

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Ellen Gavin
Marshall Johnson
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the 2002 Integrated Resource
Plan of Minnkota Power Cooperative, Inc. and
Northern Municipal Power Agency

ISSUE DATE: April 9, 2003

DOCKET NO. ET6, 6132/RP-02-1145

ORDER ACCEPTING 2002 INTEGRATED
RESOURCE PLAN, ADDING
REQUIREMENTS AND SETTING FILING
DATE FOR NEXT PLAN

PROCEDURAL HISTORY

On June 26, 2002, Minnkota Power Cooperative, Inc. (Minnkota or the Cooperative) and Northern Minnesota Municipal Power Agency (NMPA) jointly submitted their current resource plan filing pursuant to Minn. Stat. § 216B.2422, covering the period 2002-2016.¹

On July 16, 2002, the Minnesota Department of Commerce (the Department) submitted a letter regarding the completeness of the resource plan filing. The Department indicated that it would work with Minnkota to improve its resource plan rather than argue completeness at that time.

On October 28, 2002, the Department submitted detailed comments on the proposed resource plan.

On December 27, 2002, the Cooperative responded to the Department's comments.

The Commission met on April 3, 2003 to consider this matter.

¹ While the filing is a joint submission of Minnkota and NMPA, most of the analysis apparently was done by Minnkota. Hence, this Order will sometimes refer only to Minnkota.

FINDINGS AND CONCLUSIONS

I. MINNKOTA AND NMPA'S 2002 INTEGRATED RESOURCE PLAN

Minnkota is a wholesale electric generation and transmission cooperative providing electric service to eleven rural distribution cooperatives in eastern North Dakota and northwestern Minnesota. NMPA is a municipal joint action agency providing power to twelve cities, ten in northwestern Minnesota and two in northeastern North Dakota. Minnkota is the operating agent for NMPA and together, Minnkota and NMPA have formed a Joint System.

Minnkota and NMPA filed their 2002 Integrated Resource Plan to fulfill filing requirements of the Western Area Power Administration (WAPA) and the Minnesota Commission. According to Minnkota and NMPA, their resource plan includes the supply-side resources and demand-side options that best fit their forecasted energy requirements.

II. THE DEPARTMENT'S COMMENTS

The Department stated that the 2002 Integrated Resource Plan filed by Minnkota and NMPA adequately met the requirements of the statute and rule and recommended that the Commission accept the Plan and its underlying forecasts as reasonable for the planning process.

The Department discussed several specific issue areas for the Minnkota/NMPA resource plan and recommended several changes in the planning process used by Minnkota and NMPA. The Department also recommended that the utilities include several items in their next resource plan filing.

Specifically, the Department recommended the following:

1. Minnkota should set up and include a chart cross-indexing rule requirements and sections that address those requirements. The Department stated that this would aid Minnkota in preparing a complete filing and would speed the completeness review.
2. Minnkota should provide an update on whether it actually has exercised options on Square Butte and whether it will continue to do so in future years.
3. Minnkota should not treat new resource options as existing resources.
4. Minnkota should include a discussion on its ability to meet Minn. Stat. § 216B.1691.
5. Minnkota should discuss its potential affiliation with a regional transmission organization in the future and detail any effects that regional transmission organizations have on the Cooperative's transmission planning process.
6. Minnkota should refrain from using load management programs as a load-building tool.

7. Minnkota should continue to examine the use of time-of-day or real-time pricing as an additional demand-side resource.
8. Minnkota should use the Department's recommended three-step approach to determine additional cost-effective conservation measures for use by its member systems.
9. Minnkota should consider determining the optimal level of demand-side resources if it needs to construct generation or transmission in Minnesota in the near future.
10. Minnkota should work with its member systems and NMPA to determine energy and demand savings attributable to conservation efforts.
11. Minnkota should explain more fully how the Maximum Achievable Control Technology (MACT) requirements could affect the Joint System.

III. MINNKOTA AND NMPA'S REPLY COMMENTS

The utilities accepted most of the Department's recommendations but objected to three:

- Regarding the Department recommendation #3 (see above), the utilities stated that since Square Butte is an existing facility, exercising the options should continue to be considered an existing resource, not a new resource.
- Regarding the Department recommendation #6 (see above), the utilities stated that Minnkota's investments in load management have been to avoid building or purchasing expensive new generation capacity and high-cost Midwest Area Power Pool (MAPP) energy, and thereby maintain affordable rates charged to its member systems. As a consequence, they argued, the Cooperative's peak loads do not threaten system reliability because loads can be controlled at opportune times.
- Regarding the Department recommendation #8 (see above) to use the Department's recommended three-step approach to determine additional cost-effective conservation measures, the utilities stated that the optimal level of demand-side resources will depend on many factors including, but not limited to, reliability, cost and environmental considerations.

IV. COMMISSION ANALYSIS AND ACTION

A. The Resource Planning Process

The resource planning statute and rules require utilities to file biennial 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 to meet projected need. Minn. Stat. § 216B.2422 and Minn. Rules, Chapter 7843.

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.

Each utility capable of generating 100,000 kilowatts or more of electric power and serving, either directly or indirectly, the needs of 10,000 retail customers in Minnesota must file a resource plan biennially and the Commission must approve, reject, or modify that plan. For all other utilities, including electric cooperatives such as Minnkota, the Commission's Order is advisory only. Minn. Stat. § 216B.2422 and Minn. Rules, Chapter 7843.

B. Minnkota and NMPA'S Plan in General

Based on the Department's recommendation and its own review, the Commission finds that Minnkota and NMPA's 2002 Integrated Resource Plan, including its underlying forecasts, meet the requirements of the applicable statute and rule, Minn. Stat. § 216B.2422 and Minn. Rules, Chapter 7843 and are reasonable. Accordingly, the Commission will accept the Plan.

C. The Department's Recommended Changes

Minnkota has accepted several of the Department's recommended changes, as noted above. After receiving Minnkota's responses on three of the Department's recommendations (#3, 6, and 8 above), the Department did not press these three recommendations. The Commission finds that the changes Minnkota has accepted are reasonable and looks forward to receiving an even better Resource Plan next time. The Commission finds that the accepted recommendations will provide an adequate improvement for the next filing and will not require more at this time.

D. Filing Date for Next Resource Plan

Using the normal two-year interval for resource plan filings, the next resource plan for Minnkota and NMPA would be due by July 1, 2004, less than a year and a half away.

Changing this two-year interval requires a variance of Minn. Rules, part 7843.0300, subp. 2 pursuant to Minn. Rules, part 7829.3200. The statute provides that the Commission shall grant a variance to a given rule when it determines that three specific conditions have been met. In this case, the Commission finds that the three are met:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule. Preparation by a utility of a resource plan requires a significant amount of time and other resources. Also, processing a resource plan filing requires a significant amount of time and effort by Department and Commission personnel. Since the Commission's decision is only advisory, requiring that effort so soon would be an excessive burden on the Department and the utilities.

2. Granting the variance would not adversely affect the public interest. The public interest would be adversely affected by an interval longer than two years, because it does not appear Minnkota and NMPA will need to construct new generation or transmission facilities in Minnesota during the next several years. Further, the transmission needs of the utilities' Joint System will presumably will be evaluated in the new biennial transmission planning process.
3. Granting the variance would not conflict with standards imposed by law. The two year interval is required by rule only and Minn. Rules, part 7829.3200 authorizes the Commission to vary its rules in circumstances as are here present.

Accordingly, the Commission will grant a variance to the filing deadline imposed by Minn. Rules, part 7843.0300, subp. 2 and extend the filing deadline to July 1, 2006.

ORDER

1. The Commission accepts the 2002 Integrated Resource Plan submitted by Minnkota and NMPA as meeting the requirements of the applicable statute and rules.
2. The Commission accepts certain recommendations by the Department that have been agreed to by Minnkota regarding analytical procedures for and content of Minnkota's next resource plan filing, as follows:
 - a. Minnkota will set up and include in its next filing a chart cross-indexing rule requirements and sections that address those requirements; this will aid Minnkota in preparing a complete filing and would speed the completeness review;
 - b. Minnkota will provide an update on whether it actually has exercised options on Square Butte and whether it will continue to do so in future years;
 - c. Minnkota will include a discussion of its ability to meet Minn. Stat. § 216B.1691;
 - d. Minnkota will discuss its potential affiliation with a regional transmission organization in the future and detail any effects that regional transmission organizations have on the Cooperative's transmission planning process;
 - e. Minnkota will continue to examine the use of time-of-day or real-time pricing as an additional demand-side resource;

- f. Minnkota will consider determining the optimal level of demand-side resources if it needs to construct generation or transmission in Minnesota in the near future;
 - g. Minnkota will work with its member systems and NMPA to determine energy and demand savings attributable to conservation efforts; and
 - h. Minnkota will explain more fully how the MACT requirements could affect the Joint System.
- 3. The Commission hereby varies Minn. Rules, part 7843.0300, subp. 2 and requires Minnkota and NMPA to file their next resource plan on or before July 1, 2006.
 - 4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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