

September 25, 2014

PUBLIC DOCUMENT

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E002/CN-12-1240

Dear Mr. Wolf:

Attached are the PUBLIC comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

First Amendment to a Power Purchase Agreement with Mankato Energy Center II, LLC.

The petition was filed on August 27, 2015 by:

Aakash Chandarana  
Regional Vice President  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401

The Department recommends **approval** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ STEVE RAKOW  
Rates Analyst

SR/lt  
Attachment

## BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. E002/CN-12-1240

**I. INTRODUCTION**

On February 5, 2015, the Minnesota Public Utilities Commission (Commission) issued its *Order Approving Power Purchase Agreement with Calpine, Approving Power Purchase Agreement with Geronimo, and Approving Price Terms with Xcel* which approved Northern States Power Company, doing business as Xcel Energy's (Xcel or the Company) proposed power purchase agreement (PPA) with Mankato Energy Center II, LLC (Calpine Mankato).

On February 13, 2015 Xcel filed an application to the North Dakota Public Service Commission (ND PSC) for an Advance Determination of Prudence (ADP Petition) for the proposed PPA with Calpine Mankato (North Dakota Case No. PU-15-96). Recently, ND PSC advocacy staff filed testimony recommending rejection of Xcel's ADP Petition; a public hearing is scheduled for October 15, 2015.

On August 27, 2015, Xcel petitioned the Commission for approval of an amendment to the Power Purchase Agreement (PPA Amendment) between Xcel and Calpine Mankato.

**II. ANALYSIS****A. TERMINATION RIGHTS**

The proposed PPA Amendment modifies two sections of the original PPA that impact Xcel's termination rights; Sections 2.4 and 6.1. The modification in Section 2.4 pertains to an extension of the condition precedent regarding ND PSC approval. The PPA Amendment sets the date by which Xcel may exercise its termination rights as April 1, 2016, an extension of three months from the original PPA. However, if Xcel has filed a petition requesting the

Commission approve recovery from Minnesota ratepayers the PPA's costs that have not been approved for recovery from North Dakota ratepayers (see below for details) the PPA Amendments allow Xcel to defer the early termination date to the earlier of 30 days following the date of the Commission's order or **[TRADE SECRET DATA HAS BEEN EXCISED]**

The modification to Section 6.1 further clarifies Xcel's ability exercise its termination rights due to the regulatory process. First, the amended Section 6.1 states that Xcel may terminate the PPA within 10 business days of the ND PSC rejecting the original PPA or applying conditions unsatisfactory to Xcel or by March 31, 2016, whichever is earlier. Second, Section 6.1 further states that in the event Xcel has not received ND PSC approval as of March 31, 2016, or the ND PSC has rejected or limited Xcel's cost recovery the Company shall, within 10 Business Days, file a request with the Commission to approve recovery from Minnesota ratepayers of the PPA's costs that have not been approved for recovery from North Dakota ratepayers.

Once Xcel has made a filing with the Commission to transfer costs from Xcel's North Dakota ratepayers to the Company's Minnesota ratepayers the termination rights are extended until no later than 10 Business Days after the earlier of July 15, 2016 (if the Commission has failed to issue a written order) or the date of a Commission order that either rejects the Company's cost recovery request or applies unsatisfactory (to Xcel) conditions.

The amendments to Sections 2.4 and 6.1 allow additional, reasonable time for the North Dakota regulatory process to reach a conclusion. The amendments also require Xcel to request recovery of North Dakota's costs from Minnesota ratepayers in the event of a ruling adverse to Xcel by the ND PSC. The Department and Commission can address any requests regarding the transfer of North Dakota's costs to Minnesota at the time such a petition is filed. Therefore, the Department concludes that the proposed amendments to Sections 2.4 and 6.1 are reasonable.

#### **B. MILESTONES**

The proposed modification in Section 6.2 allows additional time for Calpine Mankato to obtain certain approvals. The final condition, obtaining an air permit, has been delayed by one year, to September 1, 2017. Similarly, the modification in Exhibit B (Construction Milestones) allows Calpine Mankato **[TRADE SECRET DATA HAS BEEN EXCISED]**.

The Department's October 23, 2014 comments in this proceeding discussed in detail the potential to defer Calpine Mankato's in-service date. Further, the Commission's February 5, 2015 *Order Approving Power Purchase Agreement with Calpine, Approving Power Purchase Agreement with Geronimo, and Approving Price Terms with Xcel* stated: "Under MISO's current practices, MISO will not credit the capacity of generators such as those proposed by Calpine and Invenergy until the related transmission facilities have been upgraded – which is not expected until 2019 or 2020." Therefore, the Department concludes that the proposed amendments to Section 6.2 and Exhibit B are reasonable.

### III. RECOMMENDATION

The Department recommends that the Commission approve Xcel's Petition.

/lt

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Public Comments**

**Docket No. E002/CN-12-1240**

**Dated this 25<sup>th</sup> day of September 2015**

**/s/Sharon Ferguson**

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