



February 14, 2022

Via Electronic Filing

Will Seuffert Executive Secretary
Minnesota Public Utilities Commission 121 7th Place East, Suite 350
St. Paul, MN 55101

RE: PETITION FOR RECONSIDERATION AND AMENDMENT OF THE
COMMISSION'S JANUARY 24, 2022 ORDER
POWER PURCHASE AGREEMENT WITH ST. PAUL
COGENERATION, LLC
DOCKET NO. E002/M-21-590

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits this petition requesting the Minnesota Public Utilities Commission reconsider one small aspect of its January 24, 2022 ORDER APPROVING POWER PURCHASE AGREEMENT, AUTHORIZING COST RECOVERY, AND SETTING ADDITIONAL REQUIREMENTS (Order) in the above-referenced Docket.

The purpose of this petition is to have the Commission reconsider language of Section V.B of the Order, which limits recovery to “the *Minnesota jurisdictional* amount of [purchased power agreement (PPA)] purchased-energy costs, net of any matching revenues, through Xcel’s Fuel Clause Rider.” Based on the Commission’s discussion of the record, we anticipated the Order would lay out an approach that satisfied the Commission’s interest in ensuring that other states pay for the energy and reliability benefits provided by the PPA, while recognizing it offers Minnesota-specific benefits that would justify a cost-recovery approach that differs from other resources. We understand the Commission’s perspective that the Company should generally only recover from its Minnesota customers the Minnesota jurisdictional share of the costs, but we respectfully request that the Commission reconsider this aspect of its decision given the unique circumstances presented by this PPA.

This petition for reconsideration is brought pursuant to Minn. Stat. § 216B.27, Subd. 3, and Minn. R. 7829.3000. The Commission generally reviews such petitions to determine whether they (i) raise new issues, (ii) point to new and relevant evidence, (iii) expose errors or ambiguities in the underlying order, or (iv) otherwise persuade the Commission that it should rethink its decision.¹ As discussed further below, we provide a specific proposal to assign costs in a manner that respects the jurisdictional benefits of the PPA that was not previously provided in the record.

The record in this proceeding, as well as the Minnesota legislature's passage of Minnesota Statutes Section 216B.2424, Subd. 5c, demonstrates that St. Paul Cogeneration, LLC (SPC) fulfills a unique role in Minnesota. As explained in our initial petition "SPC has served heating load in downtown Saint Paul since 2003... Waste heat from the electric production process is captured and used to provide thermal energy to more than 200 buildings in the downtown Saint Paul business district and beyond[,]” including the state capitol complex. Moreover, SPC uses wood residuals to produce usable electric and thermal energy. As we explained in our initial petition, “[a]t this time, there are few other options for tree waste disposal in Minnesota and none in the Twin Cities metro area that address the amount of wood residuals currently managed and eliminated by SPC.” Both of these benefits are unique to Minnesota, and Minnesota Statute Section 216B.2424, subdivision 5c(b)(4), effectively recognizes this, by permitting the Commission to approve the PPA if it “provides a net benefit to the utility customers *or the state.*” (Emphasis added.)

As the Commission and stakeholders know well, the SPC PPA is not a least cost resource on the Company's integrated system. Rather, just as the Legislature recognized in passing Section 216B.2424, Subd. 5c, the Commission acknowledged, in approving this PPA, the unique benefits this PPA will provide to the state. These unique local benefits are a critical consideration as the capacity and energy benefits SPC provides would not alone be sufficient to justify the costs. In Section III.B of the Order, the Commission explained “the PPA will provide a net benefit to the state by continuing to serve heating load in downtown St. Paul using a renewable fuel source and an efficient combined heat and power process.” The Commission continued “the new two-year PPA will benefit the state by temporarily maintaining the status quo enabling the facility to accept waste wood as a source of biomass fuel, a public purpose the Legislature

¹ *In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Pilot Programs*, Docket No. E-002/M-18-643, October 7, 2019, *Order Denying Reconsideration, Denying Stay, and Approving Compliance Filings*.

has recognized as important particularly in light of the emerald-ash-borer infestation.”

Despite relying on the benefits to the state in approving the PPA, the Commission rejected the Company’s request to recover the purchased energy costs from Minnesota customers. The Commission, at Section V.B of the Order explained “although Minnesotans will experience some local benefits, the capacity benefit of the PPA will contribute to reliability throughout Xcel’s integrated system beyond state borders.” The Company cannot disagree with the capacity benefit this—or any other generator—provides to the integrated system, but respectfully suggests that if the Company were looking to address a capacity deficit, it could have found a more cost-effective resource, or combination of resources, through a competitive acquisition process.

To appropriately recognize the value of the capacity and energy provided by the PPA to customers in all of our jurisdictions, however, the Company respectfully requests that the Commission reconsider this aspect of its decision and permit the Company to recover the PPA purchased energy costs, net of any matching revenues, less a market-based amount for the non-Minnesota jurisdictional portion of the energy and capacity benefits. This language will essentially require customers in the other states in the integrated system to pay for the capacity and energy benefits that this PPA provides to the system but have Minnesota customers alone pay for the Minnesota-specific benefits of the PPA. Specifically, we propose to recover energy costs from other jurisdictions based on actual locational marginal price (LMP) at the NSP.NSP node. And, due to the short two-year term of the PPA and the Company’s capacity position in 2023 and 2024, we propose to recover capacity costs based on the actual clearing price for capacity in Zone 1 in the applicable MISO planning reserve auction. The expected impacts of our proposal are provided as Attachment A. The Company would also make compliance filings to demonstrate what we recover from customers in other states and that we are not ultimately recovering more than the actual costs of the PPA.

We appreciate the Commission’s consideration of this request for reconsideration and the unique state benefits the two-year PPA with SPC provides to our Minnesota customers.

Pursuant to Minn. Stat. § 216.17, subd. 3, we have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on all parties on the attached service list. Please contact Chris Shaw at christopher.j.shaw@xcelenergy.com or 612-330-7974 or me at

allen.krug@xcelenergy.com or 612-330-6270 if you have any questions regarding this filing.

Sincerely,

/s/

ALLEN D. KRUG
ASSOCIATE VP, STATE REGULATORY POLICY

c: Service List

Impact of Proposed Jurisdictional Recovery

<i>Energy Impact</i>	2023	2024
Production (MWh)	153,300	153,300
Cost (\$/MWh)	\$98	\$98
Total Cost	\$15,023,400	\$15,023,400
Market Price*	\$31.02	\$26.20
Total Mkt Energy Cost	\$4,754,660	\$4,017,184
ND Allocation	\$258,306	\$218,222
SD Allocation	\$267,145	\$227,323
Total (credit to MN)	\$525,452	\$445,545

*To be based on actual LMP

<i>Capacity Impact</i>	2023	2024
2021/2022 Zone 1		
PRA Clearing Price**	\$5 MW/day	
Total (Based on 25 MW)	\$45,625	\$45,625
ND Allocation	\$2,479	\$2,478
SD Allocation	\$2,563	\$2,582
Total (credit to MN)	\$5,042	\$5,060

**To be based on actual Zone 1 Clearing Price

<i>Total Impact to MN</i>	2023	2024
Total PPA-ND Allocation	\$816,176	\$816,103
Total PPA-SD Allocation	\$844,105	\$850,139
Total Energy Credit	\$525,452	\$445,545
Total Capacity Credit	\$5,042	\$5,060
Difference (from MN)	\$1,129,787	\$1,215,636

<i>Allocations</i>	2023	2024
ND	5.4327%	5.4322%
SD	5.6186%	5.6588%

CERTIFICATE OF SERVICE

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

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

xx by electronic filing.

MPUC Docket No: E002/M-21-590

Dated this 14th day of February 2022.

/s/

Crystal Syvertsen
Regulatory Administrator

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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