

February 21, 2019

PUBLIC DOCUMENT

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/M-19-58

Dear Mr. Wolf:

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

Northern States Power Company d/b/a Xcel Energy's Request for Approval of Amendment No. 1 to its Power Purchase Agreement with Moraine Wind II, LLC.

The petition was filed on January 13, 2019 2011 by:

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

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

Sincerely,

/s/ EILON AMIT
Statistical Analyst

EA/ja
Attachment



Before the Minnesota Public Utilities Commission

Public Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/M-19-58

I. DESCRIPTION AND PURPOSE OF FILING

Northern States Power d/b/a Xcel Energy (Xcel) seeks approval of an amendment to the Moraine II PPA in order to extend its term for ten years and adjust the pricing for this extension period. Xcel provided the original Agreement executed November 7, 2008 and Amendment No. 1 to the PPA executed November 16, 2018 between Northern States Power Company and Moraine Wind II, LLC as Attachments A and B to its Petition. Certain provisions in the Amendment are marked as Not-Public and were redacted in the Public version of the filing.

Xcel provided:

- Background history,
- Project description,
- Pricing information under the modified terms of the PPA,
- Discussion of resource use,
- Economic analysis, and
- Discussion of the public interest.

II. BACKGROUND

In 2001, the Minnesota legislature passed a new law requiring that each utility providing electric service offer its customers an option to voluntarily purchase energy produced by renewable or high-efficiency, low emissions distributed generation (Minn. Stat. § 216B.169; also known as “green pricing”). On December 31, 2001, Xcel petitioned the Commission to establish the Windsource Program and offer customers a voluntary option to purchase renewable energy in accordance with the 2001 legislation. The Commission approved the petition in its Order issued February 26, 2002 (Docket No. E002/M-01-1479).

On January 15, 2002, Xcel filed with the Commission a petition for approval of a PPA with Navitas Energy LLC (now Moraine Wind LLC) in Docket No. E002/M-02-51. The PPA was for the purchase of 51 megawatts (MW) of wind generation in Murray and Pipestone counties, Minnesota. The Commission approved the PPA and issued its Order July 17, 2002. The Order

also included approval for future expansion (49.5 MW) of the project subject to Xcel seeking Commission approval to proceed with the expansion.

On December 19, 2008, the Company filed a petition with the Commission in Docket No.E-002/M-08-1487 to exercise the expansion option in the original PPA with the intent to use the 49.5 MW Moraine II project to meet future Windsource Program requirements. The Commission approved the petition in its Order issued April 24, 2009. The entire output of Moraine II was not required to fulfill the requirements of Windsource customers at that time. The Company requested and the Commission approved a flexible allocation approach for Moraine II allowing adjustment of the percent of the cost through the Windsource Rider and any “excess energy” to non-Windsource program customs, and the recovery of those energy costs through the Fuel Clause Rider.¹

III. PROJECT DESCRIPTION

Moraine Wind II is a 49.5 MW project consisting of one Oregon limited liability company (LLC). The project uses 33 wind turbines (GE Model 1.5SLE) and associated equipment. Moraine II is expected to produce about **[TRADE SECRET DATA HAS BEEN EXCISED]**. The project is located on a site I Pipestone and Murray counties, Minnesota, and interconnects to the 34.5 kW bus at Xcel’s Chanarambie substation on the Buffalo Ridge in southwest Minnesota.

IV. PRICING AND TERMS OF THE TRANSACTION

The current PPA with Moraine II expired on February 17, 2019. With the proposed Amendment, Xcel would purchase the entire output of the 49.5 MW Project over the ten-year extension of the PPA. The price in this PPA Amendment for the ten-year extension is **[TRADE SECRET DATA HAS BEEN EXCISED]**.

¹ See, Docket No. E002/M-08-1487 *In the Matter of Northern States Power Company /b/a Xcel Energy’s Petition for Approval of a Power Purchase Agreement with Moraine Wind II, LLC*, Order, April 27, 2009.

V. DEPARTMENT ANALYSIS

A. INTRODUCTION

The Company filed its petition pursuant to Minn. Stat. §216B.1645 (Power Purchase Contract). The Department files these comments concluding that the proposed Amended PPA meets the analysis criteria described below and this should be approved.

B. DISCUSSION

1. Department Analysis of the Amended PPA

The Department recommends that the Commission approve the Amended PPA if, and only if, the Amended PPA is in the best interest of Xcel's ratepayers. To be in the best interest of Xcel's ratepayers, the Amended PPA must meet the following three requirements:

- The purchase price to be paid by Xcel for wind energy is reasonable,
- Xcel's ratepayers are appropriately protected from the financial and operational risks of the wind project, and
- Curtailment provisions are appropriate.

a. The Price of the Amended PPA

In response to the Department Information Request No. 1, Xcel calculated the levelized price of the Amended PPA to be **[TRADE SECRET DATA HAS BEEN EXCISED]**. Also in response to the Department Information Request No. 2 Xcel provided the levelized price for recently Xcel's wind projects. Table 1 below summarizes these levelized prices.

Table 1: Levelized Prices for Xcel's Recent Wind PPA Projects

PPA	Year	Commercial Operation	Levelized Price/MW [TRADE SECRET DATA]
Odell Wind	2013	07/2016	
Clean Energy	2016	2019 Q4	
Crowned Ridge	2016	2019 Q 4	
Wood Stock Hill	2018	12/2018	
MEAN			

HAS BEEN EXCISED]

Based on this price comparison alone, the Department concludes that the levelized price of the amended PPA with Moraine Wind is reasonable.

The Company also performed a strategist modeling of Xcel's electric system with and without the Moraine II project. The results of this analysis are summarized in Table 2 of Xcel's petition. Table 2 below reproduce Table 1 of Xcel's Petition.

**Table 2: Moraine II PPA Extension
Incremental PVSC and PVRR Savings
(\$millions)**

PVSC (High Ext Costs thru 2024, High Reg Costs)	(11)
PVSC + Low Gas	(9)
PVSC + High Gas	(13)
PVSC + Low Load	(14)
PVSC + High Load	(15)
PVSC + Mkts Off, No Dump Credit	(20)
PVSC + Mkts Off, Dump Credit	(24)
PVSC – Low Ext Costs All Years	(3)
PVSC – High Ext Costs all Years	(9)
PVSC – Low Ext Costs thru 2024, Low Reg Costs	(4)
PVRR (No CO ₂)	(1)

Negative figures in Table 2 indicate that ratepayers would pay less than if Xcel's proposal were not approved; all of the figures are negative. Thus, Table 2 shows that under all reasonable alternatives, the Moraine II project results in lower net present value of societal costs (PVSC). Moreover, assuming no CO₂ costs, the net present value of revenue requirements (PVRR) is lower with Moraine II PPA than without it. Based on the above analysis, the Department concludes that the price of Moraine II PPA is reasonable.

b. Protection of Xcel's Ratepayers from Financial Risks

There are two main financial risks that may have negative impacts on Xcel's ratepayers. They are:

- i. A seller default and premature termination of the PPA, and
- ii. Entitlement by lender or other party, as a result of the seller's failure to pay debt, to take over the project and terminate the PPA.

On December 19, 2008 Xcel petitioned the Commission for approval of PPA between Moraine Wind II, LLC and Xcel for 49.5 MW of wind generation². On March 23, 2009, the Department filed Comments concluding, among other things, that the Moraine Wind II PPA would appropriately protect Xcel's ratepayers from its financial risk. Therefore, if the Amended PPA with Moraine II does not include new provisions that impact the financial risks of the original PPA, then the Amended PPA would continue to appropriately protect Xcel's ratepayers from its financial risk.

The Department carefully reviewed the proposed amended PPA. Based on its review, the Department concludes that under the Amended PPA, Xcel's ratepayers continue to be appropriately protected from the financial risks of the Amended PPA.

c. Protection of Xcel's Ratepayers from Operational Risks

As is typically true of PPAs, the operational risks are the risks that the wind project will not be built and operated as expected. These risks include a complete shutdown or a partial shutdown of the project due to technical problems. In the case of a partial shutdown, ratepayers must be assured that their payments for the wind energy are reduced accordingly. In the case of a complete shutdown, Xcel may face the risk of non-compliance with various legislative wind requirements in the future.

As in the case of the financial risks, the Department filed comments for the original PPA (Docket No. E002/M-08-1487) concluding that Xcel's ratepayers would be appropriately protected from the operational risks of the original PPA.

The Department concluded that the original PPA included specific features that would protect both Xcel and its ratepayers from the operational risks discussed above.

The Department carefully analyzed the amended PPA, and concludes that under the Amended PPA, Xcel's ratepayers would continue to be appropriately protected from the operational risk of the Amended PPA.

d. Curtailment Provisions

The original PPA included certain curtailment provisions. The Department analyzed these provisions and concluded that those curtailment provisions were appropriate (Department's Comments, Docket No. E002/M-08-1487, pages 7 , March 23, 2009). Section 8.2 of the original

² Docket No. E002/M-08-1487.

PPA specified the curtailment Energy Payment Rate. The Amended PPA proposes to substitute a new Section 8.2 (A)(2) for the existing Section 8.2 (A)(2) in the original PPA.

Based on the Department's analysis of the amended Section 8.2 (A)(2) in the Amended PPA, the Department concludes that the amended Section 8.2 (A)(2) would not negatively impact Xcel's ratepayers when compared to the original Section 8.2 (A)(2). Since the Department concluded that the curtailment provisions in the original PPA were appropriate, the Department concludes that the amended curtailment provisions are appropriate.

e. Other Amendments in the Amended PPA

The Department reviewed all the amended provisions in the Amended PPA and concludes that none of the amended provisions in the Amended PPA would negatively impact Xcel's ratepayers.

V. ALLOCATION OF THE WIND ENERGY PRODUCED BY MORAINÉ WIND II

Xcel's petition requests the following allocation and cost recovery regarding Moraine II wind energy:

- The use of Moraine II to meet the future renewable energy requirements of Windsorce Program customers and Renewable*Connect Program customers;
- The continued use of the Moraine II project under the same cost allocation method currently approved by the Commission in conjunction with the Windsorce Program and
- The recovery of Moraine II energy costs through the appropriate Windsorce Program rider, or its successor (the Renewable*connect Program Rider), and the Fuel Clause Rider based on the allocation of such energy to each rider, respectively.

On April 24, 2009, the Commission issued an Order stating the following:

Xcel may recover 30 percent of the cost of the PPA through the Windsorce Rider and 70 percent through the fuel clause. This allocation may be adjusted based on Windsorce Program needs.

Xcel shall update the allocation for recovery in the Windsorce Rider and fuel clause every six months and provide the Commission and the [Department] with the updated allocation as part of the Company's semi-annual and annual Windsorce program compliance report and tracker account.

Xcel shall provide the allocation and corresponding amount of energy used by the Company as the basis for recovery of cost in the fuel clause in its monthly fuel clause filing.

Based on this Order, the Department recommends that the Commission approve Xcel's proposed allocation and cost recovery associated with the wind energy produced by Moraine II.

VI. RECOMMENDATIONS

The Department recommends that the Commission:

- A. Approve the Amended PPA.
- B. Allow Xcel to use the wind energy from Moraine II to meet future renewable energy requirements of Windsource Program customs and Renewable*Connect Program (if approved by the Commission).
- C. Allow Xcel to use Moraine II Wind energy under the same cost allocation method as approved by the Commission in its April 24, 2009 Order in Docket No. E002/M-08-1487.
- D. Allow recovery of Moraine II energy costs through the appropriate Windsource Program rider, or its successor (the Renewable*Connect Program Rider).
- E. Require Xcel to update the allocation for recovery in the Windsource Rider, the Renewable*Connect Rider (if approved by the Commission) and fuel clause every six months and provide the Commission and the Department with the updated allocation as part of the Company's semi-annual and annual Windsource Program and the Renewable*Connect Compliance report and tracker account.

/ja

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/M-19-58

Dated this **21st** day of **February 2019**

/s/Sharon Ferguson

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