LIUNA Minnesota & North Dakota Reply Comments on Xcel Energy's Proposed Repower and Acquisition of Mower County Wind Facility
PUC Docket Number/s: E002/PA-19-553

LIUNA Minnesota & North Dakota appreciates the opportunity to offer reply comments on the proposed acquisition and repower of the Mower County Wind Facility by Northern States Power, doing business as Xcel Energy ("Xcel"). We have had the opportunity to review comments filed by the Department of Commerce on December 13, 2019, along with reply comments filed by Xcel on January 31, 2020, and would like to take this opportunity to restate our support for the proposed acquisition, and to respond to concerns raised by the Department.

We continue to believe the repower project will provide significant benefits to ratepayers, as well as to the regional economy by maximizing the use of local labor and utilizing skilled local tradesmen and women to build the project. We also believe that the project will help Xcel meet its carbon reduction goals and efficiently use existing interconnection rights, while minimizing risks associated with operations and decommissioning.

The Department's comments flagged several technical issues related to Xcel's use of Strategist modeling. In our view those concerns are fully addressed in the updated modeling outputs that are incorporated into Xcel's reply comments. We focus our comments on other areas where we believe that the Department's analysis fails to adequately assess the benefits of the proposed acquisition and the risk of abandoning a "bird in the hand" in favor of others that may never materialize.

First, we strongly disagree with the Department's arbitrary, and possibly unprecedented, decision to evaluate the proposed acquisition based on the totally unsupported assumption that Congress will fully extend the Production Tax Credit ("PTC") through 2027. The Department provides no evidence to support the assertion that the PTC will likely be extended, apart from the PTC's long, on-again, off-again history, which should provide little comfort to ratepayers.

In our view if would be deeply irresponsible to base Commission decisions on speculation about future Federal policy, or to unnecessarily subject ratepayers to such regulatory risks. Further, the assumption that renewable energy pricing can only improve would seem to weigh not just against the acquisition of Mower Wind but against any utility investment in renewable energy. Such a conclusion would not only be contrary to state policy encouraging investment in renewable energy, but also inconsistent with the Department's position on Xcel's recent wind acquisition where we found no similar argument regarding a possible PTC extension.

Second, in our view the Department has misconstrued the implications of the proposed acquisition to ratepayers. The Department puts undue weight in its analysis on the concept of the acquisition premium in evaluating the suitability of a proposed acquisition. While "book value" may be provide a useful data point, we know in the real world that the true value of an asset is very rarely the construction cost less depreciation.

Beyond relying too heavily on book value, in our view the Department errs in its analysis by apparently demanding that Xcel covers the cost of the proposed acquisition premium not once, but twice. The Department correctly characterizes the acquisition adjustment as "the amount that is above or in excess of the net book value (original cost of the plant less accumulated depreciation).” The Department then goes on to insist, however, that Xcel demonstrate “benefits” that exceed the costs that Xcel proposes to charge to ratepayers for the acquisition premium.

It is unclear if the Department is trying to assert that estimated ratepayer savings under various modeling scenarios must be greater than the amount of the premium. If so, then the Department is effectively asking Xcel to pay twice for an acquisition premium that is already “baked in” to a model that shows net savings after including the full price of the acquisition.

Third, Xcel’s proposal to use local union labor repower Mower County Wind would lock in significant socioeconomic benefits that would not necessarily be realized if the Commission followed the Department’s recommendation to deny the petition and defer investment to a later date. Based on past experience and research on the impact of wind energy construction employment, we estimate that use of union labor on such a project is associated with the creation of 40 full-time equivalent jobs and the generation of $2 million in additional local economic stimulus compared to use of nonunion labor.[1]

If there were a ready supply of economic wind energy projects whose owners prioritized employment of local labor, there might be no need to lock in such benefits. Unfortunately, however, the utility’s needs do not always align with the availability of wind projects that maximize local benefits.

For example Xcel’s most recent request for proposals for wind energy was specifically designed to solicit proposals that maximized use of union and local labor, but when the top contender was unable to guarantee a transmission interconnection, the only viable alternative was the purchase of 100 megawatts of wind energy from a South Dakota project that will we expect to deliver few socioeconomic benefits to ratepayers, Minnesotans, or even to local workers in the vicinity of the project. Under these circumstances, the potential to lock in socioeconomic benefits that may not be available at a future date should be an important consideration for the Commission

In summary, we reiterate our view that the proposed project can benefit Minnesota construction workers and the public at large by creating and sustaining high-quality jobs, advancing Xcel’s carbon reduction goals and efficiently utilizing existing interconnection rights. We appreciate the opportunity to comment.

Dated: February 5, 2020

Respectfully Submitted,

Kevin Pranis
Marketing Manager

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[1] In our experience, union wind energy projects typically employ a 50% to 70% local workforce compared to a 10% to 30% local workforce on nonunion projects. We project that the 100 full-time equivalent jobs created on a 100 megawatt union wind project will generate $5 million to $6 million in local economic activity if the workforce is largely local. By contrast, if local workers account for just 10% to 30% of the workforce, the estimated local economic impact of construction payrolls falls by roughly $2 million. For more information see the *Catching the Wind* reports at LocalJobsNorth.org.