

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayner	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of Dairyland Power Cooperative's
2000 Integrated Resource Plan

ISSUE DATE: September 11, 2001

DOCKET NO. ET-3/RP-00-1619

ORDER ACCEPTING RESOURCE PLAN,
REQUESTING INFORMATION IN NEXT
FILING, AND SETTING FILING DATE

PROCEDURAL HISTORY

On November 30, 2000, Dairyland Power Cooperative filed its resource plan for 2000-2015.

On March 27, 2001, the Department of Commerce filed comments. That agency recommended that the Commission accept the plan, note that the plan did not meet Minnesota's certificate of need requirements, and set specific requirements for the cooperative's next resource plan.

On August 28, 2001, the filing came before the Commission.

FINDINGS AND CONCLUSIONS

I. Factual Background

A. The Resource Planning Process

The resource planning statute and rules are detailed, but basically require utilities to file periodic reports on (1) the projected energy needs of their service areas over the next 15 years; (2) their plans for meeting projected need; (3) the analytical process they used to develop their plans for meeting projected need; and (4) their reasons for adopting the specific resource mix proposed. Minn. Stat. § 216B.2422.

These requirements are designed to strengthen utilities' long term planning processes by providing input from the public, other regulatory agencies, and the Commission. They are also designed to ensure that utilities making resource decisions give adequate consideration to factors whose public policy importance has grown in recent years, such as the environmental and socioeconomic impact of different resource mixes.

Originally, resource planning requirements applied only to rate-regulated utilities. In 1993 the Legislature amended the statute to require resource plans from all entities serving 10,000 customers and capable of generating 100,000 kilowatts of electricity, directly or indirectly. This included Dairyland. For these utilities, however, Commission Orders are advisory only. Minn. Stat. § 216B.2422, subd. 2.

B. Dairyland Power Cooperative

Dairyland Power Cooperative is a member-owned generation and transmission utility headquartered in La Crosse, Wisconsin. Together with its subsidiary, GEN-SYS Energy, it provides wholesale power to 25 member distribution cooperatives and to 18 municipal utilities. These co-operative and municipal utilities provide retail electrical service to approximately 220,000 accounts and 550,000 people.

Dairyland's service territory covers some 44,500 square miles and includes 62 counties in five states (Wisconsin, Minnesota, Iowa, Illinois, and Michigan). In Minnesota, Dairyland serves three cooperative utilities and three municipal utilities, listed below.

- Freeborn Mower Cooperative Services, with headquarters in Albert Lea
- People's Cooperative Services, with headquarters in Rochester
- Tri-County Electric Cooperative, with headquarters in Rushford
- City of Rushford
- City of St. Charles
- City of Lanesboro

Historically, Dairyland's customer base has been predominantly rural. Its service area has been changing, however, and farms now account for only about one-third of its residential customers. Its strongest growth in recent years has been in the commercial and industrial classes, as large agricultural concerns, small manufacturers, and industrial facilities locate in rural and suburban areas within its service territory.

The utility has four generating stations:

- Alma, a five-unit coal-fired generating facility with total generating capacity of 191 MW;
- Flambeau Hydroelectric Station, a three-unit hydro facility with total generating capacity of 21 MW;

- Genoa 3, a single-unit coal-fired facility with a generating capacity of 354 MW;
- John P. Madgett, a single-unit coal-fired facility with a generating capacity of 373 MW.

The utility also has contracts for the output from 42 generators at 12 stations owned by municipal utilities, with a total generating capacity of 66 MW. It also owns one-third of the output from a 2 MW wind farm in western Minnesota.

C. The Resource Plan

Dairyland's forecast of future need showed steadily increasing near-term capacity deficits, beginning with a 20 megawatt deficit in the summer of 2001 and climbing to a 152 megawatt deficit by the summer of 2006. The utility's five-year action plan for dealing with these projected deficits has six parts:

- (1) build two 40 MW gas-fired combustion turbines in Elk Mound, Wisconsin;
- (2) implement Wisconsin's Renewable Resources Portfolio, which requires that renewable resources account for 2.2% of the utility's generation by the year 2011;
- (3) continue to evaluate load management programs, both to ensure continued cost-effectiveness of current programs and to increase the utility's ability to manage peak load periods;
- (4) continue to monitor and evaluate the viability of green power resource options, including wind, animal confinement methane, alfalfa gasification, hydroelectric power, photovoltaics, municipal sewage methane, and new options as they arise;
- (5) study and evaluate all alternatives for dealing with the aging Alma units;
- (6) study and evaluate technologies and sites for intermediate peaking facilities required for the 2003-2004 time period.

II. Positions of the Parties

The Department of Commerce (the Department) recommended that the Commission accept the utility's resource plan. The agency also urged the Commission to clarify that the plan does not meet Minnesota certificate of need requirements. Finally, the agency recommended that Dairyland take the following actions to improve its next resource plan filing:

- (1) optimize its supply-side and demand-side resource plans;
- (2) improve its forecast documentation and forecast discussion, including providing high and low forecast bands;
- (3) discuss the potential for capacity degradation and unit decommissioning during the resource plan time frame;
- (4) present a more detailed description of its modeling procedures and results;
- (5) provide the criteria upon which the technology selection is based;

- (6) develop scenarios under which 50% and 75% of new resource needs are met by renewable resources;
- (7) explain how the utility's demand-side management programs will be adjusted to reflect the coming change to being a summer-peaking utility;
- (8) present a list of contingencies the utility considers in its planning procedures along with a preferred response;
- (9) present a long-run action plan to supplement its short-run action plan.

Dairyland stated that it did not object to these recommendations.

III. Commission Action

A. Plan Accepted

The Commission agrees with the Department that Dairyland's resource plan meets statutory and rule requirements and should be accepted. Since Minnesota's resource planning statute permits utilities to combine certificate of need applications with their resource plans,¹ it is important to clarify that Dairyland's resource plan filing does not meet certificate of need requirements and that accepting the plan does not indicate Commission support or approval of any future facility discussed therein.

B. Expectations Established

The Department lists nine sets of issues which it recommends that Dairyland discuss in detail in its next resource plan. The Commission agrees that these issues are critical for developing a clear understanding of the utility's future needs and for determining the best resource mix for meeting those needs. Dairyland's next resource plan should include detailed discussion of these issues; the Commission will ask the utility to ensure that it does.

C. Next Filing Date Set

The resource planning statute does not specify how often resource plans should be filed, leaving that to Commission discretion. The Commission's rules specify biennial filings,² but as resource plans have become more complex, the Commission has often varied the biennial filing requirement. It is often possible to defer these filings for a year with no harm to the public interest and significant cost savings for utilities, other stakeholders, and the regulatory agencies.

¹ Minn. Stat. § 216B.2422, subd. 6.

² Minn. Rules, part 7843.0300, subp. 2.

Here, too, the Commission finds that permitting a three-year interval between resource plan filings would adequately protect the public interest while conserving the resources of all concerned. The Commission will therefore vary the two-year filing requirement as permitted under Minn. Rules, part 7829.3200, making the following findings:

- (1) Enforcing the two-year filing requirement would impose an excessive burden on Dairyland, the Department of Commerce, and the Commission, by requiring a time-consuming and unnecessary filing.
- (2) Extending the filing deadline by one year will not adversely affect the public interest.
- (3) Extending the filing deadline by one year does not conflict with any standards imposed by law.

Dairyland's next resource plan would therefore be due on or before December 1, 2003. The Commission will so order.

ORDER

1. The 2000-2015 resource plan filed by Dairyland Power Cooperative is hereby accepted. This plan does not meet Minnesota's certificate of need requirements, and its acceptance does not indicate Commission support or approval of any facility discussed therein.
2. Dairyland Power Cooperative shall file its next resource plan on or before December 1, 2003.
3. The Commission requests that Dairyland take the following actions in preparing its next resource plan filing:
 - (1) optimize its supply-side and demand-side resource plans;
 - (2) improve its forecast documentation and forecast discussion, including providing high and low forecast bands;
 - (3) discuss the potential for capacity degradation and unit decommissioning during the resource plan time frame;
 - (4) present a more detailed description of its modeling procedures and results;
 - (5) provide the criteria upon which the technology selection is based;
 - (6) develop scenarios under which 50% and 75% of new resource needs are met by renewable resources;
 - (7) explain how the utility's demand-side management programs will be adjusted to reflect the coming change to being a summer-peaking utility;
 - (8) present a list of contingencies the utility considers in its planning procedures along with a preferred response;
 - (9) present a long-run action plan to supplement its short-run action plan.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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