THE DATA?

The Commission can draw conclusions regarding the utilities' dispatch decisions for the July 1, 2018 to December 31, 2019 duration covered by the data. The data also provides an adequate basis for the Commission to make determinations regarding how to improve the utilities' dispatch decisions in the future. However, as indicated the Department June Comment, the data do not provide sufficient information for a unit retirement determination. The data missing includes, for example, cost of transmission fixes required if a unit shuts down, a review of the socioeconomic impacts of a shutdown on the local areas, a capacity expansion analysis of how a unit might be replaced—including consideration of Minnesota's renewable preference requirements—and so forth.

C. HOW SHOULD THE COMMISSION USE THE UTILITIES' INFORMATION?

The Department recommends that the Commission use the information and analysis conducted in this proceeding to refine the information requirements for future filings and to order more detailed analysis of economic dispatch by the utilities to be provided in the filings in 2021. This is discussed in greater detail in the Department June Comment. In addition, the knowledge of MISO market dispatch processes that is provided in the submittals in this proceeding serve as useful background information to consider in resource planning and resource acquisition proceedings.

D. REQUIRING EVALUATION OF SPECIFIC FACILITIES FOR ECONOMIC COMMITMENT

As indicated in the Department June Comment, the Department recommends that the Commission require studies of economic and/or seasonal commitment as follows:

- Regarding Minnesota Power:
 - Boswell unit 3; and
 - Boswell unit 4.
- Regarding Otter Tail:
 - Big Stone.
- Regarding Xcel:
 - Sherco unit 1; and
 - Sherco unit 3.

E. SHOULD THE COMMISSION ESTABLISH ENFORCEMENT PROCEDURES?

At this time, the Department is not aware of any enforcement issues that cannot be addressed through the Commission's normal, written orders.

F. ARE THERE OTHER ISSUES OR CONCERNS

The Department does not have any other issues or concerns related to this matter.

III. CONCLUSION AND RECOMMENDATIONS

The Department's recommendations have not changed from the Department June Comment:

A. RECOMMENDATION FOR REPLY COMMENTS

The phenomenon of dispatching above the minimum even when a unit was not economic appeared in the data for all units to varying degrees. The Department recommends that the utilities explain in reply comments the phenomenon of dispatching above the minimum even when a unit was not economic.

B. RECOMMENDATION FOR COMPLIANCE FILING

To remedy various differences still present in the calculations and data reporting, the Department recommends that the Commission require the utilities to file a compliance filing within 60 days of the Commission's order containing an Excel spreadsheet of the required data, with formulas intact, that the utilities will fill out for each unit in future filings, including clear definitions of the inputs. As part of developing this spreadsheet, the Department recommends that the Commission determine if:

- a breakdown into unit fuel cost and unit variable O&M cost is necessary or if only a total variable cost is necessary;
- ancillary services revenues should be included in the overall calculation of hourly net benefit / (cost); and
- data regarding unavoidable self-commitment should be added to the utilities' filings in the future.

C. RECOMMENDATIONS FOR NEXT YEAR'S FILINGS

Regarding Minnesota Power, the Department recommends that the Commission require Minnesota Power to provide an analysis of the overall benefits and costs of alternatives, such as economic or seasonal dispatch, at Boswell unit 3 and Boswell unit 4 in the Company's next annual filing in this proceeding.

Regarding Otter Tail, the Department recommends that the Commission require Otter Tail to provide an analysis of the overall benefits and costs of alternatives, such as economic or seasonal dispatch, at Big Stone in the Company's next annual filing in this proceeding.

Regarding Xcel, the Department recommends that the Commission require Xcel to provide an analysis of the overall benefits and costs of alternatives, such as economic or seasonal dispatch, at Sherco unit 1 and Sherco unit 3 in the Company's next annual filing in this proceeding.

/ar

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Reply Comments

Docket No.E999/CI-19-704

Dated this **8th** day of **July 2020**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_19-704_Official
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_19-704_Official
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_19-704_Official
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_19-704_Official
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_19-704_Official
Allen	Gleckner	gleckner@fresh-energy.org	Fresh Energy	408 St. Peter Street Ste 220 Saint Paul, Minnesota 55102	Electronic Service	Yes	OFF_SL_19-704_Official
Kim	Havey	kim.havey@minneapolismn.gov	City of Minneapolis	350 South 5th Street, Suite 315M Minneapolis, MN 55415	Electronic Service	No	OFF_SL_19-704_Official
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_19-704_Official
Leann	Oehlerking Boes	lboes@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_19-704_Official
Randy	Olson	rolson@dakotaelectric.com	Dakota Electric Association	4300 220th Street W. Farmington, MN 55024-9583	Electronic Service	No	OFF_SL_19-704_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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
Isabel	Ricker	ricker@fresh-energy.org	Fresh Energy	408 Saint Peter Street Suite 220 Saint Paul, MN 55102	Electronic Service	Yes	OFF_SL_19-704_Official
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-704_Official
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_19-704_Official
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_19-704_Official
Brian	Tulloh	btulloh@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121-2498	Electronic Service	No	OFF_SL_19-704_Official