

Staff Briefing Papers – Addendum

Staff notes that in reviewing the Decision Options provided with the briefing papers one of the recommendations by Fresh Energy in its reply comments was overlooked. The following Decision Option 12a should be considered as an alternative to Decision Option 12 on page 30 of the briefing papers and would implement reply comment recommendation 7 by Fresh Energy, on page 17 of the briefing papers.

Decision Alternatives

Adequacy of Xcel Energy's, Otter Tail's, and Minnesota Power's March 1, 2020 Reports

1. Find that Xcel Energy's filing in this docket is adequate and met the filing requirements.
(Department, Sierra Club, Fresh Energy)
2. Find that Otter Tail's filing in this docket is adequate and met the filing requirements.
(Department, Otter Tail, Fresh Energy)
3. Find that Minnesota Power's filing in this docket is adequate and met the filing requirements.
or
4. Find that Minnesota Power failed to meet the requirements in Ordering Paragraph 8 of the November 2019 Order and instruct Minnesota Power to file a complete report on or before December 1, 2020. or
5. Find that Minnesota Power failed to meet the requirements in Ordering Paragraph 8 of the November 2019 Order and instruct Minnesota Power to file a complete report covering July 2018 through December 2020 with its March 1, 2021 filing in this docket.

Should Complete Cost-Benefit Analyses of Economic and Seasonal Dispatch be Required?

6. Require the appropriate utility to file in their March 1, 2021 filing (or some other date to be determined by the Commission) a complete analysis of the costs and benefits of economic or seasonal dispatch relative to self-scheduling at the following facilities:
 - a. Boswell 3 and Boswell 4 – Minnesota Power (Sierra Club, Fresh Energy, Department)
 - b. Coyote Station – Otter Tail (Sierra Club, Fresh Energy)
 - c. Sherco 1 and Sherco 3 – Xcel Energy (Department, Sierra Club, Fresh Energy)

Formatting Requirements and Formulas to be Used in Future Annual Filings

7. Require all utilities to file a compliance filing within 60 days of the Commission's order containing the required data, with formulae intact, that the utilities will fill out for each unit in future filings, including clear definitions of each input. (Department)
 - a. Delegate authority to the Executive Secretary to approve this compliance filing for use in the March 2021 filings in this docket. (Staff)

Annual Filing Requirement Modifications

8. Modify the annual filing requirements in Ordering Paragraphs 8 through 10 in the Order of November 2019 as follows:
 - a. Include ancillary services revenues and any other make-whole payments as a separate column in all reporting on revenue from generation. (Department)
 - b. Utilities should provide Unit Fuel Costs and Unit Variable Cost as separate line items. (Department)
 - c. If a utility excludes any fuel costs from its MISO offer curves, the utility should also provide an analysis that includes all fuel costs, including those currently treated as fixed costs due to contractual terms. (Fresh Energy, Sierra Club)
 - d. Utilities should include all preventative maintenance in O&M costs for reporting purposes. (Fresh Energy, Sierra Club)
 - e. Any hours with unavoidable self-commitment should be labeled as such, with a cause listed for the self-commitment in that hour. (Testing, contract, dispatch of co-owned generation, etc.) (Department, Fresh Energy, Sierra Club)
 - f. Modify Ordering Paragraph 9 of the November 13, 2019 Order to read:

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 all production costs including fuel, cost variable O&M costs, matching the offer curve submitted to MISO energy markets, and any other variable costs associated with the plant. (Fresh Energy)
 - g. Report net benefit/(cost) using total production cost but provide columns for hourly unit fuel and variable O&M in workpapers (Fresh Energy)
 - h. Not include ancillary service market (ASM) revenues in the calculation of net benefit/(cost), but utilities may report ASM revenues and discuss their relevance to the analysis. (Fresh Energy)

- i. Require utilities to provide in future Annual Reports in this docket: (Fresh Energy)
 - i. Length of minimum decommit time for each unit
 - ii. Number of times in the analysis period that each unit incurred losses over a duration greater than or equal to its minimum decommit time
 - iii. Of the periods identified in (ii), the number of periods when losses were greater than the relevant startup cost (warm or cold startup cost, depending on the length of the period)
 - iv. Sum of losses in excess of startup cost that were incurred during periods identified in (iii)

Enforcement and Plant Management Orders

- 9. Require utilities to establish a clear and auditable mechanism of determining whether its commitment decisions are in the best interest of ratepayers. (Sierra Club)
- 10. Require Minnesota Power to use MISO's economic commitment status for Boswell 3 and Boswell 4. (Sierra Club alternate)

OR

- 11. Require Minnesota Power to provide a plan in this docket for moving one or more Boswell units to an economic-based strategy. (Fresh Energy)
- 12. Indicate in the Commission's order that in each utilities next Fuel Cause Adjustment True-up proceeding, the Commission will disallow recovery from ratepayers any fuel and variable operations and maintenance (O&M) costs incurred as a result of uneconomic use of self-scheduling at coal facilities which have not begun using an economic commitment strategy, where not supported by a forward-looking analysis of unit commitment strategies which uses Locational Marginal Price forecasts, unit operational costs, and unit start-up and shut-down costs to determine daily whether to self-commit a unit or to take it offline during periods of low market prices. Utilities should retain this analysis to allow the Commission to evaluate in fuel clause adjustment proceedings whether a unit's commitment decision maximized its economic value to the utility's customers. (Sierra Club)

(OR)

12.a Review Boswell units 3 & 4 losses in excess of startup cost (as described in decision option 8.i.iv) during Minnesota Power's 2021 fuel charge true-up proceeding and, if the Commission finds these losses to be unreasonable, determine whether to adjust proposed FCA true-up amounts accordingly. (Fresh Energy)

- 13. Require Minnesota Power and Otter Tail, in their next respective IRPs, to evaluate whether there are lower cost alternatives for meeting their resource adequacy requirements, and for

obtaining reliability and ancillary services, than self-scheduling its baseload facilities. Alternatives to be evaluated should include construction of new generation facilities, bi-lateral capacity purchases, and purchase of capacity through the MISO capacity auction. (Sierra Club)

14. Require Minnesota Power, in its next IRP, to evaluate whether reducing minimum operating levels at Boswell 3 and/or Boswell 4 would benefit customers. (Sierra Club)
15. Require Otter Tail, in its next IRP, to evaluate whether reducing minimum operating levels at Big Stone and/or Coyote Station would benefit customers. (Sierra Club)

16. Coal Contracts

- a. Require all utilities to identify any proposed new coal contracts in Fuel Clause Adjustment proceedings, and to submit them for prudence review in those proceedings, before signing any such contracts. (Sierra Club), and
- b. Indicate in the Commission's order that any fuel contracts that prohibit disclosure of the contracts' terms without Commission order is per se counter to the public interest (Sierra Club), and
- c. Require Otter Tail to evaluate whether continued participation in its 25-year coal supply contract at Coyote Station is in the customer's interest in its next Integrated Resource Plan. (Sierra Club)

(OR)

- d. Require Otter Tail to provide a discussion of the options and costs of changing its current coal contract at Coyote Station and evaluation of how potential costs of changing the contract compare to Coyote Station's past and forecast operating losses in this docket. (Fresh Energy) and
 - e. Indicate in the Commission's order that the Commission will review the prudence of this contract at Otter Tail's next fuel clause adjustment and disallow any imprudent associated costs. (Fresh Energy)
17. Require utilities with co-ownership of baseload generating facilities to either develop methods of economically committing those units within the terms of their partnership, or justify in their next report in this docket the prudence of continued operation of that unit as a joint owner (Sierra Club)
 18. Require utilities to document periods where a baseload plant on self-commitment is dispatched uneconomically above their operating minimums, including
 - a. Identify for each hour where this phenomenon is observed and identify the reason for the dispatch.
 - b. For each reason, identify how frequently it occurs.
 - c. Keep a record going forward with an explanation for each instance of uneconomic dispatch above operating minimums which lasts more than 4 hours. (Sierra Club)

