



414 Nicollet Mall
Minneapolis, MN 55401

April 12, 2019

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

—Via Electronic Filing—

RE: REPLY COMMENTS
ACQUISITION OF THE COMMUNITY WIND NORTH FACILITIES
AND THE JEFFERS WIND FACILITY
DOCKET NO. E002/PA-18-777

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the Comments of the Department of Commerce, Division of Energy Resources and the City of Minneapolis filed March 25, 2019 and February 20, 2019 respectively in the above-noted docket regarding our December 21, 2018 Petition for approval of the Company's agreement with a subsidiary of Longroad Development Company, LLC to acquire, own, and operate two 13.2 megawatts facilities (the Community Wind North Facilities) and the 44 megawatts Jeffers Wind Facility.

Portions of this Reply and Attachments B, C and D are marked as "Not Public" as they contain information the Company considers to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This data includes confidential pricing and other contract terms. The information has independent economic value from not being generally known to, and not being readily ascertainable by, other parties who could obtain economic value from its disclosure or use. We have marked additional information as "Not Public" because the knowledge of such information in conjunction with public information in our Petition could also adversely impact future contract negotiations, potentially increasing costs for these services for our customers. Thus, the Company maintains this information as a trade secret.

Attachments B and C provided with the Not-Public version of this filing contain information classified as trade secret pursuant to Minn. Stat. § 13.37 for the above-

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noted reasons and are marked as “Not Public” in their entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** PDF copies of Purchase and Sale Agreements for the Company’s acquisition of the Jeffers Wind Facility and the Community Wind North Facilities.
2. **Authors:** The Purchase and Sale Agreements were prepared by the Company’s Corporate Development personnel.
3. **Importance:** The Purchase and Sale Agreements contain competitively sensitive pricing and other contract terms the Company considers to be trade secret.
4. **Date the Information was Prepared:** The Purchase and Sale Agreements were executed March 27, 2019.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at bria.e.shea@xcelenergy.com or (612) 330-6064 or Mary Martinka at mary.a.martinka@xcelenergy.com or (612) 330-6737 if you have any questions regarding this filing.

Sincerely,

/s/

BRIA SHEA
DIRECTOR, REGULATORY AND STRATEGIC ANALYSIS

Enclosures
c: Service List

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STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Dan Lipschultz	Vice-Chair
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY FOR
APPROVAL OF THE ACQUISITION OF THE
COMMUNITY WIND NORTH FACILITIES AND
THE JEFFERS WIND FACILITY

DOCKET NO. E002/PA-18-777

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the Comments of the Department of Commerce, Division of Energy Resources (Department) and the City of Minneapolis (City) filed March 25, 2019, and February 20, 2019, respectively in the above-noted docket regarding our December 21, 2018, Petition for approval of the Company's agreement with a subsidiary of Longroad Development Company LLC to acquire, own, and operate two 13.2 megawatts facilities (the Community Wind North Facilities) and the 44 megawatts Jeffers Wind Facility.

We thank the City for supporting Commission approval of our proposal to acquire the facilities. We appreciate their comments that the acquisition is in the public interest by providing savings for customers and is in alignment with the state's renewable energy standard and the City's clean energy and climate goals, being a low-risk investment with no fuel costs that provides emissions-free renewable generation, protecting customers from the impacts of possible carbon regulation within the lifespan of the projects.

We also appreciate the Department's thorough review of the Petition. Although the Department recommends the Commission approve only the amendments to the Renewable Energy Purchase Agreements (REPAs), we continue to believe our proposed purchase of the facilities is in the public interest and should be approved. Our modeling (which we have updated in response to the Department's comments) demonstrates that Xcel Energy ownership of the facilities is expected to generate

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benefits compared to continuation of the REPA's on both a PVRR and PVSC basis. And while the PVRR benefits are somewhat modest assuming a 25-year project life, the PVSC benefits are not. In fact, we view the \$31.7 million in PVSC benefits assuming a 25-year project life to be quite significant given the size of these projects and the fact that they are existing resources in our portfolio. For these reasons, we reaffirm our request that the Commission approve our purchase of the facilities.

We take this opportunity to respond to the various issues raised in the Department's comments. Specifically, we address the following points:

- Whether the Company has shown sufficient benefits to justify recovering the acquisition adjustments for the Jeffers and Community Wind North facilities.
- Whether the modeling presented in the Petition includes an appropriate estimated life for the refurbished turbines.
- Whether the Company should have pursued a competitive bidding process in connection with the acquisition.
- Whether the Petition should have been submitted prior to the Company signing purchase and sale agreements for the facilities.

REPLY

A. Accounting Analysis and Acquisition Adjustment

The Department states that the Company has not shown sufficient benefits in connection with its proposal to purchase the Jeffers and Community Wind North Facilities to justify the acquisition adjustments included in the proposed purchase prices. The Department took a similar position in response to the Company's proposed acquisition of the Mankato Energy Center in Docket No. IP6949, E002/PA-18-702 (the MEC Proceeding). We disagree with this position for many of the same reasons we noted in our Reply Comments filed in the MEC Proceeding.

Although the Department correctly notes that FERC accounting rules require the Company to record the plant's net book value separately from the remainder of the purchase price (*i.e.*, the "acquisition adjustment"), those rules simply provide accounting standards to compare net book value to market value. They are not rules governing the recovery of costs, and they do not preclude the Company from recovering the total amount of its investment. Nor should they. Market conditions change over time, and there is little reason to assume that the fair market value for a plant should be tied to net book value. Net book value reflects only the original cost to construct a plant, less depreciation—not what a plant might be valued at in today's market. A plant's value is a product of its generating characteristics, its expected life,

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its operating costs, and its projected revenues either from PPAs or expected market sales, among other things.

The appropriate standard for assessing whether an acquisition is reasonable is:

- (a) a utility must demonstrate benefits to ratepayers; (b) the benefits would not have occurred but for the acquisition;
- (c) the benefits are quantifiable; (d) the benefits to ratepayers are greater than the cost of the acquisition adjustment, and (e) there will be ongoing ratepayer benefit realized over time.¹

In the case of Jeffers and Community Wind North, our modeling and market analysis incorporate the full *[Protected Data Begins Protected Data Ends]* purchase price (including the *[Protected Data Begins Protected Data Ends]* acquisition adjustment) and all of the value inputs associated with the acquisition of Jeffers and Community Wind North. And it demonstrates that we can expect \$31.7 million in Present Value System Costs (PVSC) benefits from acquiring the plant compared to the existing REPAs and \$27.4 million relative to the amended REPAs.² We also expect benefits on a Present Value Revenue Requirement (PVRR) basis. Specifically, our modeling demonstrates that we can expect \$7.9 million in PVRR benefits from acquiring the plant relative to continuing on with the existing REPAs, and \$5.7 million in PVRR benefits relative to the amended REPAs.

This analysis plainly shows that acquiring Jeffers and Community Wind North at the full purchase price is reasonably expected to provide ongoing, quantifiable benefits for ratepayers that would not occur but for the acquisition. And those benefits are greater than the acquisition adjustment, which was factored into the purchase price and our Strategist analysis. Our modeling also demonstrates that our acquisition of the facilities is very different from a merger or acquisition of another company, where acquisition adjustments are often called into question and where the benefits of the transaction are often speculative and not subject to such rigorous and accepted analysis.

The Department contends that the benefits demonstrated by our modeling are insufficient, noting that the PVRR benefits are small in comparison to the Company's total present value of the revenue requirement. We respectfully disagree for two

¹ *In the Matter of the Application of Minnegasco, a Division of NorAm Energy Corp., for Authority to Increase Its Natural Gas Rates in Minnesota*, Findings of Fact, Conclusions of Law, and Order, Docket No. G008/GR-95-700 (June 10, 1996).

² These figures are based on updated modeling as discussed in Section C below.

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reasons. First, the Company’s total PVRR is not an appropriate lens for evaluating the appropriateness of acquisition adjustments. Doing so would bias the Commission’s analysis in favor of only the largest generators and transactions, which is inconsistent not only with longstanding Minnesota policy but also with the Commission’s standard for evaluating acquisition adjustments, requiring only “quantifiable” benefits in excess of the acquisition adjustment.

Second, we do not believe the Commission’s evaluation of the proposed acquisition should focus only on the PVRR benefits associated with the transaction. The Commission has established a policy of recognizing, and accounting for, the costs of carbon in resource planning and acquisition proceedings, and the PVSC benefits associated with our proposed acquisition are material (and certainly quantifiable) under any reasonable standard.

Because the proposed acquisition provides quantifiable benefits to ratepayers over and above the cost of the acquisition adjustment, in comparison to both the existing and amended REPAs, it is in the public interest and should be approved.

B. Estimated Turbine Lives in Strategist Modeling

Next, the Department questions the Company’s use of a 25-year lifespan for the refurbished facilities and suggests that our Strategist modeling may overstate the benefits of ownership relative to a shorter 20-year lifespan assumption. For the reasons discussed below, we continue to believe that a 25-year lifespan assumption is reasonable, as it is supported not only by our own experience but also broader industry experience and independent expert analysis. That said, we also provide additional Strategist modeling below that incorporates the shorter 20-year lifespan, and we believe the results of that modeling sensitivity continue to support our proposed ownership of the facilities.

We believe our 25-year lifespan assumption for the refurbished facilities is appropriate for several reasons. First, we want to clarify that we did not use a shorter 20-year life in our modeling for the REPAs, as the Department suggested in comments. Instead, we compared the ownership option, assuming a 25-year turbine life, with REPAs expiring in 2028 and 2031 (per the terms of both the existing and amended REPAs) combined with subsequent generic replacement for the REPAs. Because the REPAs expire in nine to eleven years, whether the refurbished turbines have a 20-year or 25-year average life is irrelevant for modeling the REPAs. Our assumption that the turbines will have average lifespans of 25 years under the ownership option, therefore, is entirely consistent with our modeling of the REPAs.

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Second, it seems the basis for the Department’s concern that we assumed a 25-year average life is that, in connection with the refurbishment project, the Original Equipment Manufacturer (OEM) of the turbines will deliver a “Letter of Conformity” confirming a “minimum repowered turbine design life” of 20 years. But this certification is for a “*minimum*” turbine life—not an “*expected*” turbine life. We actually view this OEM minimum certification as providing substantial support for our analysis and assumptions, as our analysis is fairly conservative in that it only assumes an expected life that is 25 percent longer than the OEM-certified minimum life.

That said, our 25-year lifespan assumption is also based on a considerable amount of industry and Company experience, as well as independent expert analysis. There are two main components that require assessment when determining the design life of a wind turbine: (1) the structural integrity of the foundations and towers; and (2) the mechanical lifespan of the rotating parts (made up of the nacelle, hub and blades). The foundations for the repower projects were reviewed by the Engineer of Record, Barr Engineering. The Wind Turbine Foundation Evaluation Report indicated the foundations have a lifespan that exceeds 25 years. The final technical reports on the towers to be provided by DNV-GL for each repower project are not complete at this time; however for a similar project scope with similar loading and similar existing plant lifespan, the technical report found that the design life for the repowered plant also exceed a 25-year life. The nacelle, hub and blades for each repowered turbine will be replaced with new, non-refurbished, components similar to our projects as outlined in the 1,550 MW filing.³ Since the equipment is new, we expect it to have a lifespan of 25 years as indicated in our response to Department of Commerce Information Request No. 14, provided as Attachment A to this Reply. This expectation is also consistent with other recent petitions in which we have consistently assumed expected lives of new turbines to be at least 25 years.⁴

³ *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Wind Generation from the Company’s 2016-2030 Integrated Resource Plan*, Xcel Energy Supplement, Docket No. E002/M-16-777 (March 16, 2017).

⁴ *See In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Wind Generation from the Company’s 2016-2030 Integrated Resource Plan*, Docket No. E002/M-16-777, Xcel Energy Supplement at 46 (March 16, 2017) (noting that we determined the useful life of our proposed projects to be 25 years and that a 25-year life is consistent with prevailing industry standards); *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of 200 MW of Wind Generation*, Department of Commerce Comments at 16-17, Docket No. E002/M-15-401 (June 1, 2015) (concluding expected minimum 25-year turbine life assumption for Courtenay Wind Farm was reasonable); *See also In the Matter of the Petition of Northern States Power Company for Approval of the Acquisition of 600 MW of Wind Generation*, Docket No. E002/M-13-603 and *In the Matter of the Petition of Northern States Power Company for Approval of the Acquisition of the 150 MW Border Winds Project*, Docket No. E002/M-13-716, Department of Commerce Comments at 3 (September 9, 2013) (acknowledging 25-year turbine life for Pleasant Valley and Border Wind projects).

Third, even assuming the turbines have average lives of only 20 years, our updated modeling still shows benefits compared to the REPAs on a PVSC basis, saving \$16.4 million compared to the existing REPAs and \$12.1 million compared to the amended REPAs. And while modeling shows \$2.1 million in additional costs on a PVRR basis, we view this scenario as confirming that the proposed acquisition has very little risk for customers given that 20 years is the floor of possible turbine lives. In other words, we agree with the Department that a 20-year assumption and our updated modeling provide an important data point for assessing the proposed acquisition. It bears repeating, though, that we do not believe the turbines will be limited to 20-year lives. They are certified to have *minimum* lives of 20 years, and we conservatively expect that with proper adherence to OEM operating procedures, and with a consistent maintenance protocol, the turbines will operate for at least 25 years.

In fact, as we have noted in prior wind acquisition dockets,⁵ we believe it is possible that the facilities may operate beyond our expected 25-year life. With that in mind, we have also provided Strategist scenarios based on a 30-year turbine life. Those scenarios show even greater benefits for customers ranging from \$14 million on a PVRR basis to over \$42 million on a PVSC basis. When compared to the very modest PVRR cost (and substantial PVSC benefits) associated with the 20-year scenario, we believe the upside potential for customers vastly outweighs the minimal risks associated with our turbine lifespan assumptions.

Finally, we recognize—as we did in connection with our 1,550 MW wind portfolio and Dakota Range⁶ dockets—that the Commission will maintain oversight of the Company’s proposed ownership of, and cost recovery for, these facilities. It can therefore confirm on an ongoing basis that the Company’s modeling in this docket is reasonable and appropriate. And, if the Commission ultimately concludes that the Company did not use reasonable assumptions in this docket, it has various ratemaking tools at its disposal to ensure that customers are not disadvantaged.

C. Supplemental Modeling

As noted above, the Company conducted additional modeling to assess the benefits of the proposed acquisition of Jeffers and Community Wind North under both a 20-year and 30-year expected life. The updated modeling also includes the updated market transaction limit we included in our Moraine II PPA petition in Docket No. E002/M-19-58. The results of the additional modeling are shown below:

⁵ *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Wind Generation from the Company’s 2016-2030 Integrated Resource Plan*, Docket No. E002/M-16-777.

⁶ *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of 302.4 MW Wind Generation*, Docket No. E002/M-17-694.

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(\$ millions)

Scenario	PVSC	Delta	PVRR	Delta
Base	55,657.0	-	44,903.4	-
PPA-Repower Jeffers	55,654.4	(2.6)	44,902.0	(1.4)
PPA-Repower CWN	55,655.5	(1.6)	44,902.6	(0.8)
PPA-Repower Both	55,652.7	(4.3)	44,901.2	(2.2)
Own Jeffers - 20 years	55,642.6	(14.4)	44,901.3	(2.2)
Own Jeffers - 25 years	55,632.8	(24.3)	44,894.8	(8.7)
Own Jeffers - 30 years	55,625.8	(31.2)	44,890.5	(12.9)
Own CWN - 20 years	55,656.2	(0.8)	44,907.7	4.3
Own CWN - 25 years	55,650.7	(6.3)	44,904.3	0.9
Own CWN - 30 years	55,647.2	(9.8)	44,902.4	(1.0)
Own Both - 20 years	55,640.7	(16.4)	44,905.5	2.1
Own Both - 25 years	55,625.4	(31.7)	44,895.5	(7.9)
Own Both - 30 years	55,615.0	(42.1)	44,889.5	(14.0)

In order to develop a better estimate of a market transaction limit, we conducted PROMOD modeling using data from the MISO Accelerated Fleet Change MTEP scenario. PROMOD is a nodal, dispatch model that can be used to simulate the dispatch of the resources in MISO. This analysis showed the NSP system making sales into the market of up to 2,300 MWs per hour in 2027. We have phased this limit in by increasing the limit to 1,800 MWs in 2019, after the Badger-Coulee line is in service, and up to 2,300 in 2023, when the Cardinal to Hickory Creek transmission line is expected to be come online. We believe this updated market limit better reflects the likely availability of market sales in the future. Assuming a 25-year life, the updated market limit results in PVSC benefits of \$31.7 million compared to \$32 million and \$7.9 million in PVRR compared to \$6.9 million.

D. Competitive Acquisition Process

The Department contends that the Company could have “ensure[d] that the acquisition adjustment or premium is reasonable” by conducting a competitive bidding process. Although we agree that, when possible, a competitive bidding process is a valuable tool to ensure ratepayers obtain the best value, as the Department recently noted in its March 5, 2019, Comments in the MEC Proceeding, Docket E002/PA-18-702, “there are other considerations.” In that docket, the Department noted that a competitive bidding process was not feasible because, in part, “the proposal arose, not necessarily to address a need identified within the Commission’s resource planning process, but from an opportunity that occurred due to Southern’s desire to sell the MEC I and MEC II projects.” Additionally, because

“the proposal involves existing units,” it is “not clear” whether the Commission’s orders on competitive bidding apply.

For much the same reasons, a competitive bidding process also was not appropriate for the Company’s proposed acquisition of Jeffers and Community Wind North. Jeffers and Community Wind North are existing resources on our system. The Company is party to two 20-year REPAs that will expire in 2028 and 2031. As discussed in the Petition, the Company’s option to purchase arose as the Company was negotiating amendments to the REPAs, in connection with the Owner’s (Longroad Energy) plans to refurbish the facilities. Although the amendments to the REPAs the Company was able to negotiate include improved terms for ratepayers, as we were negotiating those amendments, we realized we may be able to obtain even greater benefits for our customers by purchasing the refurbished facilities.

Because Jeffers and Community Wind North are already on the system—and will be for the next nine to eleven years—conducting a competitive bidding process for an alternative is not a realistic option, and therefore not a viable measure for whether the purchase price for the facilities is reasonable. Instead, the appropriate question is whether owning the facilities will result in a lower price of energy compared to the price of wind energy under both the current and amended REPAs for the facilities combined with the price available to replace the REPAs in the future (when the REPAs expire). As discussed in the Petition, the Company’s Strategist modeling shows this to be the case on both a PVRR and PVSC basis. Under all scenarios, acquiring these facilities provides benefits for customers compared to both the existing and amended REPAs.

E. Purchase and Sale Agreements

The Department notes that, as of the time the Company filed the Petition, we had not yet executed purchase and sale agreements for the Jeffers and Community Wind North facilities.⁷ We agree with the Department that, ideally, we would have included these agreements with our initial Petition. However, the Option Agreement, included as Attachment A to our Petition, required that our petition for approval of these transactions be filed within 75 days of the Option Agreement’s execution, and we simply were unable to complete the purchase and sale agreements within that time. Moreover, the Department’s concern is now moot. Attached to these Reply Comments as Attachments B and C are the executed purchase and sale agreements for Jeffers and Community Wind North.

⁷ The Department incorrectly states that we “requested approval of an option that does not yet exist.” We attached the executed Option Agreement as Attachment A to the Petition.

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The Department’s primary concern with the Petition not including these agreements is that the Company’s “incentive to negotiate as vigorously as possible on behalf of ratepayers’ interests” would be lessened should the Commission approve of the purchase prior to execution. We believe that concern now has been addressed given that specific terms of the purchase and sale agreements are clearly presented before the Commission.

F. Minn. Stat. § 216B.50 and Minn. R. 7825.1800

Finally, we thank the Department for bringing to our attention that the Petition does not expressly reference Minn. Stat. § 216B.50 and Minn. R. 7825.1800, the applicable statute and rule governing utility acquisitions of property. Although we acknowledge that we did not explicitly request approval under Minn. Stat. § 216B.50 or request a variance from, or otherwise specifically discuss, the filing requirements provided in Minn. R. 7825.1800, we believe that the analysis we presented provides the information necessary for the Commission to find the Company’s proposed acquisition of Jeffers and Community Wind North to be in the public interest and to approve the transaction.

Notwithstanding the foregoing, we now specifically address the requirements of Minn. Stat. § 216B.50 and Minn. R. 7825.1800, requesting approval of our proposed acquisition of Jeffers and Community Wind North, and a variance from the requirements of Minn. R. 7825.1800, subp. B.

Minn. Stat. § 216B.50 governs the transfer of utility assets exceeding \$100,000:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 . . . without first being authorized so to do by the commission. . . . If the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval. . . . In reaching its determination, the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or dispatched of, or merged and consolidated.

For the reasons discussed above and in our Petition, we respectfully request that the Commission find that our proposed acquisition of Jeffers and Community Wind North is in the public interest and thus complies with Minn. Stat. § 216B.50. We confirm that the Company does not intend to issue, sell, or transfer any stock in connection with this project. And, as discussed above and in our Petition, our proposed acquisition is in the public interest because it results in benefits to our

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customers and places them in a better position than they would be were we to continue with either the existing or amended REPAs.

Minn. R. 7825.1800 also addresses property transfers. Minn. R. 7825.1800, subps. B, C, and D state that petitions to acquire property shall contain the following:

B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

D. Other pertinent facts or additional information that the commission may require.

Below we discuss compliance with this rule and respectfully request that the Commission waive application of Minn. R. 7825.1800, subp. B.

1. Minn. R. 7825.1800, subp. B – Variance Request:

Minn. R. 7825.1800, subp. B requires detailed information (items A through J) set forth in Minn. R. 7825.1400. Minn. R. 7825.1400—entitled, Filing Requirements for Capital Structure Approval—however, concerns capital structure filings and is geared toward investigating the issuance of securities, which is not at issue here.

Accordingly, we respectfully request that the Commission waive application of Minn. R. 7825.1800, subp. B. The Commission has previously granted a variance to the requirements to provide the information outlined under Minn. R. 7825.1400 (A)-(J) in proposed acquisition of property transactions.⁸ The Commission has found that Minn. R. 7825.1400 is applicable to capital structure filings and, therefore, the

⁸ See, e.g., *In the Matter of Northern States Power Company and ITC Midwest LLC for Approval of a Transfer of Transmission Assets and Route Permit*, Order Approving Sale as Conditioned, Granting Variance and Requiring Filing, Docket No. E002/PA-10-685 (Dec. 28, 2010).

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information does not pertain to petitions to acquire property.⁹ The Company respectfully requests a similar variance in this case pursuant to Minn. R. 7829.3200. Minn. R. 7829.3200 allows the Commission to vary its rules if it finds:

- (a) Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- (b) Granting the variance would not adversely affect the public interest; and
- (c) Granting the variance would not conflict with standards imposed by law.

The Company can satisfy all three elements. First, as noted above, the proposed transaction does not implicate the information sought by Minn. R. 7825.1400 (A)-(J) and, thus, its provision would impose an excessive burden on the Company. Second, because the proposed transaction does not involve the issuance of securities, granting a variance does not conflict with the public interest. Third, as evidence by previous Commission precedent waiving these requirements under similar circumstances, a waiver will not violate any standards imposed by law.

2. Minn. R. 7825.1800, subp. C – Property Description and Cost:

With respect to the discussion required under Minn. R. 7825.1800, subp. C, the Company notes that the proposed acquisition of Jeffers and Community Wind North will take the form of cash payments to Mission Minnesota Wind III, LLC and Mission Community Wind North, LLC (wholly-owned subsidiaries of Minnesota Wind Holdings, LLC, which itself is a wholly-owned subsidiary of Longroad Energy) at appropriate junctures. There are no affiliated interests between the Company and Longroad Energy or its subsidiaries. The Company is a wholly-owned utility operating company subsidiary of Xcel Energy Inc., a public utility holding company under the Public Utility Holding Company Act of 2005.

As detailed in the purchase and sale agreements between Mission Minnesota Wind III, LLC, Mission Community Wind North, LLC, and Xcel Energy, the proposed acquisition includes all the assets used in connection with the ownership and operation of the Jeffers and Community Wind North facilities.

The transaction includes the value of land rights for turbines and collection lines, permits necessary to own and operate the facilities, interconnection rights for each project, service and parts warranty agreements with Vestas, O&M and substation facilities at the project sites, and upgraded equipment (including new nacelles and blades on all turbines for each project).

⁹ *In the Matter of Xcel Energy's Petition for Approval of a Transfer and Exchange of Transmission Assets with Great River Energy and Member Cooperatives*, Order, Docket No. E002/PA-06-932 (Oct. 16, 2006).

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Taking into consideration estimated remaining project costs and additional assets to be acquired, at November 30, 2019, the estimated net book value of electric plant in service (including estimated repowering expenditures) for Jeffers is *[Protected Data Begins Protected Data Ends]*, and the accumulated provision for depreciation of electric utility plant is *[Protected Data Begins Protected Data Ends]*, and the estimated net book value of electric plant in service for Community Wind North is *[Protected Data Begins Protected Data Ends]*, and the accumulated provision for depreciation of electric utility plant is *[Protected Data Begins Protected Data Ends]*.

We provided the Department with proposed journal entries in response to Information Request No. 23, which we provide here as Attachment D.

3. *Minn. R. 7825.1800, subp. D – Other Pertinent Facts:*

Other pertinent facts are found within the Petition.

We apologize that these requests and this discussion were not included in our initial Petition. We do not believe, however, that they require additional analysis or a delay of the docket’s timeline. For the reasons set forth above and in the Petition, the Company respectfully submits that the proposed acquisition of Jeffers and Community Wind North is consistent with the public interest and should be approved.

CONCLUSION

We appreciate the Department’s and the City’s review of our Petition and the opportunity to provide additional perspective in these Reply Comments. We respectfully request that the Commission approve the Company’s acquisition, ownership, and operation of the Community Wind North Facilities and the Jeffers Wind Facility pursuant to the terms of a negotiated purchase agreement.

Dated: April 12, 2019

Northern States Power Company

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 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 14
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: January 18, 2019

Question:

Topic: Useful Life
Reference(s): Filing, page 14

Under the Acquisition scenario, the Company assumes that the repowered wind resources operate for 25 years. What is the basis for this assumption?

Response:

The OEM (Original Equipment Manufacturer) of the repower equipment will deliver a 'Letter of Conformity' that will confirm a minimum repowered turbine design life of 20 years, as certified by a third party (DNV/GL), (turbine life after decommissioning of the existing equipment, and installation of the new equipment). Additionally, with proper adherence to OEM operating procedures, and with a consistent maintenance protocol, we expect the turbines to operate beyond 20 years, having average lifespans of 25 years. The replacement turbine technology used in the repower project is similar to technology being utilized in our self-build portfolio of projects, and we anticipate being able to operate the turbines for that entire lifespan.

Preparer: Bradley D. Morrison
Title: Manager, Projects E&C
Department: ES Plant Projects
Telephone: 612-330-6283
Date: January 28, 2019

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Northern States Power Company

Docket No. E002/PA-18-777
CWN and Jeffers Wind Facilities
Reply Comments – April 12, 2019
Attachment B – 364 Pages Total

Attachment B is marked as “Not Public” because it contains information the Company considers to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This data includes confidential pricing and other contract terms. The information has independent economic value from not being generally known to, and not being readily ascertainable by, other parties who could obtain economic value from its disclosure or use. We have marked this information as “Not Public” because the knowledge of such information in conjunction with public information in our Petition could also adversely impact future contract negotiations, potentially increasing costs for these services for our customers. Thus, the Company maintains this information as a trade secret.

Attachment B provided with the Not-Public version of this filing contains information classified as trade secret pursuant to Minn. Stat. § 13.37 for the above-noted reasons and is marked as “Not Public” in its entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** PDF copy of the Purchase and Sale Agreement for the Company’s acquisition of the Jeffers Wind Facility.
2. **Authors:** The Purchase and Sale Agreement was prepared by the Company’s Corporate Development personnel.
3. **Importance:** The Purchase and Sale Agreement contains competitively sensitive pricing and other contract terms the Company considers to be trade secret.
4. **Date the Information was Prepared:** The Purchase and Sale Agreement was executed March 27, 2019.

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Protected Data Ends]

PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED

Northern States Power Company

Docket No. E002/PA-18-777
CWN and Jeffers Wind Facilities
Reply Comments – April 12, 2019
Attachment C – 371 Pages Total

Attachment C is marked as “Not Public” because it contains information the Company considers to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). This data includes confidential pricing and other contract terms. The information has independent economic value from not being generally known to, and not being readily ascertainable by, other parties who could obtain economic value from its disclosure or use. We have marked this information as “Not Public” because the knowledge of such information in conjunction with public information in our Petition could also adversely impact future contract negotiations, potentially increasing costs for these services for our customers. Thus, the Company maintains this information as a trade secret.

Attachment C provided with the Not-Public version of this filing contains information classified as trade secret pursuant to Minn. Stat. § 13.37 for the above-noted reasons and is marked as “Not Public” in its entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** PDF copy of the Purchase and Sale Agreement for the Company’s acquisition of the Community Wind North Facilities.
2. **Authors:** The Purchase and Sale Agreement was prepared by the Company’s Corporate Development personnel.
3. **Importance:** The Purchase and Sale Agreement contains competitively sensitive pricing and other contract terms the Company considers to be trade secret.
4. **Date the Information was Prepared:** The Purchase and Sale Agreement was executed March 27, 2019.

[Protected Data Begins

Protected Data Ends]

PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public or Protected Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 23
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: January 18, 2019

Question:

Topic: Journal Entries

Please provide an example of the proposed journal entries for each of the three transactions.

Response:

Below are the proposed journal entries for the Company's acquisition of the facilities, with estimated dollar amounts assuming the purchase of the Jeffers facility and the Community Wind North facilities each occurs on November 30, 2019:

Proposed Journal Entries – Jeffers Facility
Estimated at Closing November 30, 2019

FERC	FERC Description	Debit	Credit
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PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED*Proposed Journal Entries – Community Wind North Facilities*

Estimated at Closing November 30, 2019

FERC	FERC Description	Debit	Credit
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*[Protected Data Begins**Protected Data Ends]*

*Estimated amounts for *Electric Plant in Service* and *Accumulated Provision for Depreciation of Electric Utility Plant* for Jeffers 20, LLC and Community Wind North, LLC include estimated repowering expenditures of *[Protected Data Begins* *Protected Data Ends]*, respectively, as well as cost estimates for the towers and other original assets using approximated original cost and depreciation through the forecast acquisition date, per FERC guidelines. Immediately upon the purchases of the membership interests, Jeffers 20, LLC and Community Wind North, LLC would each merge with and into NSP-Minnesota, which would be the sole surviving entity of the mergers.

If the Commission does not approve the Company's acquisition of the facilities, and instead approves the amendments to the Wind Generation Purchase Agreements (REPAs) for the repowered facilities, this would result in continuing payments for wind energy recognized in FERC Account 555 *Purchased Power*. As set forth in the Company's December 21, 2018 petition, the amended Jeffers Wind REPA would be expected to result in energy expenditures of approximately *[Protected Data Begins* *Protected Data Ends]* over the remaining term of the project.

Amended Community Wind North REPAs would be expected to result in energy expenditures of approximately *[Protected Data Begins* *Protected Data Ends]* over the remaining term of the project.

Portions of this response are marked as "Not-Public" as they contain sensitive pricing information we consider to be trade secret data as defined by Minn. Stat. §13.37(1)(b). The information derives an independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from its use. Based on its economic value, the Company maintains this information as trade secret.

PUBLIC DOCUMENT—NOT-PUBLIC OR PROTECTED DATA EXCISED

Preparer: Aaron Hansen
Title: Manager
Department: Capital Asset Accounting
Telephone: 612-330-6854
Date: March 14, 2019

CERTIFICATE OF SERVICE

I, Paget Pengelly, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

or

xx electronic filing

Docket No. E002/PA-18-777

Dated this 12th day of April 2019

/s/

Paget Pengelly
Regulatory Administrator

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