

**Regulatory Assistance Project Electric Resource Long-range Planning Survey**  
Compiled by CM  LB

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**Policies**

1. Is any form of long-range electrical resource and/or investment planning required?  
 Yes                       No

2. If yes, what planning processes are going on?

Integrated Resource Planning (IRP)  
Biennial Transmission Planning  
Certificate of Need Permitting  
Power Plant Siting and Transmission Line Routing

3. Please describe IRP (the process). (Who files what, when, how often? Who analyzes filings? Formal docket? Who responds? Who are regular parties? How is it used?)

The process was originally created under then-existing statutes requiring the Commission to consider costs and service reliability, covering investor-owned utilities only. The 1993 resource planning statute gave the Commission a little extra responsibility and authority by making resource plans for IOUs subject to approval, rejection, or modification. The 1993 statute also brought utilities that are not rate-regulated, i.e. municipal joint action agencies and generation and transmission cooperatives, into the IRP process, but it is only advisory for those types of utilities. Presently ten utilities are required to file resource plans. The process is intended to be largely a collaborative process, providing a forum for state agencies and other parties to find out what utilities are planning, to get comments from others on those plans, and give the PUC the opportunity to provide guidance. The rules provide for formal intervention, but generally it is possible for anyone to participate.

Under the rules, the proceedings are not automatically contested cases. The Commission could order a contested proceeding but up to now has not. At the time of the early-90s rulemaking, the Department of Public Service acted as an advocate for the public interest. More recently the DPS and its functions, including public advocacy for electricity regulation, have been rolled into the Department of

Commerce (DOC). The DOC is generally very involved as an advocate in IRP proceedings. The Attorney General's office also advocates for residential and small business customers, but is not always as involved in IRP dockets as the DOC. The Izaak Walton League of America (Midwest Office) often is involved as an environmental advocate. Other parties have participated in resource plan proceedings, and Xcel Energy's filings tend to attract the greatest level of participation. In all IRP cases the Commission issues written decisions including conclusions and reasons for its determinations on specific issues.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

The present process is utility-specific. There is some concern these days that there should be a statewide process/review. At the time of the initial rulemaking, that was ruled out as too resource-intensive, but there is some frustration that the current process does not provide a comprehensive statewide look at customer needs and resource options.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

There is a relationship, but nothing that waives the commission's right to examine the prudence of decisions in later proceedings.

The statute and rules indicate that the PUC's findings of fact and conclusions regarding resource plans shall be considered prima facie evidence, subject to rebuttal, in certificate of need hearings, rate reviews and other proceedings, so they are given some weight. The biggest savings in the later proceedings come from not having to plow the same ground again. For example, DOC typically will not have to revisit certain issues (e.g., the energy and demand forecasts of future needs).

The statute and rules allow resource plan and certificate of need proceedings to be consolidated, provided that the timing is right and certain procedures are followed.

6. This form of planning has been required since what date?

The first plans were required in 1991 for two IOUs and in 1992 for the other two. As indicated earlier, the process was made more rigorous with the 1993 statute, and additional utilities were required to participate.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

Generally speaking, utilities have not gotten into trouble by ignoring PUC decisions in IRP dockets. Resource plans are seen as transitory and/or incremental. Changing circumstances lead to modifications of plans, and unresolved issues can be addressed with the next filing. The Commission routinely lists specific types of information or study results that it wishes to see in the next filing. It is extremely significant that major facilities still must be permitted in separate processes.

One current consideration is that Xcel Energy's last plan was withdrawn, so that utility has had no approved plan for 3-4 years. Xcel Energy is the only utility that has a Commission-approved competitive bidding process for new generation facilities. In Xcel's last approved plan, an all-source bidding process was ordered. Xcel selected certain facilities in the all-source bid docket but subsequently found that MISO might not authorize the necessary transmission. As a result, the Commission had to permit Xcel to self-build certain peaking facilities. Problems with the competitive bidding processes are being considered in Xcel's current IRP docket, which likely will not be completed for several more months.

8. Is anything similar required for natural gas-related planning?  Yes  No

If yes, what is that process called?

The Commission decided in the 1990 rulemaking not to proceed with a similar process for gas utilities. That decision could be reevaluated at some point in the future.

### Required Elements

9. Back to IRP (the electric resource process). Which of the following resources must be explicitly evaluated/included:
- Generation
  - Transmission
  - Distribution
  - Energy efficiency
  - Load Management
  - Other demand side measures
  - Specific generation (e.g. renewable, distributed)
  - Others

Once a certain level of need is established through the energy and demand forecasts, the emphasis in the process is on the demand-side and supply-side resources potentially available to meet that need. Renewable energy is now an even more significant component of the IRP filing due to the statute setting forth Renewable Energy Objectives. Distributed generation, cogeneration, and supply purchases from other utilities and non-utilities all must be considered, both in the IRP process and in the need process.

What tests must be included/utilized?

Most utilities use present value of revenue requirements in evaluating various scenarios. Utilities must take into account environmental cost values as determined by the PUC. The environmental adders for several types of emissions originally came from damage-cost calculations determined in a separate proceeding. The environmental cost values are updated annually by the Commission using an index. However, mercury still must be considered qualitatively in the IRP process as the externalities proceeding did not produce a damage-cost estimate for mercury. Other environmental issues also may be raised and considered qualitatively.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

Minn. Rules, part 7843.0500, subp. 3 lays out the five main factors the PUC must consider.

"Resource options and resource plans must be evaluated on their ability to:  
Maintain or improve the adequacy and reliability of utility service;  
Keep the customers' bills and the utility's rates as low as practicable, given regulatory and other constraints;  
Minimize adverse socioeconomic effects and adverse effects upon the environment;  
Enhance the utility's ability to respond to changes in the financial, social, and technological factors affecting its operations; and  
Limit the risk of adverse effects on the utility and its customers from financial, social, and technological factors that the utility cannot control."  
To the extent possible, quantitative information is considered in determining whether cost, reliability, and environmental issues are addressed. Commissioners must use judgment in balancing the various factors.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

Yes, to the extent that information is available. Risk is weighed by the commissioners along with all other relevant information.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

There is general agreement that utilities must look at both supply-side and demand-side resources. To the extent possible, utilities are required to consider both on an equal basis. However, typically the analysis does not extend down to the types and level of distribution equipment needed. Issues related to inadequate service at the distribution level would be considered in another type of docket.

13. The plan's objectives, from the regulatory perspective:

The process allows the Commission, the DOC, and other participants to learn what the utility's needs and planned resource options are. Those entities can then provide suggestions or guidance to the utilities while there still is time to make adjustments to the "plan." Theoretically, forcing utilities to go through a formal planning process should improve their internal planning and decision-making.

14. The plan's objectives, from the utility perspective:

It should be to find the best plan for interest of shareholders, customers, and the state as a whole. They should be looking for the best combination to address reliability, cost, environmental effects, and risk. Certificate of need rules are structured along these lines as well.

15. Are alternative scenarios analyzed as part of the plan? Yes No

Utilities run a variety of scenarios. Typically, a utility will vary demand, economic, and weather assumptions in producing various scenarios. They are required by statute to run both a 50% and a 75% scenario, with that portion of expanded needs coming from conservation and renewable energy. In recent years, utilities also have been required to consider various potential strategies (e.g., carbon taxes) for controlling greenhouse gas emissions. As indicated above, all of the scenarios are evaluated using environmental adders to calculate the present value of social costs. Some of the models match load with generation on an hourly basis. Since conservation and renewables may not provide the same level of benefit around the clock and in all months, it is conceptually possible for the 50% and 75% conservation/renewables scenarios to have higher revenue requirements than other scenarios that may have lower levels of conservation and renewables. The amount of energy efficiency and renewable energy that can be procured might be limited by time, personnel constraints, and other factors. For example, prime areas for wind generation may need substantial transmission upgrades to permit outlet capability for the additional wind facilities.

Are externalities considered? If so, which ones and how are they considered?

Yes. As indicated previously, the Commission has established environmental cost values for nitrogen oxides, carbon monoxide, carbon dioxide, lead and particulates. (Cost values also were set for sulfur dioxides, but the Commission decided that costs for that emission were internalized when the allowance trading program began.) The utilities must use the Commission-approved values when calculating costs of different resource scenarios. IRP participants have argued that the carbon dioxide numbers are far too low. Also, concern has been expressed about the lack of cost quantification for other environmental concerns, including mercury and radioactive emissions. However, the lack of environmental cost values does not restrict the ability of process participants to raise environmental issues during the course of a proceeding.

16. What is the planning horizon?

Generally speaking, it is 15 years. The energy and demand forecasts only go out that far. However, some of the modeling is done over longer periods to better match the lives of the resource options.

**Length of Energy and Demand forecasts**  
15 years. That period was intentionally chosen to match other forecasting requirements. In accordance with statutes and rules, the utilities have for about 25 years submitted 15-year forecasts to state agencies. The current statutory requirement is in Minnesota Statutes, section 216C.17. The state requirements were intended to piggyback on forecasting requirements that had been established by the Mid-Continent Power Pool (MAPP) several years earlier.

**Length of Short-term Action Plan**  
5 years. The five-year action plan identifies and lists specific action steps projected to be taken over the next five years to procure needed resources.

17. How often do utilities have to file plans? Update plans? What actually happens?

Minnesota Statutes, section 216B.2422 indicates plans must be filed "periodically" in accordance with rules adopted by the Commission. The rules indicate that resource plans are due every 2 years. However, variances occasionally have been granted to provide for a longer time between filings. (This could happen when a given utility has no near-term need for new resources or when the current proceeding extends well beyond a year.) The filing dates are staggered so about half the utilities file each year. Currently, decisions are pending for the Xcel Energy, Minnesota Power, and Dairyland Power Cooperative IRPs. Otter Tail Power Company, Great River Energy, and Missouri River Energy Services all filed IRPs by July 1, 2005. Xcel's proceedings typically take longer than others due to the number of issues and the level of interest. Updates sometimes occur during an IRP proceeding when some significant change occurs. After the Commission issues its decision, utilities are required by Minn. Rules, part 7843.0500, subp. 5 to notify the Commission and other participants of "changed circumstances that may significantly influence the selection of resource plans."

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

There is no explicit monitoring, but the PUC follows utility decisions from filing to filing. If a certificate of need application is submitted, the DOC and the PUC are able to check for any consistencies. Rate cases are not required on a regular basis, and some utilities have not had rate cases for several years. As a result, rate cases have not provided regular monitoring opportunities. The DOC does provide each year a calculation of each utility's rate of return, so both the DOC and the PUC know whether a given utility is doing well or poorly. A facility approved in a certificate of need process almost surely will be approved for rate recovery, as long as there isn't imprudence during construction.

19. Are environmental issues considered in the planning process? Yes No  
If yes, please describe.

Utilities must use the environmental cost values adopted by the PUC. (See the responses to Questions 9 and 15.) The utilities also must discuss environmental issues not covered by the environmental cost values. Recently, the IRP filings have been addressing climate change emissions and scenarios dealing with possible policy changes such as carbon taxes and mercury regulation.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Yes, see Question 19, above.

### **Agency Process**

21. Is there a formal process used for the resource filing?  Yes  No

Yes, but it is not automatically a contested proceeding. After the filing comes in, there is a comment and response process. Discovery is the focus of first two or three months. All information requests and responses are automatically part of record, unlike in contested cases where they are part of the record only if offered and accepted as exhibits. Quality of plans vary by utility. A small utility cannot be expected to devote as much time and money to a proceeding as a much larger utility can. Also, if a utility is small in MN compared to the utility as a whole, there is concern that a utility might not want to put as much effort into its MN filing. That isn't necessarily the case, however, as, the Missouri River Energy Services filings, for example, have tended to be quite good.

22. Does the agency hold public hearings on draft/final utility plans? Yes No

If not, please describe what does happen.

It depends what is meant by public hearings. The Commission meetings are always open to the public. Participants to the process almost always are invited to participate in an open discussion with the commissioners. Since the IRP process is not contested, it is rare to have formal hearings before an ALJ. Commission staff believes that has happened only once to date.

If yes, what is the duration of the public hearing process?

After the IRP is filed, there is a four-month review period during which the DOC and others review the IRP and come back to the PUC with comments or suggestions for revisions. Sometimes a party asks for extra time for review. After the initial comment period, the utility has two months to respond. Commission staff brings the

docket before the Commission as soon as possible after the close of the comment periods. Typically, the entire process runs nine to twelve months, but the Xcel processes sometimes take longer.

23. Other ways the public participates and comments on plans are:

In addition to the formal comments on plans by active participants, letters, postcards, and petitions can be submitted by members of the public who are less active in the process. As long as the submissions are clear as to the intended docket, they are accepted and considered. Usually, there is less of this type of public participation in IRP cases than in specialized proceedings such as Xcel Energy's "metro emissions reduction plan" or certificate of need proceedings for major facilities.

Minnesota is different from some states, in that no intervenor compensation is paid in IRP proceedings. (Intervenor compensation is possible in rate cases but only if the PUC determines the intervenor was helpful in some way.) While public interest groups would like to have that changed, to date they have not convinced the Legislature to expand the opportunities for intervenor compensation.

24. What action can the Commission take on the plan(s)?

- Review it
- Accept it
- Approve it
- Reject it
- Acknowledge it
- Require utility to modify and resubmit it
- Other

The PUC can and does modify specific portions of the IRP in its determination. For example, the PUC might change the conservation goals or include a greater amount of wind generation. Almost all investor-owned utility IRPs are "approved as modified" in some way. For non-IOWs, the PUC's action is generally accepting the plan as meeting the intent of the statute. However, in addition to its approval or acceptance of a proposed plan, the PUC typically orders/suggests certain changes to the utility's internal planning process or requires/requests additional information in the next filing.

25. Have resource acquisition decisions changed as a result of the planning process?

- Yes       No

Generally the PUC modifies IRPs by tweaking in areas such as renewable energy and demand-side management goals. Except when the utility is planning to build a facility in the very near future, some decisions can be delayed to a future plan. Utilities do change plans from filing to filing, at least in part due to feedback they get in the IRP process. Before the IRP process existed, utilities would do their planning and come into the certificate of need process "locked" into a particular resource

acquisition plan. The IRP process has allowed the PUC and others to learn about plans and have input on planning before the utility is locked into a particular large energy facility. At least, that's the theoretical framework.

[If "Yes", get recent example (docket number, etc.)]

26. Are competitive processes used to acquire new resources? Yes No

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

Only Xcel has a Commission-approved bidding process, but several other utilities have been using bidding processes not directly involving the Commission. Under the statutes, a Commission-approved competitive bid process can serve as a surrogate for the certificate of need process, resulting in an exemption from that process. Most of Xcel's wind acquisitions have used the bidding process. However, few other resources have successfully gone through the process and been procured. Xcel was able to secure hydro resources from Manitoba Hydro, and at least one selected gas-fired plant is being constructed. There are concerns that Xcel's process isn't working quickly enough, so one of the major issues in the current IRP is modification of the process previously used. In addition, Xcel has suggested that bidding not be used for base-load resources.

28. Do utilities file an energy efficiency or DSM plan? Yes No  
If so, is it separate or integrated with other plans?

Gas and electric utilities have been required by the Conservation Improvement Program (CIP) statute to invest in energy efficiency since 1982. 1991 CIP legislation required a specific minimum revenue percentage investment (electric 1.5%; electric operating a nuclear facility, i.e. Xcel, 2%; gas 0.5%).

Although the PUC examines utilities' efficiency goals in IRP proceedings and may increase efficiency acquisition above CIP goals in the IRP determination, the DOC oversees the CIP process. The DOC Commissioner can modify CIP programs and spending. CIP decisions can be appealed to the PUC, and the PUC also reviews CIP results for incentive determinations.

29. Is competitive bidding used to acquire EE resources? Yes No

The conservation programs are overseen by DOC. The utilities do use some third party providers, but they might not be selected in competitive processes.

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No

31. Citation and description:

The Commission has a pending certificate of need docket (ET-002/CN-05-347) regarding a gas-fired peaking plant proposed by Great River Energy; however, the Commission does not regulate the rates of generation and transmission cooperatives. Also, Xcel Energy has requested need certification (E-002/CN-05-123) of a spent fuel storage facility at its Monticello plant, which is essential for continued operation of that nuclear facility if it is relicensed. The Monticello storage docket decision has obvious implications for Xcel's IRP docket, in which Xcel proposes continued operation of Monticello beyond 2010. The PUC is expecting to receive a number of other certificate of need applications for transmission and generation projects over the next few years. The PUC also is expecting to receive a number of rate case filings that will examine construction costs, including one from Xcel. In Docket No. E-999/CI-03-869, the Commission made decisions on several issues for implementation of the Renewable Energy Objectives statute. On July 22, 2005, an Order was issued in Docket No. E-999/CI-05-973 directing all utilities to participate in a wind integration study. The study, which is to be completed by November 30, 2006, will look at the management and use of intermittent energy sources by electric utilities.

32. Are utility plans available on-line? Yes No

If so, what is the address?

The resource plans are not always available at the PUC website. However, they usually are available at the utility's own website. The PUC's e-docket site can be searched for all electronic documents filed with or issued by the PUC. See <http://www.puc.state.mn.us>

Is on-line publication voluntary or mandatory?

The PUC has been directed by the legislature to move to e-filing, but accomplishing that will take time. Implementation of e-filing will require a high level of coordination between the PUC and the DOC.

Here are links to several of the utilities' resource plans:

XCEL Energy [http://www.xcelenergy.com/XLWEB/CDA/0,3080,1-1-1\\_1875\\_12180\\_17838-16204-0\\_0\\_0-0,00.html](http://www.xcelenergy.com/XLWEB/CDA/0,3080,1-1-1_1875_12180_17838-16204-0_0_0-0,00.html)

Great River Energy

[http://www.greatriverenergy.com/partners/\\_images/2005\\_irp\\_public.pdf](http://www.greatriverenergy.com/partners/_images/2005_irp_public.pdf)

Otter Tail

<http://www.otpc.com/NewsInformation/IntegratedResourcePlan.asp>

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

Back in 1990, Minnesota opted for very general resource planning rules, which are Minnesota Rules, Chapter 7843. They can be accessed at this site:  
[http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=RULE\\_CHAP&year=current&chapter=7843](http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=RULE_CHAP&year=current&chapter=7843)

The statute governing Resource Planning, preference for renewable energy, and exemptions from the certificate of need process can be seen at:  
<http://www.revisor.leg.state.mn.us/stats/216B/2422.html>.

Use the same site to view 216B.2421, subd. 2 and 216B.243 regarding certificate of need or 216B.2425 regarding transmission planning.

The most recent externality values adopted by the PUC can be seen at  
<http://www.puc.state.mn.us/docs/eeupdate05.pdf>

34. Do you anticipate any changes to this process in the near future?  Yes  No  
If yes, please describe.

[The rules themselves may or may not change, but there likely will be statutory changes or other considerations that will impact IRP. Three major energy bills have been passed by the Legislature in the last 5 years. The omnibus energy bill in 2005 affected both the DOC and the PUC. The legislature took transmission routing and generation siting from the multi-agency Environmental Quality Board and gave it to the PUC. As a result, the Commission will be dealing with new types of proceedings. To date utilities and intervenors have cooperated reasonably well in IRP proceedings. However, future proceedings may become more contentious, since a large number of new generation facilities and high-voltage transmission lines are likely to be proposed. According to the utilities, transmission constraints are becoming severe. Also, commissioners themselves have raised the question of whether it would be possible to examine electricity needs on a whole state basis, which presumably would require consideration of all utilities' needs in the same IRP docket. Also, the 2005 legislation requires the Legislative Electric Energy Task Force to convene a stakeholder group to explore whether current statutes and administrative processes to certify and route high voltage transmission lines should be changed. A report is due in January 2006.](#)

35. Does your state do performance-based regulation?  Yes  No  
If so, please describe briefly.

It has been discussed, but Minnesota does not have a comprehensive program of performance-based regulation for electric utilities. As discussed below, financial incentive programs are in place for demand-side management expenditures. Also, utilities can be penalized for not maintaining adequate levels of service.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties?  Yes  No

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables?  Yes  No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

Utilities are allowed cost recovery and some tax adjustments for their CIP energy efficiency and other demand-side management expenditures. In addition, the PUC agreed to a significant incentive mechanism in 1999 proposed by DOC, utilities, environmental groups and others. It is a performance-based incentive designed to increase the share of net benefits the utility receives in proportion to CIP goal attainment. The incentive begins when a utility reaches 91% of its goal, and is calibrated so that when a utility reaches 150% of the energy savings goal set by the DOC the utility is eligible for "shared net benefits" of 30% of the program budget. Ratepayers fund this incentive during the following year when the PUC adjusts rates.

38. Do any tariffs include a fuel/purchased power clause?  Yes  No  
If so, how does it work?

Minnesota utilities use a fuel cost adjustment (FCA) to capture changes in fuel costs and purchased energy costs. Rate-regulated utilities submit monthly filings to the DOC, which reviews them for accuracy and possibly other concerns. FCAs are applied to the monthly bills of utility customers. There are annual true-up proceedings before PUC, at which time any needed corrections are made. Xcel's website shows that the FCA is 2 cents for August and 1 cent for September. These numbers seem extraordinarily high. Some of the FCA increases are probably related to the start-up of the MISO market. There have been reports of natural gas facilities being operated at on-shoulder and off-peak times, which has not been the norm in the past. Transmission bottlenecks may be part of the problem. The PUC is concerned about the current situation and may open a proceeding. However, this type of issue currently is not considered in IRP proceedings.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)?  Yes  No  
If so, please describe, including how the mandate relates to power vs. RECs.

Minn. Stat. § 216B.1691 (Renewable Energy Objectives) requires all utilities other than Xcel to make a good faith effort to generate or procure a certain percentage of electricity from eligible renewable resources each year. By 2015, 10% of the electricity provided to retail customers should be generated by eligible renewables. This statute also provided specific guidelines for biomass energy. By 2005, at least 0.5 percent of the renewable energy required must be generated by biomass energy technologies, and that shall grow to 1 percent by 2010. A number of issues regarding the Renewable Energy Objectives were decided by the Commission in Docket No. E-999/CI- 03-869. The good faith efforts of utilities likely will be considered in the individual resource plans. The text of the statute can be seen at:

[http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT\\_CHAP&year=current&chapter=216B](http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT_CHAP&year=current&chapter=216B).

Xcel has a separate statutory requirement (Minn. Stat. § 216B.2423, § 216B.2424 and § 216B.1691, subd 6). Xcel is required to build or contract for 125 MW of biomass electricity, and must build or contract for 1,125 MW of wind by 2011. At least 100 MW must come from small wind resources (2 MW or less).

### State Energy Plan

40. Is there a State Energy Plan?  Yes  No  
41. Is it connected to the planning described above?  Yes  No  
42. If yes, who is responsible for the Plan?

### DOC

43. What is included in the Plan, apropos of long-range electrical planning?

The DOC prepares a State Energy Policy and Conservation Report every four years. The Department seeks input from the public before the document is officially released. Typically, the report includes energy data, a discussion of major energy issues, and DOC's proposals for possible legislation. The report probably gives the legislature some guidance, and it can provide a framework for written comments and testimony in Commission proceedings. For example, the Certificate of Need statute directs the PUC to evaluate the relationship of a proposed facility to overall state energy needs. (To the extent that the Report has relevance to a given regulatory proceeding, the DOC is expected to include the relevant parts with its testimony in the proceeding.) However, the document as a whole is not "approved" by the Commission or the Legislature.

### Background Notes.

Some utilities have segmented themselves internally in MN even though the PUC has not itself ordered retail choice or any specific restructuring. Cooperatives that receive federal funding through the RUS apparently are required to keep some distance between their generation and transmission sections. Xcel Energy also has a bidding system and a corporate structure that keeps the generation and transmission groups at a distance. Commission staff wonders whether it is possible to have truly integrated planning under these circumstances. Also of concern to Commission staff is that utilities increasingly want more and more information defined as "trade secret" due to utility's activities in the marketplace. For example, some utilities have argued that portions of their forecasts are trade secret. While there are procedures for dealing with trade secret data/information, the Commission could at some point in the future find it hard to write decisions without using that data/information. Up to this point in time, the Commission has refrained from issuing decisions that cannot be disseminated publicly.

While there may be differences among the utilities in their willingness to provide either public or trade secret information, Commission staff generally feels that utilities doing business in Minnesota have been less forthcoming with data and information since restructuring started in other areas of the country.

Utilities (particularly Xcel Energy) have been successful in asking the Legislature for non-standard rate recovery of construction and other expenses. Pass-throughs of costs have made it possible for some utilities to postpone or totally avoid rate cases. These mechanisms are very similar to the fuel adjustment clause but for capital outlays. For example, transmission costs for lines used for wind generation are granted special treatment.

Another potentially serious problem we have in MN is the growing dependence on natural gas generation. Since 1987, virtually all new generation facilities have been gas-fired or have used renewable energy sources. Utilities are worried about this situation and have argued that new base-load generation must be constructed that does not use natural gas as the primary fuel source. A new coal-fired unit is being proposed for an existing power plant site in South Dakota, and groups continue to look at the possibility of constructing a lignite-fired plant in North Dakota. Even generation facilities proposed for the Dakotas are likely to have transmission ramifications for Minnesota and other states in the Upper Midwest.