December 13, 2019 **PUBLIC DOCUMENT**

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

RE: **Public Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/PA-19-553

Dear Mr. Wolf:

Attached are the Trade Secret Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Xcel Energy's Petition for Approval of the Acquisition of the Mower County Wind Facility

The Petition was filed on August 30, 2019 by:

Bria E. Shea
Director, Regulatory and Strategic Analysis
Xcel Energy
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) reject Xcel's request to purchase the Mower County facility since Xcel has not demonstrated that the benefits associated with the purchase alternative are greater than the costs. However, the Department recommends that the Commission approve the amended power purchase agreement alternative Xcel discussed in the filing. In addition, the Department requests that Xcel provide additional information on certain topics in its Reply Comments. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ STEVE RAKOW
Analyst Coordinator

/s/JOHN KUNDERT
Financial Analyst

JK/ar
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E002/PA-19-553

I. INTRODUCTION

On August 30, 2019, Northern States Power Company, doing business as Xcel Energy (Xcel, or the Company) filed the Company's *Petition for Approval of the Acquisition of the Mower County Wind Facility* (Petition) pursuant to Minnesota Statutes § 216B.50. The Mower County Wind Facility (Mower County) is a 98.9-megawatt (MW) wind farm that was completed by FPL Energy Mower County LLC in 2006. Since that time, Mower County has operated under a 20-year power purchase agreement (PPA) with Xcel that is scheduled to end in December 2026.

The Petition is complex in that it included a preferred request as well as a secondary request. Xcel's primary request is that the Minnesota Public Utilities Commission (Commission) approve its proposed Purchase and Sale Agreement (Purchase, PSA) of the existing Mower County Wind Facility and that the asset be included as a regulated asset in NSPM's rate base. The proposed purchase price for the facility is **[TRADE SECRET DATA HAS BEEN EXCISED]**.

The Company's secondary request is that the Commission approve that the Company's First Amendment to the Mower County PPA (Amended PPA). Xcel is also proposing to purchase the Mower County facility under this alternative as well. Specifically, Xcel states, "the Company "is prepared to step into the shoes of the Seller by acquiring the repowered facility under an unregulated affiliate."[1] The difference in this option is that an unregulated Xcel affiliate would purchase the facility from its current owner and take over the amended power purchase agreement with the NSPM operating company. Under this approach, Xcel would need to file an affiliated-interest agreement, similar to Xcel's petition for approval of an affiliated-interest agreement regarding the Mankato Energy Center I and II PPAs, pending in Docket E002/AI-19-622.

II. SUMMARY OF PETITION

As noted above, Xcel's Petition's primary request is that the Commission determine that the proposal to acquire the existing Mower County facility as a regulated asset is prudent and in the public interest under Minnesota Statutes §216B.50.

[1] Petition at 3.

The Company identified four benefits resulting from the proposed Purchase alternative:

- Cost savings relative to purchasing/selling energy on the spot market of the Midcontinent Independent System Operator (MISO);
- Purchase of the facility's existing transmission access;
- Current Owner/Developer's expressed preference for union labor; and
- Assistance in Xcel achieving its carbon reduction goals.

Xcel provided two separate economic analyses to support the Purchase alternative. The Company used its Strategist model to estimate the effects of the transaction on the Present Value of the Revenue Requirements (PVRR) and the Present Value of the Societal Costs (PVSC) of its system for the two alternatives. In addition, it provided what the Company termed a "pro forma" spreadsheet analysis of the Purchase option.

Xcel noted that its analysis of the effects of both alternatives indicated that both options would provide financial benefits to ratepayers. The Company's estimated benefits to ratepayers associated with the Amended PPA alternative are smaller than those resulting from Xcel's analysis of the Purchase alternative. Table 1 lists the results of three of Xcel's several Strategist model runs and the Company's pro forma modeling results.

Table 1 –Incremental Changes in PVRR and PVSC Savings from Reference Case ($ millions) from 2020 through 2045[2]

Scenario	Purchase	Amended PPA
PVRR (pro forma)	($48.0)	Not applicable
PVRR (Strategist/Incremental)	($10.7)	($3.8)
PVSC – Low Externality Costs All Years (Strategist/Incremental)	($14.1)	($3.8)
PVSC – High Externality Costs All Years (Strategist/Incremental)	($25.8)	($3.8)

*Negative values represent reductions in costs and thus estimated benefits to ratepayers.

Xcel did not provide detailed cost estimates for the benefits resulting from the vendor's preference for union labor for the Purchase option, the avoided interconnection costs for new wind facilities or the benefits related to carbon reduction.

[2] The Department included the Company's estimates using the "Incremental" in lieu of the "Partial Fulfillment" approach in Xcel's Strategist modeling as we consider the Mower County Project – as opposed, for example, to less expensive renewable power – to be strictly incremental after 2026.

III. DEPARTMENT ANALYSIS

The Department considered four different topics in its analysis:

- **Legal/Procedural** – focuses on determining if the filing complied with the necessary filing requirements.
- **Accounting –** reviews accounting issues for the Purchase and Amended PPA options.
- **Strategist Modeling** – discusses Xcel's Strategist modeling efforts relative to the two options.
- **Purchase Option Additional Information** – discusses the Purchase alternative in light of benefits Xcel identified at a general level.

A. LEGAL/PROCEDURAL ISSUES

The Company's Purchase alternative requires consideration of Minnesota Statute § 216B.50.

a.) Applicability of Minnesota Statutes § 216B.50

The Company filed the Petition pursuant to Minnesota Statutes § 216B.50, which states in part:

> 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, or merge or consolidate with another public utility or transmission company operating in this state, 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 by order in writing. In reaching its determination, the Commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated.

Xcel proposed to acquire an operating unit to serve the Company's system for a total consideration in excess of $100,000. Therefore, Minnesota Statutes § 216B.50 applies to the Petition.

b.) Decision Criterion

Minnesota Statutes § 216B.50 establishes a single test as noted above – "that the proposed action is consistent with the public interest. Xcel concluded that the proposed transaction is in the public interest because the transaction would:

- Provide cost savings to the Company's customers;
- Minimize the transmission risks and costs associated with a greenfield facility, and
- Contribute toward the Company meeting its carbon reduction goals.

c.) Information Requirements

Minnesota Rules 7825.1800, subpart B requires the Company to provide various information set forth in Minnesota Rules 7825.1400 for a property transfer. In the Petition, Xcel requested that the Commission waive application of Minnesota Rules 7825.1800, subp. B relative to the Purchase alternative. The Company noted that the Commission has previously granted a variance to the requirements to provide the information outlined under Minnesota Rules 7825.1400 (A) to (J) in proposed acquisition of property transactions.

Minnesota Rules 7829.3200 allows the Commission to vary its rules if the Commission 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.

Xcel's analysis of the variance requirements is as follows:

- Excessive burden – the proposed transaction does not implicate the information sought by Minnesota Rules 7825.1400 (A) to (J) and, thus, its provision would impose an excessive burden on the Company;
- Public interest – because the proposed transaction does not involve the issuance of securities, granting a variance would not conflict with the public interest; and
- Standards imposed by law – as evidenced by previous Commission precedent, a waiver would not violate any standards imposed by law.

A recent Commission Order in Docket No. E002/PA-18-777[3] (18-777 docket) informs the Department's position on this issue. Xcel had requested a variance in that proceeding for a regulated purchase of existing wind generation assets. In that ORDER at page 3, the Commission stated:

> The Commission agrees that the information required by the Minn. R. 7825.1800(B) is not relevant to the issues before the Commission in this matter. As required by Minn. R. 7829.3200 to warrant a variance to its rules, the Commission finds:
>
> - 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 upon the Petitioner,

[3] *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of the Acquisition of the Community Wind North Facilities and the Jeffers Wind Facility,* MPUC Docket No. E-002/PA-18-777, ORDER APPROVING ACQUISITION OF COMMUNITY WIND NORTH AND JEFFERS WIND FACILITIES, APPROVING VARIANCE AND OTHER ACTION (December 3, 2019).

- Granting the requested variance would not adversely affect the public interest, as the proposed transaction does not involve the issuance of securities; and
- Granting the variance would not conflict with standards imposed by law, as evidenced by previous Commission decisions.

The Commission also formally granted Xcel's variance request in Order Point #2 in that same document.[4]

Since the rule variance issues in the 18-777 docket were very similar, if not identical to those in this proceeding, the Department relies on the Commission's prior approval to recommend that the Commission approve Xcel's request for a variance in light of the Commission's reasoning delineated in this Order.

The Amended PPA option, considered in isolation, would be classified as a "Miscellaneous Filing" under Minn. R. 7829, subp. 11 and need to fulfill the requirements contained in Minn. R. 7829.1300, subp. 3. It appears that the information included in the Company's current filing meets the requirements included in those two rules.

The Amended PPA Option would also require Xcel to file an affiliated interest agreement under Minnesota Statutes § 216B.48, subd 3. The situation described, in which an unregulated Xcel affiliate would purchase Mower County and assume the PPA to provide power to Xcel's regulated operations would involve a "contract or arrangement . . . between a public utility and any affiliated interest" under the AI statute would require an additional petition before the Commission.

Neither the Purchase nor the Amended PPA options appear to have any legal deficiencies within the context of this filing at this time.

B. ACCOUNTING ISSUES

a.) Purchase Option

i. Plant Material and Operating Supplies

Xcel identified **[TRADE SECRET DATA HAS BEEN EXCISED]** in plant materials and operating supplies in Attachment C to the Petition. This amount is included in the estimated purchase price.

The Department asked the Company in Department Information Request No. 4 (a) to provide a breakout of the amount included in Attachment C.[5] Xcel provided the following response:

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[4] *Ibid*, p. 8.
[5] A copy of this information request and response is in Attachment 1 to these comments.

> The **[TRADE SECRET DATA HAS BEEN EXCISED]** in plant materials and operating supplies in Petition Attachment C as a portion of the assets that will be recognized upon the purchase of the facility is a rounded estimate of the inventory of materials and supplies on hand at the facility as of the purchase closing date. As of April 30, 2019 Plant Materials and Operating Supplies per the FPL Energy Mower County, LLC general ledger balances included in Schedule 6.21 to the Purchase and Sale Agreement totaled **[TRADE SECRET DATA HAS BEEN EXCISED].**
>
> This general ledger balance at April 30, 2019 consisted of several hundred items, including replacement parts, cables, lubricants, hardware and other materials, ranging in value from several thousand dollars for replacement part kits, sensors and assemblies to as little as a few dollars or less for miscellaneous hardware.
>
> Xcel Energy expects a similar balance will be on hand as of the closing date and as such expects that approximately **[TRADE SECRET DATA HAS BEEN EXCISED]** of the purchase prices will be allocated to Plant Materials and Operating Supplies, subject to an assessment of the material and supplies at the purchase date to ensure 1) the items are expected to be needed to operate the plant over time, and 2) recognition of the assets at the predecessor's cost and classification as Plant Materials and Operating Supplies is appropriate.

The Department asked the Company in Department Information Request No. 4 (b) to explain how those costs would be recovered through rates. Xcel provided the following response:

> Xcel Energy expects to apply ordinary ratemaking treatment for materials and supplies in the Minnesota retail jurisdiction, which includes the balance of this inventory in rate base. Similar to materials and supplies purchased from vendors in the ordinary course of business, and consistent with ordinary Xcel Energy accounting processes, . . ., qualifying materials and supplies obtained in the purchase of the facility will be maintained in FERC Account 154 Plant Materials and Operating Supplies until specific assets are used, at which point the cost of those specific assets will be applied to specific O&M orders or capital work orders, as appropriate, and recognized in corresponding O&M or Property Plant and Equipment accounts.

Based on our review, the Department considers the accounting treatment for the Plant Materials and Operating Supplies estimate to be reasonable. However, the Department has concerns about Xcel's accounting regarding the proposed acquisition of the asset, as discussed below.

ii. Net Book Value of Mower County

According Xcel on page 13 of the Petition:

> Taking into consideration estimated remaining project costs and additional costs to be acquired, at or around [commercial operation date or] COD, the estimated net book value of electric plant in service (including estimated repowering expenditures) for the Project is **[PROTECTED DATA HAS BEEN EXCISED]**, and the accumulated provision for depreciation of electric utility plant is **[PROTECTED DATA HAS BEEN EXCISED]**.

Regarding the estimated net book value of electric plant in service (including estimated repowering expenditures) for the Project of **[PROTECTED DATA HAS BEEN EXCISED]**, the Company provided additional detail.

> Estimated total plant balance as of May 31, 2019 excluding the approximate value of items to be removed as a result of repowering, plus **[PROTECTED DATA HAS BEEN EXCISED]** for estimated construction costs related to repowering.[6]

Thus, it appears that the net book value of the Mower County Facility, after accounting for salvage value but before the installation of the new equipment is **[TRADE SECRET DATA HAS BEEN EXCISED]**. As a result, there is an acquisition premium, which is discussed below.

The Department is also concerned that the Company noted in footnote 2 of Attachment C that its estimate for accumulated provision for depreciation of electric utility plant assumes that depreciation of the assets held for sale ceased in June 2019 following the execution of the Purchase Sale Agreement. The Department takes issue with this decision in that Mower County was already placed in service and continues to operate under its PPA with Xcel. Thus, the Department recommends that the depreciation expense associated with the net book value of the Mower County Facility, after accounting for salvage value but before the installation of new equipment should continue to be recorded from June 2019 forward. To do otherwise would overstate the Mower County Facility's net book value.

iii. Acquisition Adjustment

In **TRADE SECRET** Attachment C of the Company's Petition, the third journal entry records an acquisition adjustment of **[TRADE SECRET DATA HAS BEEN EXCISED].** An acquisition adjustment is the amount that is above or in excess of the net book value (original cost of the plant less accumulated depreciation). The

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[6] Petition in Attachment C at 1, footnote 1.

Company noted on page 13 of the Petition that it "will request to include [the acquisition adjustment] in rate base with a full return over the same useful life as the plant investment."

The Department asked Xcel to provide support for why ratepayers should pay for the **[TRADE SECRET DATA HAS BEEN EXCISED]** acquisition adjustment, including identifying offsetting benefits for ratepayers in Department Information Request No. 5.[7] Xcel provided the following response to Department Information Request No. 5 (b):

> As we have noted in recent resource acquisition dockets, the standard for assessing whether an acquisition is reasonable is whether the acquisition results in quantifiable and ongoing ratepayer benefits that would not have accrued but for the acquisition and that are greater than the cost of the acquisition adjustment. Assessed under this standard, the acquisition adjustment for the Mower County Project is reasonable.

The Department also asked Xcel to provide citation to cases where acquisition adjustment recovery was allowed for plants already devoted to public service. Xcel provided the following response to Department Information Request No. 5.C:

> The Minnesota Public Utilities Commission has directed considered the question of whether to permit recovery of an acquisition adjustment only a handful of times and not since the 1990s. That said, in both *In the Matter of the Petition of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota,* Docket No. E-017/GR-86-380, April 27, 1987, Order, and *In the Matter of the Petition of Interstate Power Company for Authority to Increase its Rates for Electric Service in Minnesota,* Docket No. E-001/GR-86-384, March 4, 1987, Order, the Commission authorized the inclusion in rate base of acquisition adjustments paid over net book value for plant already in service.

The Department reviewed the information associated with the two citations referenced. In its Order – Finding of Fact, Conclusions of Law and Recommended Order at 9 in Docket No. E-001/GR-86-384, the Commission stated:

> The Commission agrees with Interstate that Minnesota law does allow the inclusion of acquisition adjustment for ratemaking. The Commission finds that no party disputes the amount paid for the additional interest in the plant or the Company's assertion that the benefits of the acquisition to its ratepayers more than outweigh the costs. Based upon these findings, the Commission will allow recovery of the acquisition adjustment.

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[7] A copy of this Information request and response is included as Attachment 2.

The aforementioned Commission Order in Docket No. E002/PA-18-777 also addressed this issue. After development of the issues through exchanges between Xcel and the Department regarding the recovery of the acquisition adjustment associated with those two purchases, the Commission stated in its Order at point #2 "Xcel's request to recover acquisition adjustments for Community and Jeffers is approved."[8]

The Department's position regarding the Purchase's acquisition adjustment in this proceeding is similar to its position in the 18-777 proceeding. In light of the Commission's recent Order, the Department recommends approval of the Company's proposed acquisition adjustment only if the Company can identify benefits associated with the transaction that exceed the costs that Xcel proposes to charge to ratepayers for the acquisition premium. As discussed below under Strategist Modeling Issues, to date Xcel has not made such a showing.

The Department did not identify any accounting issues related to the Amended PPA option within the context of this Petition. Thus, the accounting issues regarding depreciation since June 2019 and the acquisition premium are the only accounting issues that require discussion (above) related to either the Purchase or the Amended PPA Options.

iv. Cost Recovery

Xcel has been charging its ratepayers for the costs of the PPA through its fuel clause. As to cost recovery under the Purchase Option or the Amended PPA, Xcel stated that the "proposed repower and PSA will not result in any rate changes until after the Project acquisition is approved, and a rate change is authorized in the Renewable Energy Standard (RES) Rider."[9]

Thus, Xcel proposes to recover costs of the Purchase in the RES. Xcel's tariff identifies Minnesota Statute § 216B.1645 as the basis for the RES Rider.[10] The Department assumes that the Company's cost-recovery proposal for the Purchase outlined in its response to Department Information Request

No. 4(b) regarding plant materials and supplies would be extended to all the assets associated with the Purchase option.[11]

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[8] *Ibid.*
[9] Petition at 4.
[10] Section 5, Sheets 146 and 147 of Xcel Minnesota Electric Tariff.
[11] Specifically, Xcel stated:

> Xcel Energy expects to apply the ordinary ratemaking treatment for materials and supplies in the Minnesota retail jurisdiction, which includes the balance of this inventory in rate base. Similar to materials and supplies purchased from vendors in the ordinary course of business, and consistent with ordinary Xcel Energy accounting processes, following the assessment discussed above, qualifying materials and supplies obtained in the purchase of the facility will be maintained in FERC Account 154 Plant Materials and Operating Supplies until specific assets are used, at which point the cost of those specific assets will be applied to specific O&M orders or capital work orders, as appropriate, and recognized in corresponding O&M or Property, Plant and Equipment accounts.

Regarding the Amended PPA, Xcel stated:

> In the event that the First Amendment to the REPA is approved [Amended PPA], no change in the contract price will occur, and any required fuel clause adjustments from the expected increase in energy will only become effective after the project is complete and acceptable energy delivery from the Project begins.[12]

In other words, Xcel proposes to continue to recover costs of the Amended PPA in the fuel clause adjustment, with no reduction in the price of energy for Xcel's ratepayers from the amounts currently being charged. However, as explained on page 14 of the Petition, the proposed Amended PPA would limit the extent to which ratepayers would pay for the costs of PPA going forward, given the expected increases in power generated by the facility and the relatively high costs of power from the facility.

The Department does not contest the Company's proposed recovery mechanism for the Amended PPA alternative.

The Department has no additional concerns regarding this topic, assuming our assumption base rate recovery for the Purchase option proves correct. The Department requests that Xcel respond to this issue in its Reply Comments.

C. STRATEGIST MODELING ISSUES

The Company included two models supporting the Petition. The first and primary supporting model consisted of a number of scenarios developed in the Strategist integrated resource-planning model to estimate the effects of the transaction on the Present Value of the Revenue Requirements (PVRR) and the Present Value of the Societal Costs (PVSC) on Xcel's system for the Purchase and Amended PPA alternatives. In addition, Xcel provided what the Company termed a "pro forma" spreadsheet analysis of the Purchase option as well.

1. Overview of Department's Approach to IRP/Strategist Modeling

a.) Resource Planning Background

In general, the Department views an integrated resource plan (IRP) as a discrete proceeding that happens at a point in time and that is then generally relied upon until the next IRP proceeding occurs. At the time a particular resource acquisition is proposed, typically one part of the analysis is to review the Company's latest capacity expansion modeling inputs for changes that are outside the boundaries studied in the prior IRP. If there are no such changes, then no further capacity expansion modeling (resource planning analysis) would need to take place and the prior IRP analysis and related

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[12] Petition at 4.

Commission decisions would be used. However, if subsequent data calls into question the assumptions underlying the prior IRP, then a limited re-analysis is performed to account for the new facts.

The Department's March 5, 2019 comments in Docket No. IP6949, E002/PA-18-702 at page 20 concluded that numerous modeling inputs had changed outside the bounds studied in Xcel's prior IRP. As a result, new modeling was required. That analysis applies to this proceeding as well—Xcel's prior IRP and the resulting Commission order should not be relied upon due to significant changes in facts underlying the determination of the size, type, and timing of Xcel's resource needs.

In response to Department Information Request No. 18 in this proceeding Xcel provided the files documenting the Company's updated capacity expansion modeling as provided in the November 13, 2019 Supplement. The Department used Strategist to review Xcel's modeling efforts in the Company's Supplement. The Department used the following general process when reviewing Strategist modeling:

1. obtain from the Company a base case file, and the commands necessary to recreate the various scenarios explored by the Company;
2. re-run the Company's base case file to make sure the outputs match and that the Department is working with the correct file;
3. review the Company's base case's inputs and outputs for reasonableness;
4. create a new Department base case, to include any changes needed to the Company's base case;
5. run scenarios of interest on the new base case to explore various risks and alternative futures; assess the results of the scenarios and establish a new preferred case; and
6. run scenarios of interest on the new preferred case to test the robustness of the Department's preferred case.

Examination of Xcel's modeling revealed a number of concerns. First, for steps one and two, in this case the Department attempted to match all of the Company's results and not just the base case. When attempting to do so, Strategist reported to the Department an error. The error involved the commands provided by the Company attempting to load spot market pricing files that were not provided to the Department. The error occurred in all contingencies except those using the Commission's high regulatory cost value.[13] The Department attempted to remedy the error temporarily by using the old spot market prices for non-high regulatory cost values. The Department expected this change to remedy the error Strategist reported in attempting to use files that did not exist, but that this approach would result in the Department's results not matching the Company's results because the Department was using files related to the old spot market pricing. However, in the end the Department's results matched the Company's results. Thus, it must be the case that, when

[13] Xcel discussed the updated modeling in Attachment A to the Supplement. Per this discussion, Xcel's base case contains the Commission's high CO_2 regulatory cost value. All other contingencies listed in Table 2 use non-high regulatory cost values.

making changes to the base case file to run the Commission-required contingencies using the CO_2 regulatory cost values, the Company used files related to the old, wind driven spot market pricing and not the new pricing.[14] Thus, the following rows in Table 2 use the old pricing rather than the new pricing because they do not apply the high CO_2 regulatory cost:

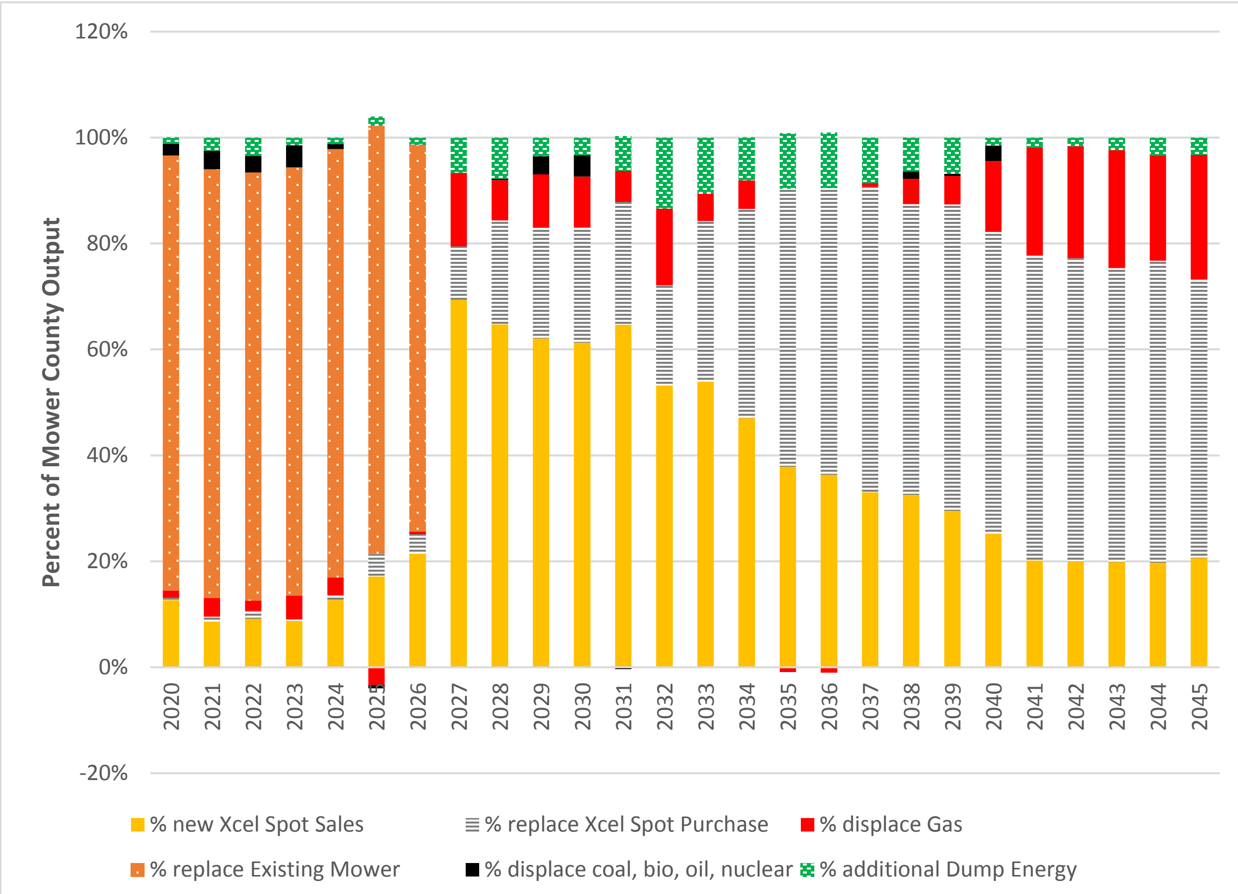
- PVRR (Base) – No Externalities or Regulatory Costs;
- Low Externality;[15]
- Low Externality, Low Regulatory Cost of CO_2;
- Mid Externality, Mid Regulatory Cost of CO_2; and
- High Externality.

Second, in reviewing the Company's inputs and outputs, one item that stood out immediately was that, in addition to the error referencing out-of-date spot market pricing inputs, the Company did not use Strategist to determine an optimal expansion plan in any of the results presented in Table 2. Thus, the Company cannot demonstrate that additional wind resources are least cost compared to other resources such as energy efficiency, load management, solar, combustion turbines, and so forth. Specifically, the Company locked-in a pre-determined expansion plan and then merely re-dispatched the pre-determined system with and without the Mower County project under various externality and CO_2 regulatory cost assumptions.

Third, since Xcel used Strategist as a dispatch model rather than a capacity expansion model, the Department attempted to determine why Strategist was reporting cost reductions from adding the Mower County project. Specifically, the Department compared Strategist's energy production with and without Mower County to determine what energy was being displaced by Mower County's output. The displaced energy must be the source of the savings. The comparison is shown in Table 2 below.

[14] Since the CO_2 regulatory cost value is an internal cost, it impacts all generation. This fact means that assumptions must be made regarding CO_2 emissions from the marginal unit in the spot market and the resulting cost added to the spot market price.
[15] Note that the low externality and high externality contingencies apply a zero regulatory cost value (rather than the high value) and instead the externality value is applied for the entire duration of the analysis.

Table 2: Impact of Mower County Purchase on Xcel's Generation[16]



For the years 2020 to 2026, the main impact of the Mower County Purchase would be to replace energy that would otherwise be purchased from the existing project. The only other significant impact would be to create additional spot market sales. When Mower County is reported as creating new spot market sales, the risk placed on Xcel's ratepayers is whether spot market prices will be higher or lower than assumed in Strategist. In other words, Xcel would put its ratepayers in the circumstance of making a bet that spot market prices will be at or above the level assumed by the Company.

For the years 2027 to 2045, after the current PPA expires, the main impacts of the Mower County Purchase would be to create additional spot market sales and replace spot market purchases. Over 80 percent of Mower County's energy output simply changes spot market activity through 2040 and for 2041 to 2044 the percentage stays at or above 75 percent.

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[16] Note that in certain years addition of Mower County triggers additional generation from Xcel's natural gas-fueled units (2025, 2035, and 2036) and biomass units (2025 and 2031). Such results appear as a negative in the chart.

Initially the largest impact of the Mower County Purchase is that the facility's energy output in Strategist is that it results in additional spot market sales, indicating that the facility is not needed for energy purposes during that time. However, the portion of the energy creating additional sales drops the further into the future as the analysis progresses. The year 2035 is the crossover point, when Mower County replaces more spot market purchases than it creates additional spot market sales.[17] When Mower County is reported as replacing spot market purchases, that result means that the risk regarding prices in the MISO spot market would be removed from Xcel's ratepayers as they would have locked in the price of energy. At that point, Mower County would represent a purchase of insurance against higher future prices and ratepayers. However, to the extent that spot market prices are at or below the level assumed by the Company, ratepayers would continue to face risks.

In summary, the Department identified the following concerns relative to Xcel's Strategist modeling efforts in this docket. Xcel:

1. apparently used files related to the old, wind driven spot market pricing and not the new pricing files requested,
2. locked-in a pre-determined expansion plan in Strategist and then merely re-dispatched the pre-determined system with and without the Mower County project under various externality and CO_2 regulatory cost assumptions, and
3. estimated the benefits associated with the purchase by comparing Strategist's energy production with and without Mower County to determine what energy was being displaced by Mower County's output.

Given these shortcomings relative to the Strategist modeling, the Department concludes that Xcel has not demonstrated that the benefits (cost-savings) it claims for the Purchase option are reasonable. Hence, the Department recommends that the Commission reject the Purchase alternative because of the Company's flawed Strategist modeling.

D. PURCHASE OPTION – ADDITIONAL INFORMATION

Xcel identified four benefits associated with the Purchase option. This section analyzes those four potential benefits in further detail.

1. Cost Savings –Effects of the Expiration of the Current Federal Production Tax Credit

Xcel repeatedly highlights the importance of completing the Project's repowering under the Purchase option before the end of calendar year 2020. The driver for this deadline is that the Company is planning to qualify for 100 percent of the existing federal renewable electricity Production Tax Credit (PTC).[18] An Energy Information Agency (EIA) website explains this deadline:

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[17] Note that 2035 is the first year without Xcel's Prairie Island nuclear generating plant in operation.
[18] https//www.eia.gov/todayinenergy/detail.php?id=39472

> When renewed in 2013, the PTC provided a maximum tax credit for wind generation of 2.3 cents per kilowatt-hour (kWh) for the first 10 years of production. Under the PTC phaseout, the amount of the tax credit decreases by 20 percentage points per year from 2017 through 2019. Facilities that begin construction after December 31, 2019, will not be able to claim the PTC.
>
> Under the current PTC legislation, wind projects are eligible to receive credit based on either the year the project begins operation or the year in which they demonstrated that 5% of total capital cost for the project has been spent and project construction has begun. The 5% down method, known as safe harboring, enables wind developers to receive the PTC at a given year's level, provided they complete construction no more than four calendar years after the calendar year that the construction of the facility began.[19]

The replacement wind turbines that are proposed to be installed for Mower County have been "safe harbored". This feature allows the owner of the repowered facility to claim 100 percent of the PTC even though the facility will likely not be completed until the end of calendar year 2020.

Xcel's focus on the need to garner 100 percent of the PTC lead the Department to ask:[20]

a) Did the Company analyze the effects of an extension of the Wind Production Tax Credit (WPTC) in any of its spreadsheet-based (incremental) analyses?

    a. If so, please provide that information.

    b. If not, please explain why the Company declined to analyze the effects of the changes to this variable?

Xcel replied:

> *a.* The Company did not perform an analysis on the effects of an extension of the Production Tax Credit in its spreadsheet-based (i.e. pro forma) analysis. The modeling conducted in support of the Petition does not include such an analysis because no such extension had been enacted at the time the Petition was made, nor in the intervening time-period between the Petition filing and the date of this response. In particular, the specific analysis required by the Commission in Part b of this Information Request was not included because it does not reflect current tax code, nor is the

[19] The Department notes that the installation of three or four year old wind turbines also means that Xcel would not be receiving the most technologically advanced turbines available in 2020.
[20] See Attachment 3 for a copy of this information request response; see sub-question 13(a).

> Company aware of any such policy under consideration at the federal level. As a threshold matter, the Company does not generally perform modeling on purely hypothetical future policies.

While the Company noted correctly that the PTC is currently slated to expire in 2020, the history of the PTC suggests that this deadline may not immutable. Wikipedia's brief history of the PTC provides some interesting context relative to this question.

> The Energy Policy Act of 1992 originally enacted the Production Tax Credit and the first lapse came in June 1999. The PTC was extended in December 1999 until December 31, 2001. Once again, the PTC expired in December 2001 and was not enacted again until March 2002 where it was then extended for another two years. At the end of 2003 the PTC expired for a third time until a one-year extension was granted in October 2004. With the 2004 extension, former President George Bush included the Production Tax Credit within a group of tax incentives for businesses. The PTC was extended through 2005 and also expanded the different types of renewable energies that would be included under the bill. The Energy Policy Act of 2005 (H.R. 6) modified the credit and extended it through the end of 2007. In December 2006, the PTC was extended for another year by the Tax Relief and Health Care Act of 2006 (H.R. 6111). President Barack Obama extended the PTC by signing into law the American Recovery and Reinvestment Act of 2009 (H.R. 1). The Wind PTC was extended an additional two years, expiring at the end of 2012, and was then extended as part of the fiscal cliff deal to expire at the end of 2013. In late 2015 authorities provided a 5-year PTC, unlike the usual 1- or 2-year, but phased out by 2020 at a rate of 20% per year. . . . The Consolidated Appropriations Act, 2016 extended the expiration date for this tax credit to December 31, 2019 for wind facilities commencing construction, with a phase-down beginning for wind project commencing construction after December 31, 2016. The Act extended the tax credit for other eligible renewable energy technologies commencing construction through December 31, 2016. The Act applies retroactively to January 1, 2015.[21]

At present, the PTC has been in existence for 27 years (1992 through 2019) and has been extended nine times during that period. It has also lapsed 3 times and has been applied retroactively on at least one occasion.

[21] En.wikipedia.org/wiki/United_States_wind_energy_policy#Wind_Production_Tax_Credit_(PTC)

Given this history, the likelihood of the PTC being extended past December 31, 2019, or some other form of federal tax break or subsidy replacing it would not appear to be unreasonable. The Department asked that Xcel re-run its Pro Forma analysis assuming that the PTC was extended through 2030. The Department selected that date given that the current Mower County PPA expires in 2026. Xcel replied:

> See Attachment A provided with the Non-Public version of this response for the requested analysis. . . . We conducted the analysis by assuming a new generic wind PPA begins in 2026 – upon expiration of the existing Mower County Wind PPA – at a price that includes a 100 percent WPTC qualification for ten year following the commercial operation date of the Project.

This revised analysis with the assumption that some form of the PTC is continued resulted in a higher cost for Xcel's ratepayers of **[TRADE SECRET DATA HAS BEEN EXCISED]** using a present value of revenue requirement (PVRR) approach. **Trade Secret** Table 3 summarizes the differences in the results between Xcel's original pro forma spreadsheet analysis (Trade Secret Attachment G) and its response to Department Information Request 13(b).

TRADE SECRET Table 3 – Comparison of PVRR for PTC under Current Statute and Extended to 2026

Description		**PVRR Cost (Savings)**	
Attachment G (Current Statute)	**[TRADE SECRET DATA HAS BEEN EXCISED]**		
Department Information Request No. 13(b)			

Table 3 shows that the estimated ratepayer benefits of **[TRADE SECRET DATA HAS BEEN EXCISED]** that Xcel identified related to the proposed Purchase in 2020 would disappear if one assumes that the PTC is extended through 2027. Rather than providing a benefit, an acquisition in 2020 actually ends up <u>costing</u> ratepayers **[TRADE SECRET DATA HAS BEEN EXCISED].** These results suggest that the ratepayer benefits associated with the Purchase Option are primarily, if not entirely related to the tax benefits associated with the PTC.

This result occurs in part because, assuming that some form of the PTC in 2027 when the current PPA expires, Xcel's ratepayers would benefit from having access to lower cost wind facilities in 2027 rather than being tied to paying for power from this relatively expensive facility. (Moreover, as discussed further below, future costs of wind facilities are expected to decrease further, even without the PTC.)

Given the history of the PTC to date, the Department concludes that it is reasonable to expect that some form of the PTC could be extended or renewed, or enlarged, or some other form of federal tax break or subsidy may be created to replace an expiring PTC. If that tax-break is extended, the cost savings Xcel identified for the Purchase option disappear.

The Department also notes that the analysis Xcel provided in its response to Department Information Request No. 13 did not include an analysis of the difference in the present value of the social cost (PVSC). The Department believes this information would be of value to the Commission and other interested parties and requests that Xcel include this information in its Reply Comments.

2. Transmission Interconnection Risk

Xcel referenced some information from MISO suggesting that new wind facilities in the MISO West region could face extensive system upgrade costs.[22] The Company then infers that this development could increase the value of the Purchase due to Mower County's existing transmission interconnection from a ratepayer perspective. Unfortunately, Xcel does not provide any detailed cost estimates as to what the effects of these higher MISO interconnection costs might be. Hence, it is difficult to evaluate this risk relative to any ratepayer benefits/costs given the preliminary nature of the information. We would ask that Xcel provide any additional information it may have gathered since it made the filing in its Reply Comments.

a.) Wind Generation Technology Risk[23]

While the Department recognizes that the adoption of the Company's Purchase alternative would help mitigate the cost increases related to transmission access, we also note that any potential transmission-related cost increases associated with the Amended PPA option could be offset by lower costs expected for wind generation facilities that would be added to its system in the future.

As noted previously, the turbines associated with the potential repowering were evidently "safe-harbored" for tax purposes in 2017. Those turbines were designed and constructed using 2017 technology at the latest. Thus, ratepayers will not be receiving energy from wind generation that uses the most up-to-date technology under either Xcel's Purchase or Amended PPA; however, if Xcel pursues the Purchase alternative, ratepayers would face longer-term effects of that issue.

If Xcel were to wait to purchase replacement wind generation on its ratepayers' behalf until 2027 when the current PPA expires, the price of that new, technologically advanced wind generation could be

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[22] *Ibid* at page 26.
[23] The Department recognizes that Xcel incorporates advances in wind generation technology in its forecasts for wind generation cost. We include this discussion in response to Xcel's failure to include the new pricing data requested in its Strategist analysis.

significantly less than the current technology. According to the 2017 report produced by the U.S. Department of Energy's (DOE's) National Renewable Energy Laboratory (NREL):[24]

> Next-generation wind technology – enabled by government-funded scientific advancement and industry-led technology innovation – will comprise a collection of intelligent and novel features characterized as "System Management of Atmospheric Resources through Technology" or SMART strategies. SMART wind power plants will be designed and operated to achieve enhanced power production, more efficient material use, lower operation and maintenance and servicing costs, lower risks for investors, extended plant life, and an array of grid control and reliability features.
>
> The realization of the SMART wind power plant is projected to result in an unsubsidized cost of energy of $23 per megawatt-hour and below – a reduction of more than 50% or more from current cost levels. Under this scenario, wind energy deployments in the United States could increase by 200 gigawatts by 2030 . . .

Thus, Xcel's waiting to purchase replacement wind generation in 2027 to replace Mower County could result in significant cost savings for ratepayers even without a potential extension of the existing PTC or the creation of another federal subsidy for wind generation.[25] Those savings could help offset any potential transmission-related cost increases associated with the Amended PPA option.

3. Preference for Union Labor

Xcel states on page 26 of the Petition: "Seller has committed to expressing a preference for union labor in its repowering construction work."

Our review of the proposed Purchase agreement did not identify any language related to this issue. As a result, in Department Information Request No. 11(a) we asked for further information, as follows:[26]

> The Company states repeatedly that the Seller (ESI Energy LLC) has expressed a preference in regards to the repowering project for union labor.
>
> a) Please identify the documents in the filing in which the Seller has expressed this preference.

---

[24] https://www.nrel.gov/news/program/2017/science-driven-innovation-can-reduce-wind-energy-costs-by-50-percent-by-2030.html

[25] Another not inconsequential point that supports waiting to purchase the wind generation until 2026 is that those facilities will be competitively bid, unlike the current request for the Mower County facility.

[26] See Attachment 4 for a copy of this information request response.

> a. If those documents are not included in the filing. Please provide them.

Xcel replied:

> Documents included in the filing do not address Seller's commitment to expressing a preference for union labor in repowering construction work. However, a letter expressing this preference is provided as Attachment A to this response.

In Department Information Request No. 11(b) we asked:

> b) Has the Seller identified the financial effects of this preference on the purchase price?
>
> a. If so, please provide that information.
>
> b. If not, provide an in-house estimate of the incremental cost of using union labor for the repowering project.

Xcel replied:

> Seller has not identified the financial effects of this preference to the Company. Additionally, we cannot speculate on the incremental cost Seller may incur by using union labor for the repowering project.

The Seller has not provided any information regarding its use of union labor under any scenario other than the Purchase Option. The Department would appreciate a discussion of the possibility of the use of union labor if Xcel were to pursue the Amended PPA option in Xcel's Reply Comments.

4. Carbon Reduction Goals

The Company listed additional carbon reduction as a benefit to the Purchase alternative. The Department reviewed Xcel's progress relative to its statutory carbon reduction goal in our Reply Comments in Docket No. E002/M-17-401 dated June 4, 2019. In those comments we noted:[27]

> Xcel noted in its Comments that is over-complied with the [greenhouse gas] GHG emissions goal's 2015 goal and that it was on track to exceed the 2025 and 2050 carbons emissions reductions goals as well.[28]

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[27] *In the Matter of a Commission Investigation to Identify and Develop Performance Metrics, and Potentially, Incentives for Xcel Energy's Electric Utility Operations,* Docket No. E002/M-17-401, Department of Commerce, Reply Comments at page 9.
[28] This statement refers the GHG goals contained in Minnesota Statute.

While the Department fully supports Xcel achieving those statutory goals, it appears that the Company is not in danger of not meeting those goals. Moreover, and more importantly, Xcel's statement implies that the Company would obtain a GHG-emitting resource in 2027, once the PPA ends. That statement is not supported or reasonable, particularly in light of Xcel's aspirational goals of reducing carbon emissions by 80 percent by 2030 and 100 percent by 2050. Thus, the Department recommends that the Commission give the Company's statement no weight in its decision.

IV. CONCLUSION AND RECOMMENDATIONS

The Department recommends that the Commission reject the Company's request to approve the Purchase of the Mower County Wind Generation facility, under Minnesota Statutes § 216B.50 as a regulated asset. The numerous flaws in Xcel's Strategist inputs and modeling technique render the Company's analysis of this purchase alternative to be of no value. For example, Xcel:

1. used files related to the old, wind driven spot market pricing and not the new pricing files requested,
2. locked-in a pre-determined expansion plan and then merely re-dispatched the pre-determined system with and without the Mower County project under various externality and CO_2 regulatory cost assumptions, and
3. estimated the benefits associated with the purchase by comparing Strategist's energy production with and without Mower County to determine what energy was being displaced by Mower County's output.

In addition, the Department performed some additional analysis, which suggests that the ratepayer benefits Xcel identified in its Pro Forma analysis is based entirely on the expiration of the Federal Wind Production Tax Credit. If the PTC is extended, as it has been repeatedly in the past 27 years, or even if the costs of wind facilities continue to decrease as expected, the ratepayer benefits Xcel identified for this proposed Purchase of already outdated wind turbine technology could be negated.

Instead, the Department recommends that the Commission approve Xcel's proposed Amended PPA, since the provisions in the amendment would limit the extent to which ratepayers pay higher costs of energy from the facility.

The Department requests that Xcel provide additional information in its Reply Comments as noted above. The Department intends to review Xcel's Reply Comments and provide additional analysis if warranted.

/ar

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Xcel Energy		Information Request No. 4
Docket No.:	E002/PA-19-553	
Response To:	Department of Commerce	
Requestor:	John Kundert, Steve Rakow	
Date Received:	September 24, 2019	

Question:

Topic: Journal Entries – Plant Materials and Operating Supplies
Reference(s): Attachment C of Xcel's Petition

(a) Please provided a breakout of the **[TRADE SECRET BEGINS TRADE SECRET ENDS]** in Plant Materials and Operating Supplies.

(b) What accounts will the **[TRADE SECRET BEGINS TRADE SECRET ENDS]** be closed out to on Xcel's books and what is the expected ratemaking treatment. Please explain your response.

Response:

(a) The **[TRADE SECRET BEGINS TRADE SECRET ENDS]** of Plant Materials and Operating Supplies reflected in Petition Attachment C as a portion of the assets that will be recognized upon purchase of the facility is a rounded estimate of the inventory of materials and supplies on hand at the facility as of the purchase closing date. As of April 30, 2019, Plant Materials and Operating Supplies per the FPL Energy Mower County, LLC general ledger balances included in Schedule 6.21 to the Purchase and Sale Agreement totaled **[TRADE SECRET BEGINS TRADE SECRET ENDS]**.

This general ledger balance at April 30, 2019 consisted of several hundred items, including replacement parts, cables, lubricants, hardware and other materials, ranging in value from several thousand dollars for replacement part kits, sensors and assemblies to as little as a few dollars or less for miscellaneous small hardware.

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Xcel Energy expects a similar balance will be on hand as of the closing date, and as such expects that approximately **[TRADE SECRET BEGINS TRADE SECRET ENDS]** of the purchase price will be allocated to Plant Materials and Operating Supplies, subject to an assessment of the materials and supplies at the purchase date to ensure 1) the items are expected to be needed to operate the plant over time, and 2) recognition of the assets at the predecessor's cost and classification as Plant Materials and Operating Supplies is appropriate.

(b) Xcel Energy expects to apply the ordinary ratemaking treatment for materials and supplies in the Minnesota retail jurisdiction, which includes the balance of this inventory in rate base. Similar to materials and supplies purchased from vendors in the ordinary course of business, and consistent with ordinary Xcel Energy accounting processes, following the assessment discussed above, qualifying materials and supplies obtained in the purchase of the facility will be maintained in FERC Account 154 Plant Materials and Operating Supplies until specific assets are used, at which point the cost of those specific assets will be applied to specific O&M orders or capital work orders, as appropriate, and recognized in corresponding O&M or Property, Plant and Equipment accounts.

Portions of this inquiry and response are marked "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.

Preparer:	Rich Briggs
Title:	Sr. Manager
Department:	Technical Accounting
Telephone:	(612) 215-4624
Date:	October 4, 2019

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Xcel Energy		Information Request No.	5
Docket No.:	E002/PA-19-553		
Response To:	Department of Commerce		
Requestor:	John Kundert, Steve Rakow		
Date Received:	September 24, 2019		

Question:

Topic: Journal Entries – Acquisition Adjustment
Reference(s): Attachment C of Xcel's Petition

(a) Please provide the amortization period for the **[TRADE SECRET BEGINS TRADE SECRET ENDS]** acquisition adjustment.

(b) Please provide support for why ratepayers should pay for this **[TRADE SECRET BEGINS TRADE SECRET ENDS]** acquisition adjustment.

(c) Please provide citations to cases where the acquisition adjustment recovery was allowed for plants already devoted to public service.

Response:

(a) The Company proposes to depreciate the acquisition adjustment and all other elements of Property, Plant and Equipment utilizing an estimated 25-year depreciable life. This depreciable life is factored into both the pro forma and Strategist modeling the Company conducted in support of the proposed acquisition.

(b) As we have noted in recent resource acquisition dockets,[1] the standard for assessing whether an acquisition is reasonable is whether the acquisition results in quantifiable and ongoing ratepayer benefits that would not have accrued but for the acquisition and that are greater than the cost of the acquisition adjustment. Assessed under this standard, the acquisition adjustment for the

[1] *See*, for example, Docket No. E002/M-18-777.

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Mower County Project is reasonable. The Company's Strategist modeling has shown that the proposed plant acquisition, which would not be possible without the acquisition adjustment, provides approximately $49 million in benefits to customers – and over $50 million on a PVSC basis – over the life of the repowered Project. We also conducted and included a separate pro forma analysis of the proposed acquisition (including the acquisition adjustment) which further supports the Strategist PVRR findings. Further, we note that, in both analyses, the modeled customer benefits accrue in nearly every year over the life of the Project.

(c) The Minnesota Public Utilities Commission has directly considered the question of whether to permit recovery of an acquisition adjustment only a handful of times and not since the 1990s. That said, in both *In the Matter of the Petition of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. F-017/GR-86-380, April 27, 1987, Order, and *In the Matter of the Petition of Interstate Power Company for Authority to Increase its Rates for Electric Service in Minnesota*, Docket No. E-001/GR-86-384, March 4, 1987, Order, the Commission authorized the inclusion in rate base of acquisition adjustments paid over net book value for plant already in service.

Portions of this inquiry are marked "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.

Preparer:	P.J. Martin / Matt B. Harris
Title:	Director / Principal Attorney
Department:	Resource Planning / Deputy General Counsel
Telephone:	(612) 321-3065 / 612-330-7641
Date:	October 4, 2019

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Xcel Energy		Information Request No. 13
Docket No.:	E002/PA-19-553	
Response To:	Department of Commerce	
Requestor:	John Kundert, Steve Rakow	
Date Received:	September 24, 2019	

Question:

Topic: Incremental Approach - Modeling Assumptions
Reference(s): Attachment G

a) Did the Company analyze the effects of an extension of the Wind Production Tax Credit (WPTC) in any of its spreadsheet-based (incremental) analyses?

   a. If so, please provide that information.
   b. If not, please explain why the Company declined to analyze the effects of changes to this variable?

b) Please re-run the analysis in Attachment G assuming that the WPTC is extended (with indexing) for new wind facilities through 2030 assuming the following percentages.

   c. 2021 through 2027 – 100%
   d. 2028 – 80%
   e. 2029 – 60%
   f. 2030 – 40%

Response:

a) The Company did not perform an analysis on the effects of an extension of the Production Tax Credit in its spreadsheet-based (i.e. pro forma) analysis. The modeling conducted in support of the Petition does not include such an analysis because no such extension had been enacted at the time the Petition was made, nor in the intervening time between the Petition filing and the date of this response. In particular, the specific analysis requested by the Commission in Part b of this Information Request is not included because it does not reflect current tax code, nor is the Company aware of any such policy

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under consideration at the federal level. As a threshold matter, the Company does not generally perform modeling on purely hypothetical future policies.

b) See Attachment A provided with the Not-Public version of this response for the requested analysis. Attachment A is provided in live Excel spreadsheet format. We conducted the analysis by assuming a new generic wind PPA begins in 2026 – upon expiration of the existing Mower County Wind PPA – at pricing that includes a 100 percent WPTC qualification for the ten years following the commercial operation date of the Project. We took this approach because it is most consistent with how PTCs are applied under existing policy. Since our modeling approach assumes the full replacement capacity comes online in 2026, we did not adjust any new generic wind PPA pricing upward after 2027 to reflect the WPTC step down shown in 13 b) d. - f. above, nor adjust pricing for an assumption of 0 percent WPTC after 2030.

Attachment A includes Trade Secret information pursuant to Minnesota Statute § 13.37, subd, 1(b). In particular, the information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and 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 A is marked as "Not-Public" in its entirety. Pursuant to Minn. Rule 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** Attachment A is a financial model that includes confidential PPA information and projected generating unit-specific data.
2. **Authors:** The Company's Resource Planning Analytics personnel.
3. **Importance:** The Company protects the analyses design as proprietary and the data as trade secret in that others could obtain a financial advantage from its use.
4. **Date the Information was Prepared:** September 2019.

Preparer:	Stan Dufault
Title:	Manager, Asset Development
Department:	Corporate Development
Telephone:	(612) 215-4577
Date:	October 4, 2019

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Northern States Power Company

Docket No. E002/PA-19-553
DOC Information Request No. 13
Attachment A

Attachment A is an analysis of the effects of an extension of the Wind Production Tax Credit provided in live Excel spreadsheet format.

Attachment A includes Trade Secret information pursuant to Minnesota Statute § 13.37, subd, 1(b). In particular, the information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and 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 A is marked as "Not-Public" in its entirety. Pursuant to Minn. Rule 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material:** Attachment A is a financial model that includes confidential PPA information and projected generating unit-specific data.
2. **Authors:** The Company's Resource Planning Analytics personnel.
3. **Importance:** The Company protects the analyses design as proprietary and the data as trade secret in that others could obtain a financial advantage from its use.
4. **Date the Information was Prepared:** September 2019.

[Protected data begins

Protected data ends]

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Xcel Energy		Information Request No.	11
Docket No.:	E002/PA-19-553		
Response To:	Department of Commerce		
Requestor:	John Kundert, Steve Rakow		
Date Received:	September 24, 2019		

Question:

Topic: Preference for Union Labor
Reference(s): Petition at page 7

The Company states repeatedly that the Seller (ESI Energy LLC) has expressed a preference in regards to the repowering project for union labor.

a) Please identify the documents in the filing in which the Seller has expressed this preference.
    a. If those documents are not included in the filing, please provide them.

b) Has the Seller identified the financial effects of this preference on the purchase price?
    a. If so provide that information.
    b. If not, provide an in-house estimate of the incremental cost of using union labor for the repowering project.

Response:

a) Documents included in the filing do not address Seller's commitment to expressing a preference for union labor in repowering construction work. However, a letter expressing this preference is provided as Attachment A to this response.

b) Seller has not identified the financial effects of this preference to the Company. Additionally, we cannot speculate on the incremental cost Seller may incur by using union labor for the repowering project.

Preparer: John Valerius
Title: Corporate Development Manager
Department: Corporate Development
Telephone: 612-215-4572
Date: October 4, 2019

I

FPL Energy Mower County Wind, LLC

October 4, 2019

John Valerius
Corporate Development Manager
Northern States Power Company
414 Nicollet Mall, 401-4
Minneapolis, MN 55401

Dear Mr. Valerius:

With respect to the use of union labor, FPL Energy Mower Wind County Wind is currently in discussions with an engineering, procurement, and construction contractor and fully expects that local labor, including union labor, will be used during construction phase of the repower.

Please contact me with any questions.

Sincerely,

John DiDonato
Vice President Development
NextEra Energy Resources, LLC

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/PA-19-553

Dated this **13th** day of **December 2019**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_19-553_PA-19-553
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John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd. St, Louis, MO 63119-2044	Electronic Service	No	OFF_SL_19-553_PA-19-553
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-553_PA-19-553
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Janet	Gonzalez	Janet.gonzalez@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-553_PA-19-553
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Electronic Service	No	OFF_SL_19-553_PA-19-553
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