

July 23, 2020

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

Re: In the Matter of the Commission's Investigation into Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities, Docket No. E999/CI-19-704

Response Comments from Commercial Customers with Clean Energy Goals

Dear Mr. Seuffert:

The undersigned customers ("Commercial Customers with Clean Energy Goals") respectfully submit these *Response Comments* in response to the Commission's June 10, 2020 Notice of Extended Reply and Response Comment Period. The purpose of these *Response Comments* is to support economic dispatch of utility generation resources that can lower electricity costs for all Minnesota customers, reduce greenhouse gas (GHG) emissions, expand renewable energy development through more accurate price signals, and to maintain reliability of Minnesota's electricity systems.

## Customer Priorities

The Commercial Customers with Clean Energy Goals share the following priorities that are relevant to utilities' self-commitment and self-scheduling practices:

- Affordable electricity.
- The ability to procure carbon-free electricity, both through our existing relationships with Minnesota utilities and with other renewable energy providers.
- Reliable electricity.

These goals are not an extension of our philanthropic arms. They are integral to our organizations' success and continued existence. Meeting these goals is increasingly a requirement of our shareholders/stakeholders; the Minnesota State Board of Investment, a state agency, is one such stakeholder requesting organizations like ours meet our ambitious commitments.<sup>1</sup>

The State of Minnesota has similar goals, including reducing GHG emissions 80 percent economy-wide by 2050. Currently the State is falling behind the emissions reductions trajectory needed to meet the 2050 and interim goals.<sup>2</sup> The record in this docket and in related docket E-002/M-19-809 shows that switching to economic dispatch at more coal plants could reduce the gap.<sup>3</sup>

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<sup>1</sup> Minnesota State Board of Investment (February 2020). Environmental, Social, and Governance Report. Accessed July 6, 2020 at <https://mn.gov/sbi/documents/ESG%20Report%20-%20February%202020.pdf>.

<sup>2</sup> Minnesota Pollution Control Agency (December 24, 2018). *Minnesota's GHG emissions 1990 – 2016 and Next Generation Energy Act Goals*. Accessed July 6, 2020 from <https://www.pca.state.mn.us/air/greenhouse-gas-emissions-data>.

<sup>3</sup> Xcel's analysis in Docket E-002/M-19-809 shows that switching to economic commitment for the King and Sherco 2 plants could reduce 6.3 million tons of CO2 by the year 2023. See May 13, 2020 Briefing Papers in Docket E-002/M-19-809.

Inefficient energy dispatch strategies are also an equity issue. Research shows that low income, people of color, and rural customers pay a higher share of their income on utility costs.<sup>4</sup> According to the Minnesota Department of Commerce (“Department”), there are almost 500,000 households in Minnesota eligible for income-based energy assistance.<sup>5</sup> Overuse of self-commitment run strategies that deprioritize lower-cost generation sources creates inequitable outcomes which disproportionately impact customers facing high energy cost burdens.

## Our Organizations’ Clean Energy Goals

A sample of our clean energy and climate commitments include:

### Aveda- Part of The Estée Lauder Companies

- Net Zero carbon emissions and 100 percent renewable electricity by the end of 2020.
- Science-based target covering Scope 1, 2, and 3 by the end of 2020.<sup>6</sup>

### City of Minneapolis

- 100 percent renewable electricity community-wide by 2030.<sup>7</sup>
- 80 percent GHG reduction goals by 2050 in alignment with the State of Minnesota’s goals.<sup>8</sup>

### Target

- Reduce absolute Scope 1 and 2, and Scope 3 GHG emissions from purchased goods and services 30 percent below 2017 levels by 2030.
- Commit that 80 percent of our suppliers will set science-based reduction targets on their Scope 1 and 2 emissions by 2023.
- Procure 100 percent renewable electricity for our global operations by 2030.

### University of Minnesota

- Reduce Scope 1 and 2, and Scope 3 emissions from commuting and air travel 50 percent below 2008 levels by 2021 and achieve climate neutrality (i.e. net zero greenhouse gas emissions) by 2050.

### Uponor

- Power facilities with 100 percent renewable energy sources by 2025.
- Reduce GHG emissions 20 percent by 2020 from 2015 levels.

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<sup>4</sup> Minnesota Citizens Utility Board. *Energy poverty: What is it and how do we understand it?* Accessed July 6, 2020 from <http://cubminnesota.org/energy-poverty-what-is-it-and-how-do-we-understand-it/#:~:text=When%20households%20pay%20in%20excess,across%20the%20state%20of%20Minnesota.&text=This%20equates%20to%20%2425%2C983%20for,for%20a%20household%20of%20four.>

<sup>5</sup> *Id*

<sup>6</sup> **Scope 1:** Direct emissions generated from facilities; **Scope 2:** Emissions from purchased energy used to power facilities; **Scope 3:** Emissions generated from the entire supply chain.

<sup>7</sup> Resolution adopting 100% renewable electricity community-wide by 2030.

<https://lms.minneapolismn.gov/Download/RCA/4338/100%20renewables%20resolution%20final.pdf>

<sup>8</sup> Minneapolis Climate Action Plan. June 28, 2013.

<http://www2.minneapolismn.gov/www/groups/public/@citycoordinator/documents/webcontent/wcms1p-113598.pdf>

- Improve energy efficiency 20 percent by 2026 from 2016 levels.

Uneconomic self-commitment and self-scheduling of fossil fuel generators impede all of the goals listed above.

## Responses to the Comment Period Questions

We offer the following responses to the topics open for comment:

- **Are the March 1, 2020 filings by the utilities adequate?**

Our group offers no opinion on the adequacy of the filings.

- **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?**

### *Curtailment*

The Commission has raised concerns that self-commitment of coal units may lead to curtailment of low cost renewable resources that would otherwise be dispatched. In their June 8, 2020 Comments in this docket the Department wrote that “Overall, the available data indicate that curtailment is minimal in the recent past for all three utilities.”<sup>9</sup> The Commercial Customers with Clean Energy Goals wish to clarify that this statement only addresses curtailment of utility owned or contracted renewable resources. This statement does not address potential curtailment of non-Minnesota utility resources, such as renewables contracted by other utilities in the MISO footprint or by independent power producers. As a result, we recommend that the Commission does not make any findings indicating that curtailment is minimal because of the limited scope of the data before the Commission on this topic in this docket.

We also note that the Department’s curtailment statement is limited to existing generation sources. It does not address the potential for curtailment of future merchant renewable energy facilities that may not be financeable due to artificially suppressed locational marginal prices that the overuse of self-commitment can create. We address this point in more detail later in these comments.

- **How should the Commission use the information provided by the utilities in this docket going forward?**

### *Recommendations for Existing, New, and/or Repowered Utility Generation Resources*

We recommend that the Commission require Minnesota utilities to economically dispatch all new or repowered generation resources unless the utility can demonstrate that doing so would not be in the best interest of customers and in support of the State’s clean energy and climate goals. If there are existing units using self-commitment that are not part of the current investigation, we recommend that those units also be evaluated for economic dispatch.

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<sup>9</sup> p 39.

- **Should the Commission require the utilities to evaluate any specific facilities for economic commitment?**

Based on the analysis provided by the Department and Fresh Energy in this docket we agree that Boswell units 3 and 4 and Sherco units 1 and 3 should be evaluated for economic commitment. It is not sufficient for units to continue self-commitment if they have historically earned more market revenue than their operating costs over certain time periods. Instead, the dispatch method that results in the lowest costs for ratepayers should be chosen. In this vein, the record in this docket demonstrates that the above-mentioned units are ripe for economic dispatch evaluation.

As the Commission considers additional evaluation in this docket we note that there is already a significant amount of analysis on these units in this proceeding. We urge the Commission to use the existing analysis and move with due speed as this proceeding continues, because the longer the units are operating uneconomically the longer customers are being overcharged.

- **Should the Commission establish enforcement procedures for this issue?**

*Cost Recovery Options*

If the Commission finds that, through evaluations in this docket and in subsequent annual filings, utilities continue the use of uneconomic self-commitment strategies, the Commission should consider stronger ratepayer protections, including but not limited to evaluating cost disallowance. Having the full suite of ratepayer protection enforcement tools at the Commission's disposal is crucial to correcting the balance of ratepayer and shareholder interests in these dispatch discussions.

- **Are there other issues or concerns related to this matter?**

*Benefit of Rising Locational Marginal Prices (LMPs)*

Much of the focus of the Commission's current investigation has been on the reduction in production costs at coal plants operated by rate-regulated Minnesota utilities; we agree with this primary focus. However, the rise in LMPs that can result from more units economically dispatching is also a key benefit to our cost management and clean energy goals. This may seem counterintuitive, yet modeling on self-commitment in MISO has shown that, if all coal units were economically dispatched rather than self-committed, LMPs would increase but overall production costs would fall, benefiting customers through a net cost savings.<sup>10</sup> The market monitor for the Southwest Power Pool reached similar conclusions.<sup>11</sup>

As the Department noted the Minnesota hub has lower LMPs than other MISO hubs.<sup>12</sup> These low LMPs, combined with significant transmission constraints, are some of the reasons why there has been little renewable energy development outside of utility-contracted PPAs and/or utility-owned resources in Minnesota. Data from the Renewable Energy Buyers Alliance shows no publicly-announced virtual

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<sup>10</sup> Fisher, Jeremy, Al Armendariz, Matthew Miller, Brendan Pierpont, Casey Roberts, Josh Smith, Greg Wannier. (2019). *Playing With Other People's Money: How Non-Economic Coal Operations Distort Energy Markets* Sierra Club. Accessed July 7, 2020 at <https://www.sierraclub.org/sites/www.sierraclub.org/files/Other%20Peoples%20Money%20Non-Economic%20Dispatch%20Paper%20Oct%202019.pdf>.

<sup>11</sup> Southwest Power Pool (December 2019). *Self-committing in SPP markets: Overview, impacts, and recommendations*. Accessed July 7, 2020 at <https://spp.org/documents/61118/spp%20mmu%20self-commit%20whitepaper.pdf>

<sup>12</sup> Pg 6 of Department's June 8, 2020 *Comments*.

power purchase agreements (VPPA) in Minnesota. A map of publicly-announced projects by state is included in Appendix 1.

LMP revenue is a primary source of revenue for VPPA projects. A small increase in LMPs resulting from more efficient market price signals could drive increased renewable energy deployment behind the Minnesota LMP hub. This renewable energy development would help Minnesota and customers like us meet our clean energy goals. It would also benefit other customers by having other parties hold the long-term financial risk on VPPA projects and by introducing more zero fuel cost resources into the market.<sup>13</sup>

## Conclusion

We appreciate the Commission's investigation into this market practice. The *Commercial Customers with Clean Energy Goals* believes the overuse of self-commitment dispatch is a barrier to the State's and our clean energy, energy affordability, and energy equity goals. The practice is also creating an artificial obstacle to new clean energy development, development that is needed for Minnesota to meet its GHG emissions goals. The record demonstrates that reducing the use of self-commitment does not pose a risk to electric reliability to the system or to our own operations.<sup>14</sup> We urge the Commission to order dispatch changes to the units included in this investigation and move with speed to implement those changes so our organizations and all ratepayers can benefit from lower cost electricity.

Thank you for the opportunity to comment on this important matter.

Sincerely,

Commercial Customers with Clean Energy Goals

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Global Sustainability Manager  
Aveda Corporation

Kim W. Havey  
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Holly Lahd  
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<sup>13</sup> "These findings suggest that the practical effect of non-economic self-commitment by regulated coal units is that captive ratepayers pay more for their generation, and thereby subsidize ratepayers of utilities that buy energy from the market. The operation of non-economic coal plants also deprives independent power producers, including renewable energy producers, of critical market revenues — in this case, to the tune of a nearly a quarter of potential revenues."

Fisher, Jeremy, Al Armendariz, Matthew Miller, Brendan Pierpont, Casey Roberts, Josh Smith, Greg Wannier. (2019). *Playing With Other People's Money: How Non-Economic Coal Operations Distort Energy Markets* Sierra Club at 18.

<sup>14</sup> See Fresh Energy June 8, 2020 *Comments* in Docket No. E999/CI-19-704.

## Appendix 1. Map of Publicly-Announced Corporate Offsite Renewable Energy Deals by State

Map shows count of deals by state and ISO/RTO (if applicable) of publicly-announced renewable energy transactions by Commercial/Industrial customers. ISO/RTO boundaries are shaded in colors, while the numbers refer to the number of publicly-announced transactions by state.

**Source:** Renewable Energy Buyers Alliance

