

**STATE OF MINNESOTA
BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Northern
States Power Company d/b/a Xcel Energy
for Approval of Competitive Resource
Acquisition Proposal and Certificate of
Need

**OAH Docket No. 8-2500-30760
MPUC Docket No. E002/CN-12-1240**

GREAT RIVER ENERGY REPLY BRIEF

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Donna L. Stephenson
Associate General Counsel
Great River Energy
12300 Elm Creek Blvd.
Maple Grove, MN 55369
Telephone: 763-445-5218

And
Michael J. Bradley
Moss & Barnett
A Professional Association
4800 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Telephone: 612-877-5337

Attorneys on Behalf of Great River Energy

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Great River Energy (“GRE”) does not oppose any of the alternatives offered in this proceeding. After review of the proposals and the analyses conducted, our proposal, combined with another proposal, provides a least cost alternative that meets Xcel Energy’s need for capacity and that best manages uncertainties in forecast and resource need timing.

Xcel Energy states that GRE’s proposal should not be accepted because the proposal ranks third in cost. Xcel Energy also asserts that our proposal should not be selected because building additional facilities would provide greater reliability than relying on capacity credits.¹ We will respond to both statements.

When used in combination with Xcel Energy’s Black Dog 6 and Red River Valley Unit 1, GRE’s proposal has the 3rd lowest cost among the 20 alternatives evaluated in this Docket² even if all three years of GRE’s low capacity proposal (100 MW) are included, If the first year of our proposal were excluded, as offered by GRE witness Mr. Stan Selander, then GRE’s capacity credits in combination with Black Dog 6 and Red River

¹ Xcel Energy Brief at p. 30.

² *Id* at p. 26, Table 5 – Strategist Top 20 Proposal Combinations (PVSC).

Valley 1 would be one of the two least-cost options.³ As another option, the first two years of GRE's proposal could be excluded, if that would better fit Xcel Energy's needs based on the updated information available when the decision is made.⁴

No party has disputed that GRE's proposal can be implemented in a manner that makes it a least-cost alternative. No party has disputed that GRE's proposal is flexible.

The assertion Xcel Energy makes in its Initial Brief that adding new physical capacity is superior to using capacity credits to meet Xcel Energy customer's "needs in the mid-to long-term"⁵ is unsupported in this proceeding and is unsupported in fact. First, no witness testified that building new capacity is superior to using capacity credits to meet capacity needs.

Second, it is anticipated that GRE's proposal would be coupled with another proposal that includes construction of a new facility, but on a delayed basis. Our proposal combined with another proposal, would still result in Xcel Energy adding new capacity in the mid- to long-term. Our proposal does not exclude new generation from being built. Our proposal allows for flexibility in timing when new generation is built.

Third, owning GRE's proposed capacity credits is equal to Xcel Energy owning its own capacity in the Midcontinent Independent System Operator ("MISO") market. Purchased capacity credits can and are being used to meet MISO reserve margin requirements and can and are being used to meet reserve requirements in Minnesota integrated resource plans. Xcel Energy must demonstrate that it has the exclusive right to

³ Ex. 64, Selander Rebuttal at p. 3.

⁴ *Id.*

⁵ Xcel Energy Brief at p. 30.

sufficient capacity to meet its demand plus the reserve margin required by MISO. Just as Xcel Energy does not provide the specific energy used to serve its customers, it does not have to physically own the capacity it relies on to satisfy the MISO reliability requirements.

The economic sharing of energy and capacity between utilities by using the combined generating capacity of all participating utilities is the core purpose of the competitive energy markets created by the Federal Energy Regulatory Commission and implemented through MISO.

GRE has capacity beyond what is required to serve its load, including MISO's reserve requirements associated with that load, in the time frame under consideration in this proceeding. Consequently, GRE is able to dedicate capacity for use by Xcel Energy, in the form of MISO Planning Resource Zone credits, to meet Xcel Energy's MISO capacity requirements.

GRE's offer is for capacity only, and Xcel Energy's needs are for capacity only – not energy. As noted by Invenergy⁶:

Both Xcel [Energy] and the Commission Staff have also previously noted the enormous untapped potential of Xcel [Energy]'s currently owned and contracted for combined cycle fleet. As Mr. Norman pointed out, in the 2010 IRP Docket Staff summarized the situation as follows:

Xcel [Energy] explained that, when [it] looks at the operation of its system in 2017-2019, the resources to be added likely will not operate many hours. ... Over the last several years, Xcel [Energy] has invested in more than 1,000 MW of combined cycle capacity (i.e., roughly 500 MW at High Bridge and 500 MW at Riverside). According to Xcel

⁶ Invenergy Initial Brief at p. 32-33.

[Energy], ‘the capacity factor of those two plants today is roughly 20 percent.’ Xcel [Energy]’s Strategist modeling configured the units to operate at 30 percent into 2018. Thus, according to [Xcel Energy], “*there is a huge amount of available production capacity on [Xcel Energy’s] system*’ if the High Bridge and Riverside facilities were to operate at the 30 percent assumed in Strategist. Moreover, ‘they can operate at 70-80 percent,’⁷ [Emphasis by Invenergy]

XLI public comments appropriately note that new facilities should not be added if GRE’s existing facilities are adequate to meet that need. XLI conditions its support on GRE’s offer being reasonably priced.⁸ GRE’s proposal is cost competitive.

In its 2012 Integrated Resource Plan proceeding, Docket No. ET2/RP-12-1114, GRE came under criticism by an intervenor because it holds surplus capacity on its system. In that proceeding, GRE noted that we are pursuing bilateral capacity sales opportunities to take advantage of the current capacity length in our portfolio. Participation in this proceeding is one such action GRE is taking.

CONCLUSION

GRE’s proposal is both cost effective and meets Xcel Energy’s needs for additional capacity. Our proposal is a uniquely flexible alternative that includes a choice in the amount of capacity and the timing of when that capacity can be provided. These attributes can mitigate the substantial uncertainties regarding the amount and timing of additional capacity Xcel Energy may require, and can delay large capital investments associated with new generation facilities. Moreover, GRE’s proposal results in no

⁷ Ex. 73, pp. 28-29, quoting Staff Briefing Papers, MPUC Docket No. E002/RP-10-825, February 20, 2013, at p. 5.

⁸ XLI Public Comments at page 16.

