



January 31, 2014

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VIA E-FILING AND U.S. MAIL

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101

RE: 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
MPUC Docket No. E-002/CN-12-1240

Dear Dr. Haar:

Enclosed please find Invenergy Thermal Development LLC's Reply to Exceptions in the above-referenced docket. This document has been filed with the E-Docket system and served on the attached service list. Also enclosed is our Affidavit of Service.

Very truly yours,

WINTHROP & WEINSTINE, P.A.

/s/ Eric F. Swanson

Eric F. Swanson

Enclosures

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

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

MPUC Docket No. E-002/CN-12-1240

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Mary G. Holly, of the City of Lake Elmo, County of Washington, the State of Minnesota,
being first duly sworn, deposes and says that on the 31st day of January, 2014, she served the
attached **Reply to Exceptions** to all said persons on the attached Service List, true and correct
copies thereof, by e-filing and/or by depositing the same enclosed in an envelope, postage
prepaid in the United States Mail in the post office at Minneapolis, Minnesota.

/s/ Mary G. Holly
MARY G. HOLLY

Subscribed and sworn to before me this
31st day of January, 2014.

/s/ Jane E. Justice
Notary Public

My Commission Expires: January 31, 2015

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_12-1240_Official CC Service List
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Petition of Northern
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MPUC Docket No. E-002/CN-12-1240

REPLY TO EXCEPTIONS

INTRODUCTION

Having reviewed the Exceptions to the Findings of Fact, Conclusions of Law and Recommendation (“Recommendation”) of the Administrative Law Judge (“ALJ”) filed by other parties in the above-captioned docket, Invenergy Thermal Development LLC (“Invenergy”) files this Reply to Exceptions. As discussed below, the Exceptions filed by the Department of Commerce – Division of Energy Resources (“DOC”), Xcel Energy (“Xcel”), and Calpine Corporation (“Calpine”) further demonstrate the fundamental errors in the Recommendation noted by Invenergy in its Exceptions, including its:

1. Reversal of the Commission’s prior determination of need for 150 MW or more of peaking or intermediate capacity, creating substantial risk for Xcel and its ratepayers;
2. Reliance on faulty economic analysis, thereby imposing excessive costs on ratepayers;
3. Failure to pursue a competitive resource acquisition approach for newly required solar resources; and
4. Lack of a full and rigorous review of the natural gas alternatives.

For all of these reasons, the Recommendation does not “capture both the law and the facts in this case,” as stated by Geronimo Wind Energy, LLC d/b/a Geronimo Energy, LLC (“Geronimo”). Geronimo Exceptions, p. 1. To the contrary, the Recommendation overturns the Minnesota Public Utilities Commission (“Commission”) determination of need, lacks substantial record evidence supporting its conclusions and ignores multiple critical facts in the record.

Determination of Need

As Invenergy noted in its Exceptions, the Recommendation overturns the Commission’s prior finding of need without substantial evidence supporting this reversal. This reversal of the Commission’s prior determination of the size, type and timing of resource needed, if adopted, would dramatically change this docket mid-game and would undercut the integrity of the bidding process, impacting not just this docket but potentially future dockets as well.

As the DOC aptly stated:

The purpose of this [docket] is to fulfill the need that the Commission found in its March 5, 2013 Order Approving Plan, Finding Need, Establishing Filing Requirements and Closing Docket in Xcel’s 2011-2025 Integrated Resource Plan (“2013 Resource Order”), which stated: “The Commission *finds* that the current resource plan demonstrates Xcel’s need for an additional 150 MW in 2017, increasing up to 500 MW in 2019.”

DOC Exceptions, p. 6 (emphasis in original).

The DOC also notes that the Recommendation appears to have focused on adding as few resources to Xcel’s system as possible, rather than meeting the need determination reached by the Commission, in part due to the ALJ’s focus on Xcel’s rate case forecast –

a forecast not analyzed in this record. As such, the Recommendation errs in multiple ways, including an inappropriate focus on short-term rather than long-term needs. The Recommendation also reflects a confusion between energy and capacity needs. *See* DOC Exceptions, pp. 2, 10.

By failing to recommend resources meeting the needs already determined by the Commission, the Recommendation creates substantial risk for Xcel and its ratepayers. As Xcel noted: “The consequences of a potential capacity deficit in 2017-2019 are significant and should not be underestimated. Without additional dispatchable generation on our system, the Company may have to rely on MISO’s wholesale market for the capacity credits necessary to meet our resource adequacy obligations as well as daily purchases of energy to serve our customers.” Xcel Exceptions, p. 12. Similarly, Calpine called the Recommendation’s assumption that no additional capacity is needed “an extreme and high-risk assumption that not only fails to accurately reflect the record, but also fails to take into consideration the broad range of pending market uncertainties.” Calpine Exceptions, p. 2. Finally, the DOC noted: “It would not be reasonable to require Xcel’s ratepayers to face the risk of paying much higher prices for resources in the future, based on speculative and untested assumptions.” DOC Exceptions, p. 17.

The record simply does not and cannot support a finding that despite the Commission determination of the need for peaking or intermediate capacity of 150 to 500 MW, no such resources are now needed. To so find would create significant risk for Xcel and its ratepayers.

Ratepayer impact

Other parties' Exceptions also explain the lack of record evidence supporting the Recommendation's conclusion that the Geronimo proposal represents the least cost option for Xcel ratepayers. In fact, the record demonstrates the exact opposite. As the DOC observed, "The Solar Bid was significantly more expensive than the bids of Xcel, Invenergy or Calpine." DOC Exceptions, p. 2. Indeed, ratepayers would be responsible for tens of millions of dollars in additional costs with the Geronimo proposal compared to natural gas resources. *See* DOC Exceptions, p. 17. Xcel agreed, stating that "there is nothing in the record to support the conclusion that adding Geronimo and GRE to our system now - with the possibility that still further resources will be needed later - will likely be less expensive for our ratepayers" than adding natural gas resources. Xcel Exceptions, p. 18.

Regarding the Great River Energy ("GRE") "capacity-only" proposal, the DOC accurately stated the record in noting that: "GRE's 'scalable' offer of capacity credits performed so poorly that it was not even advanced to the second round of analysis by the Department. Moreover, this cost does not include the costs of market energy that would also need to be acquired." DOC Exceptions, p. 17.

Solar Energy Standard

The Recommendation selects the Geronimo proposal, in part, based on the legislative passage of a Solar Energy Standard ("SES") during the pendency of this proceeding. Invenergy strongly supports development of renewable energy, including solar energy. However, the record does not support and the Recommendation does not

explain any benefit of awarding nearly one-third of the Xcel-required solar energy to a single solar bidder. As the DOC discussed, “given that only one solar firm submitted a bid, it is not possible to conclude that Xcel’s ratepayers would be getting the best solar resources if the Solar Bid were approved in this proceeding.” DOC Exceptions, p. 5. In fact, Xcel noted that “based on prices we have observed in other jurisdictions, our expectation is that Minnesota solar resources could be acquired at prices below that offered by Geronimo.” Xcel Exceptions, pp. 3-4. For that reason, Invenergy, Xcel and the DOC all recommended a second bidding process focused on solar resources, to ensure that ratepayer costs are minimized. *See* DOC Exceptions, p. 4; Xcel Exceptions, p. 2. Unfortunately, the Recommendation failed to address these concerns.

Lack of Full and Rigorous Review

Invenergy will not repeat its arguments set forth in its Briefs and Exceptions that demonstrate the multiple flaws in the Recommendation’s review of the various resource proposals offered in this proceeding. Instead, Invenergy will summarize by agreeing with the two most important sentences in the DOC Exceptions, both at page 2:

The ALJ’s Recommendations, if adopted, would put at risk Minnesota’s energy reliability and reasonable rates.

The ALJ could only conclude as he did through error.

CONCLUSION

Invenergy respectfully requests that the Commission take a full and thorough review of the record in this proceeding. Doing so, and keeping in mind the Commission’s prior determination of need, the ratepayer impacts of the various proposals

and the Certificate of Need criteria that guide the resource selection process, shows that Invenergy's proposals provide a superior fit to the need that must be filled. However, if the Commission has any uncertainty as to the superiority of the Invenergy resources, Invenergy would not object to its proposals moving forward to PPA negotiations, so that the Commission can be further assured that ratepayer interests are protected to the maximum extent possible.

Dated: January 31, 2014

WINTHROP & WEINSTINE, P.A.

By: /s/ Eric F. Swanson

Eric F. Swanson

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**ATTORNEYS FOR INVENERGY
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