

February 11, 2026

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. E002/CN-25-145

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Xcel Energy's Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for Proposed Lyon County Generating Station Project in Lyon County in Minnesota.

The Petition was filed by Northern States Power Company, doing business as Xcel Energy on May 9, 2025.

The Department recommends **approval with conditions** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

SR/ar
Attachment

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Acronyms, Abbreviations and Definitions

Acronyms and Abbreviations

| | |
|------------------------|---|
| BESS | Battery Energy Storage System |
| CC | Combined Cycle |
| CEO | Clean Energy Organizations |
| CN | Certificate of Need |
| Commission | Minnesota Public Utility Commission |
| CT | Combustion Turbine |
| Department | Minnesota Department of Commerce |
| DG | Distributed Generation |
| DSM | Demand-Side Management |
| EIP | Commission Energy Infrastructure Permitting unit |
| ER | Environmental Report |
| GW | Gigawatts |
| kV | Kilovolt |
| LEF | Large Energy Facility |
| MEC | Minnesota Energy Connection |
| MISO | Midcontinent Independent System Operator, Inc. |
| MW | Megawatts |
| MWh | Megawatt Hours |
| Project | Lyon County Generating Station and Associated Facilities |
| Xcel or Company | Northern States Power Company doing business as Xcel Energy |

Definitions

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E002/CN-25-145

I. INTRODUCTION

A. DESCRIPTION OF PROJECT

Northern States Power Company, a Minnesota corporation, doing business as Xcel Energy (Xcel or the Company) submitted the Company's *Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and Pipeline Routing Permit and Partial Exemption* (Petition) for the proposed Lyon County Generating Station Project to the Minnesota Public Utility Commission (Commission).¹

The proposed Lyon County Generating Station Project (Project) includes the following elements:

- two, 210 megawatt (MW) combustion turbines (CT);
- two, 345 kilovolt (kV) transmission line connections with a combined total length of approximately 4,300 feet;
- a natural gas pipeline connection approximately 965 feet in length of which approximately 690 feet will be owned by Xcel and approximately 275 feet will be owned by Northern Border Pipeline Company; and
- other associated facilities.²

The proposed Project is expected to be in-service in December 2028. The proposed Project was selected in Xcel's recent firm dispatchable resource acquisition proceeding, in which the Commission's order required Xcel to file for a certificate of need (CN).³

¹ *In the Matter of Xcel Energy's Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Xcel, Petition, May 9, 2025, Docket No. E002/CN-25-145, (eDockets) [20255-218749-01](#), [20255-218749-02](#), [20255-218749-03](#), [20255-218749-04](#), [20255-218749-05](#), [20255-218749-06](#), [20255-218749-07](#), [20255-218749-08](#), [20255-218749-09](#), [20255-218749-10](#), [20255-218749-11](#), [20255-218749-12](#), [20255-218749-13](#), [20255-218749-15](#), [20255-218749-16](#), [20255-218750-01](#) (hereinafter "Petition").

² Petition at 1, 5.

³ *In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation and In the Matter of Xcel Energy's 2024–2040 Upper Midwest Integrated Resource Plan, Order Approving Settlement with Modifications*, April 21, 2025, Docket No. E002/CN-23-212 and E002/RP-24-67, (eDockets) [20254-217941-01](#) at Point 1a (hereinafter "CN and IRP Order").

B. REGULATORY BACKGROUND

The Department begins by noting that a well-developed integrated resource plan (IRP) provides the analytical basis for determinations in subsequent proceedings. When a utility's proposed resource acquisition is consistent with the IRP analysis and subsequent Commission decision, no further resource-planning type analysis is needed.⁴ When facts regarding the specific resources proposed by the utility have fallen outside of the analysis and Commission decision in the IRP, further resource-planning type analysis using the updated facts is warranted in the resource acquisition proceeding.⁵ In essence, resource acquisition typically conforms with the Commission's most recent IRP order unless facts in the resource acquisition proceeding dictate that the action plan should change. This approach is consistent with the Commission's order in a past resource acquisition proceeding:

[...] while a resource plan is intended to plot a utility's course for the next 15 years, it is based on facts known as of a specific point in time. As more facts become known, circumstances change and utilities must adapt – even in the absence of a new resource plan order.⁶

On April 15, 2022, the Commission issued an order approving Xcel's 2019 IRP with modifications. The order stated that "the Commission finds that it is more likely than not that there will be a need for approximately, but not more than, 800 MW of generic firm dispatchable resources between 2027 and 2029."⁷ Subsequently, Xcel initiated a process to acquire the Commission-determined 800 MW of firm dispatchable resources⁸ and also filed a new IRP.⁹

The analysis and recommendations of parties running the EnCompass model in the 2024 IRP, regarding firm dispatchable capacity in the five-year action plan, are as follows:

- Department—2,400 MW of firm dispatchable resources;
- Xcel—600 MW of storage and 2,244 MW of firm dispatchable resources;

⁴ Examples include Docket Nos. IP6838/CN-10-80 and E002/M-11-713 (Prairie Rose Wind); Docket No. E015/M-13-907 (Bison 4); and Docket Nos. E017/M-09-883 and E017/M-09-1484 (Luverne Wind).

⁵ An example is Xcel's acquisition of 750 MW of wind generation in Dockets E002/M-13-603 and E002/M-13-716. In that case Xcel's 2010 IRP called for the addition of 200 MW of wind. However, Xcel subsequently found the cost of wind generation was below the cost evaluated in the IRP. Additional analysis with updated costs was performed by Xcel and the DOC. See also, *In the Matter of Xcel Energy's Petition for Approval to Repower Four Self-Build Wind Facilities and Execute PPAs for Three Repowered Wind Projects*, Department, Comments, November 2, 2020, Docket No. E002/M-20-620, (eDockets) [202011-167969-02](#).

⁶ *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of 600 MW of Wind Generation*, Order Approving Acquisitions with Conditions, (December 13, 2013) Docket Nos. E002/M-13-603 and E002/M-13-716 (eDockets) [201312-94604-02](#).

⁷ *In the Matter of the 2020–2034 Upper Midwest Integrated Resource Plan of Northern States Power Company d/b/a Xcel Energy*, Order Approving Plan with Modifications and Establishing Requirements for Future Filings, (April 15, 2022). Docket No. E002/RP-19-368. (eDockets) [20224-184828-01](#). (hereinafter "2019 IRP Order")

⁸ See generally, Docket No. E002/CN-23-212.

⁹ See generally, Docket No. E002/RP-24-68.

- Clean Energy Organizations¹⁰ (CEO)—800 to 1,200 MW of storage and 1,344 MW of firm dispatchable resources.¹¹

Thus, the 2024 IRP analysis by all parties substantially increased Xcel’s need for firm dispatchable resources. The need rose from 800 MW (2019 IRP Order) to between 2.0 GW and 2.8 GW (2024 IRP analysis)—counting both storage and combustion turbines as providing similar services for IRP purposes.¹²

Ultimately, consistent with the Commission’s directive that “[a]s more facts become known, circumstances change and utilities must adapt,”¹³ certain parties reached a settlement regarding the 2024 IRP and the 800 MW firm dispatchable resource acquisition docket. The settlement included the following terms related to peaking resources in the near term:

- 600 MW of generic battery energy storage systems (BESS) by 2030;
- DE Shaw Renewable Investments, L.L.C. – North Star: up to 80 MW BESS at the existing North Star Solar facility;
- Invenergy LLC – Lake Wilson: 150 MW solar facility and up to 95 MW BESS;¹⁴
- Invenergy LLC – Cannon Falls: two existing gas-fired CTs, totaling 357 MW;¹⁵
- National Grid Renewables Development, LLC – Plum Creek: 230 MW wind farm and a 150 MW BESS;¹⁶
- Xcel – Sherco West: 300 MW BESS; and
- Xcel – Lyon County Generating Station: two CTs totaling 420 MW.¹⁷

Thus, the Settlement Agreement includes about 2 GW of firm dispatchable resources (CTs and BESS) in the action plan. This amount is in-line with the 2.0 GW and 2.8 GW amounts in the parties’ 2024 IRP

¹⁰ The CEOs include Fresh Energy, Minnesota Center for Environmental Advocacy, and Clean Grid Alliance.

¹¹ *In the Matter of Xcel Energy’s Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation*, Xcel, Comments in Support of Settlement Agreement, October 25, 2024, Docket Nos. E002/CN-23-212 and E002/RP-24-67, (eDockets) [202410-211354-03](#), at 8. (hereinafter “Settlement Support Comment”).

¹² Considering BESS and CTs in a single category is consistent with the Commission order establishing the 800 MW firm dispatchable (Docket No. E002/CN-23-212) process, which allowed both BESS and CTs to bid to fill Xcel’s firm dispatchable need.

¹³ *In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of 600 MW of Wind Generation*, Order Approving Acquisitions with Conditions, December 13, 2013, Docket Nos. E002/M-13-603 and E002/M-13-716, (eDockets) [201312-94604-02](#), at 9.

¹⁴ The project is technically being developed by an affiliate, Lake Wilson Solar Energy LLC.

¹⁵ The project is technically owned by an affiliate, Invenergy Cannon Falls LLC.

¹⁶ Note that the Plum Creek project subsequently withdrew.

¹⁷ Settlement Support Comment at 8 and 20-21.

analysis. Ultimately the CN and IRP Order approved the Settlement Agreement with modifications, one of which required Xcel to file a CN petition for the proposed Project.¹⁸

II. PROCEDURAL BACKGROUND

| | |
|------------------|--|
| March 14, 2025 | Xcel filed a petition requesting approval of exemptions to data requirements for a future CN petition for the proposed Project. ¹⁹ |
| May 8, 2025 | The Commission met and orally approved Xcel’s Exemption Petition with modifications. |
| May 9, 2025 | Xcel filed the Petition requesting approval of a CN for the proposed Project. |
| May 14, 2025 | The Commission issued an order approving Xcel’s Exemption Petition with the condition that Xcel file in this proceeding its annual forecast report to be filed in Docket No. E999/PR-25-11, by July 1, 2025. ²⁰ |
| July 1, 2025 | In Compliance with the Exemption Order Xcel filed updated sales and demand forecast information. ²¹ |
| January 9, 2026 | The Commission filed an Environmental Assessment (EA) regarding the Project. ²² The EA contains the required Environmental Report (ER) for the CN proceeding. |
| January 14, 2026 | The Commission filed a Notice regarding the Petition. ²³ |

¹⁸ CN and IRP Order at Point 1.

¹⁹ *In the Matter of Xcel Energy’s Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Xcel, Exemption Petition, March 14, 2025, Docket No. E002/CN-25-145, (eDockets) [20253-216416-01](#) (hereinafter “Exemption Petition”).

²⁰ *In the Matter of Xcel Energy’s Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Order, May 14, 2025, Docket No. E002/CN-25-145, (eDockets) [20255-218960-01](#) (hereinafter “Exemption Order”).

²¹ *In the Matter of Xcel Energy’s Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Xcel, Letter, July 1, 2025, Docket No. E002/CN-25-145, (eDockets) [20257-220582-02](#) (hereinafter “Forecast Update”).

²² *In the Matter of Xcel Energy’s Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Environmental Assessment, January 9, 2026, Docket No. E002/CN-25-145, (eDockets) [20261-226695-01](#) (hereinafter “EA”).

²³ *In the Matter of Xcel Energy’s Combined Application for a Certificate of Need, Site Permit, Transmission Line Route Permit, and a Pipeline Partial Exemption Route Permit for proposed Lyon County Generating Station Project in Lyon County in Minnesota*, Notice, January 14, 2026, Docket No. E002/CN-25-145, (eDockets) [20261-226916-01](#) (hereinafter “Notice”).

According to the Notice the following topics are open for comment:

- Should the Commission grant a certificate of need for the proposed project?
- If granted, what additional conditions or requirements, if any, should be included in the certificate of need?
- Are there other issues or concerns related to this matter?

III. DEPARTMENT ANALYSIS

Minn. Stat. § 216B.2421, subd. 2(1) defines a large energy facility (LEF) as “any electric power generating plant or combination of plants at a single site with a combined capacity of 50,000 kilowatts or more and transmission lines directly associated with the plant that are necessary to interconnect the plant to the transmission system.”²⁴ Since the proposed Project is 420 MW, it qualifies as a LEF. Minn. Stat. § 216B.243, subd. 2 states that “no large energy facility shall be sited or constructed in Minnesota without the issuance of a certificate of need by the Commission [...]”²⁵ The CN and IRP Order required Xcel to file a CN.²⁶

Minnesota Statutes and Rules set forth a number of factors that an Applicant must meet before the Commission can approve a CN. In an attempt to clarify its analysis, the Department addresses applicable statutes and rules in five categories below.²⁷

Minn. R. 7849.1200 requires an ER be prepared as part of a CN proceeding.²⁸ The ER is prepared by the Commission’s Energy Infrastructure Permitting (EIP) unit and analyzes the effects of the proposed Project, and the alternatives, on the natural and socioeconomic environments.²⁹ As noted above the ER was issued as part of the EA; the Department recommends that the Commission consider the ER in making its determination.

A. NEED ANALYSIS

Minn. R. 7849.0120 states that a CN “must be granted to the applicant on determining that” and proceeds to list 4 factors.³⁰ Minn. R. 7849.0120 A requires the Commission to determine “the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the applicant, to the applicant's customers, or to the people of Minnesota and neighboring states.” The rule then lists five specific considerations. The Department addresses each consideration separately.

²⁴ See [Minn. Stat. § 216B.2421](#).

²⁵ See [Minn. Stat. § 216B.243](#).

²⁶ See [Minn. Stat. § 216B.2422](#).

²⁷ Need Analysis, Alternative Analysis, Socioeconomic Analysis, Other Permits, and Policy Analysis.

²⁸ See [Minn. R. 7849.1200](#).

²⁹ In this case the ER is part of the overall environmental review for the CN and the associated siting and routing dockets.

³⁰ See [Minn. R. 7849.0120](#).

A.1. Accuracy of the Forecast

A.1.1. Background

Minn. R. 7849.0120 A(1) states that, in assessing need, the Commission shall evaluate “the accuracy of the applicant’s forecast of demand for the type of energy that would be supplied by the proposed facility.”³¹ The Commission’s *Order Granting Certificate of Need and Issuing Site Permit and Route Permit* clarified this criterion:

Plum Creek did not use data from a PPA [power purchase agreement], IRP [integrated resource plan], or biennial transmission project report to demonstrate demand for the Project. However, under Minnesota statute and rules, there is no requirement that Plum Creek present a PPA, IRP, biennial transmission project report, or any other specific data to demonstrate demand. The Legislature contemplated that independent power producers would construct such projects and did not require them to enter into power purchase agreements before obtaining a certificate of need. Rather, the Commission may evaluate demand using any data it finds persuasive, on a case-by-case basis. Furthermore, because Plum Creek is an independent power producer and not a utility, the Commission granted it certain variances to provide alternative data when more appropriate, and the data provided is sufficient to demonstrate demand.

In this case, Plum Creek showed that utilities and commercial and industrial customers have reported strong clean energy goals above and beyond RES [Renewable Energy Standard] requirements, and additional renewable energy sources will be needed to meet that demand. Furthermore, utilities plan to retire coal-based generating units across the region in the coming years, and renewable energy sources are expected to fill some of the resulting capacity needs. These established goals and plans are strong evidence of a utility’s intention for future energy development and can be used to demonstrate demand, especially when consistent with stated public policy goals.³²

³¹ Note that [Minn. Stat. § 216B.243, subd. 3\(1\)](#) requires the Commission to evaluate the accuracy of the long-range energy demand forecasts on which the necessity for the facility is based.

³² *In the Matter of Applications of Plum Creek Wind Farm, LLC for a Certificate of Need, Site Permit, and Route Permit for an up to 414 MW Large Wind Energy Conversion System and 345 kV Transmission Line in Cottonwood, Murray, and Redwood Counties, Order Granting Certificate of Need and Issuing Site Permit and Route Permit*, September 23, 2021, Docket Nos. IP6697/CN-18-699, IP6697/WS-18-700, and IP6697/TL-18-701, (eDockets) [20219-178198-01](#) (hereinafter “Plum Creek Order”).

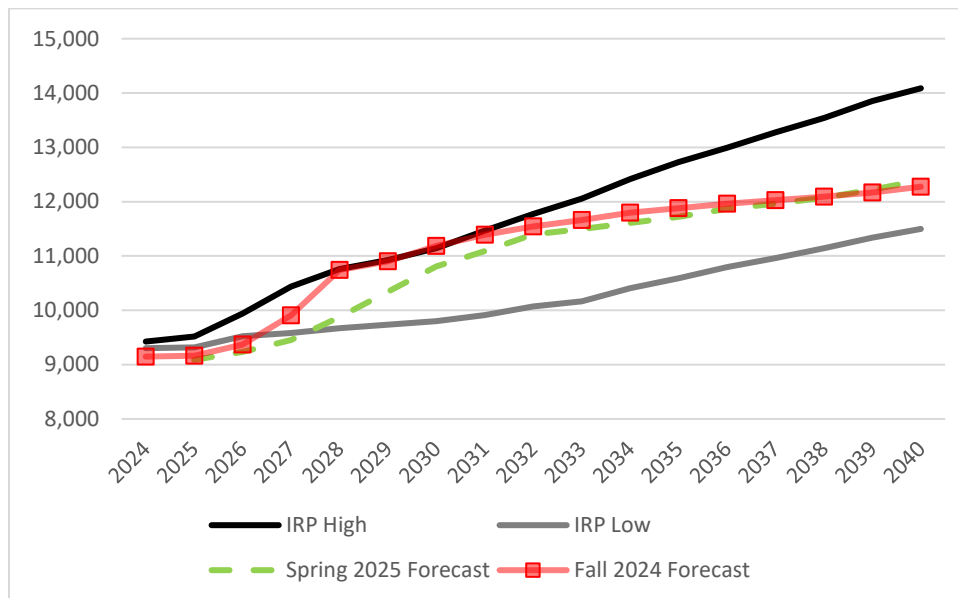
The Department considered this guidance in formulating the analysis of Xcel’s forecast of demand for the type of energy that would be supplied.

A.1.2. Xcel’s Analysis

The need for the proposed Project is based upon a number of factors. First, the need for the proposed Project is based upon the Company’s forecasted energy and demand requirements. In the IRP docket (Docket No. E002/RP-24-67) Xcel forecasted that customer peak demands will grow by 1.8 percent per year on average and customer energy consumption will grow by 2.0 percent per year on average over the planning period.³³ The same forecast was used in the docket that selected the proposed Project, Docket No. E002/CN-23-212.

The Forecast Update provided information regarding Xcel’s Fall 2023 Forecast (used in the IRP), the Fall 2024 Forecast, and the Spring 2025 Forecast. The Department compared the Fall 2024 Forecast and the Spring 2025 Forecast to the forecast band used in Xcel’s IRP. The results are shown in Figures 1 and 2.

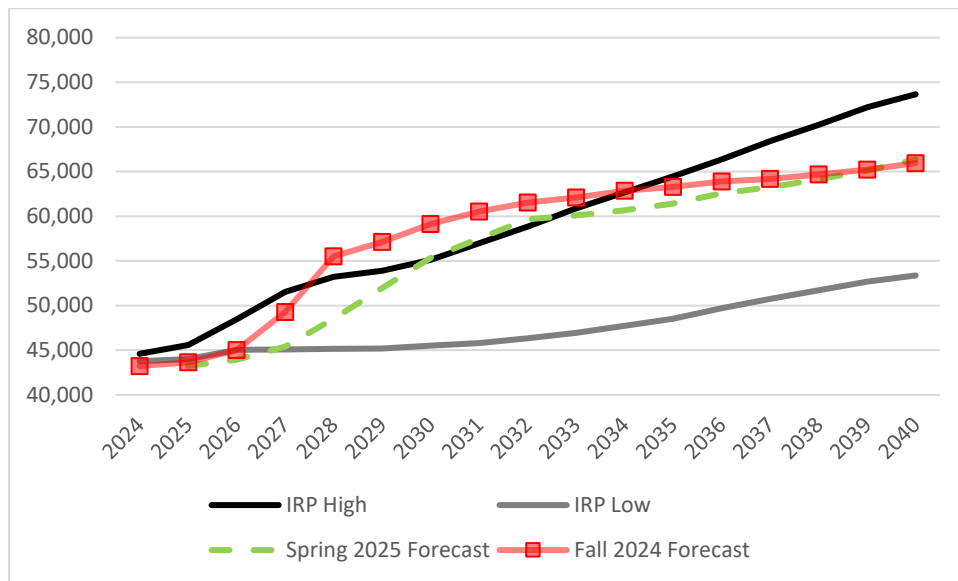
Figure 1: IRP Forecast Band vs Updated Forecasts (Demand)³⁴



³³ *In the Matter of Xcel Energy’s 2024–2040 Upper Midwest Integrated Resource Plan*, Xcel, Petition, February 1, 2024, Docket No. E002/RP-24-67, (eDockets) [20242-203027-01](#) (hereinafter “IRP Petition”).

³⁴ IRP Petition at Appendix E, Table E-2; Forecast Update at Attachment A, Table 1.

Figure 2: IRP Forecast Band vs Updated Forecasts (Energy)³⁵



The proposed Project is expected to be in-service in December 2028. Figures 1 and 2 show that, starting with 2029, the updated forecasts are either within the forecast band used in the IRP or are actually above the upper band.

Second, the need for the proposed Project is based upon the outcome of the capacity expansion modeling in the IRP. Table 2 of the Settlement Support Comment provides the results of the EnCompass analysis the Department, Xcel, and the CEOs.³⁶ The three parties’ EnCompass analysis resulted in a capacity need ranging from 2.1 GW to 2.8 GW (considering both BESS and CTs as Firm Dispatchable); far beyond the 420 MW capacity of the proposed Project.³⁷ The size of the need identified by the modeling parties formed the foundation of the Settlement Agreement, which was ultimately approved with modifications by the Commission’s IRP and CN Order.

Third, the need is based upon Xcel’s energy exposure analysis. Xcel calculated the hourly dispatchable capacity need as follows:

Using each historical year from 2016 to 2022, we developed an 8,760-hour historical demand shape, along with monthly peak and energy forecasts, to calculate the future system level demand and shape to use in the Encompass model. All existing wind and solar resources were dispatched based on their actual historical 8,760-hour production profiles.³⁸

³⁵ IRP Petition at Appendix E, Table E-1; Forecast Update at Attachment A, Table 1.

³⁶ Settlement Support Comment at 8.

³⁷ IRP Petition at Appendix D.

³⁸ IRP Petition at Appendix D.

Then Xcel ran EnCompass with Xcel's preferred plan locked-in to determine various metrics such as the capacity shortfall in hours and in MW (both average MW and peak MW). The result of Xcel's analysis was that:

the Preferred Plan performs well across energy adequacy metrics. There are only two hours of native capacity shortfall across the seven historic years tested, resulting in limited dependence on the market. There are only four hours across the seven historical test years where the Preferred Plan requires market purchases in order to meet load serving needs.³⁹

Thus, the Company's preferred plan results in minimal risk in terms of exposure to energy market pricing.

A.1.3. Department Analysis

Regarding the first need, the Company's forecasted energy and demand requirements, the Department analyzed Xcel's forecast in detail in the IRP Docket and concluded that "Xcel's energy and capacity forecasts are reasonable pending the submission of additional information."⁴⁰ Subsequently Xcel provided the requested information in the Settlement Support Comment. Therefore, the Department concludes that the original forecast that led to the selection of the proposed Project in Docket Nos. E002/RP-24-67 and E002/CN-23-212 is reasonable.

As shown in Figures 1 and 2, the updated forecasts remain within or are above the forecast band used in Xcel's IRP. The Company forecasts substantial capacity needs and the updated forecasts do not change that fact. Therefore, the Department concludes that the updated forecasts would not change the overall conclusion that Xcel's forecasts are reasonable.

Regarding the second need, the outcome of the capacity expansion modeling in the IRP, the size of the need identified by each of the modeling parties (Department, Xcel, and the CEOs) far exceeds the capacity of the proposed Project. The Fall 2024 Forecast and the Spring 2025 Forecast are either within the forecast range studied in the IRP or above it. Therefore, the Department concludes that the Company has substantial peaking capacity needs and the more recent forecasts do not change that conclusion. The proposed Project can fulfill at least some of the peaking needs.

Regarding the third need, Xcel's energy exposure analysis, as a dispatchable resource the proposed Project will enable the Company to reduce its exposure to spot market pricing. The updated forecasts would not reduce Xcel's energy exposure. Therefore, the Department concludes that Xcel has a need to reduce exposure to spot market pricing.

³⁹ IRP Petition at Appendix D.

⁴⁰ *In the Matter of Xcel Energy's 2024–2040 Upper Midwest Integrated Resource Plan*, Department, Comments, August 9, 2024, Docket No. E002/RP-24-67 (eDockets) [20248-209394-02](#), [20248-209394-04](#) at 101.

A.2. Conservation Impacts

Minn. R. 7849.0120 A (2) states that the Commission must consider “the effects of the applicant's existing or expected conservation programs and state and federal conservation programs.”⁴¹

First, the effects of Xcel’s existing and expected energy conservation programs were included in the EnCompass model used to select the proposed Project. Second, EnCompass had the option to select additional conservation above the expected level. Thus, the effects of existing or expected conservation programs were considered and additional conservation could be selected if cost effective. Xcel’s IRP and CN analysis showed that pursuit of energy efficiency beyond the expected level would increase system costs.⁴² The Department’s IRP analysis produced similar results as Xcel’s analysis.⁴³ The Commission’s CN and IRP Order ultimately approved 580 GWh of programmatic level of energy savings.⁴⁴

Regarding demand response, Xcel’s Encompass modeling selected additional demand response, which Xcel included in its preferred plan.⁴⁵ The Department’s IRP analysis did not result in additional demand response being selected.⁴⁶ Based on Xcel’s analysis, the CN and IRP Order required Xcel to add 60 to 70 MW of incremental demand response resources, as reflected in its preferred plan.⁴⁷

In summary, the effects of existing or expected conservation programs were considered via inclusion in EnCompass and cannot replace the capacity, energy, and risk mitigation provided by the proposed Project.

⁴¹ Note that [Minn. Stat. § 216B.243, subd. 3](#) states that “No proposed large energy facility shall be certified for construction unless the applicant can show that demand for electricity cannot be met more cost effectively through energy conservation and load-management measures [...]”

[Minn. Stat. § 216B.243 subd. 3\(2\)](#) requires the Commission to evaluate the “effect of existing or possible energy conservation programs under sections 216C.05 to 216C.30 and this section or other federal or state legislation on long-term energy demand.”

[Minn. Stat. § 216B.243, subd. 3\(6\)](#) requires the Commission to evaluate “possible alternatives for satisfying the energy demand or transmission needs including but not limited to potential for increased efficiency and upgrading of existing energy generation and transmission facilities, load-management programs, and distributed generation.”

[Minn. Stat. § 216B.243 subd. 3\(8\)](#) requires the Commission to evaluate “any feasible combination of energy conservation improvements, required under section 216B.241, that can (i) replace part or all of the energy to be provided by the proposed facility, and (ii) compete with it economically.”

⁴² CN and IRP Order at 11.

⁴³ *In the Matter of Xcel Energy’s 2024–2040 Upper Midwest Integrated Resource Plan*, Department, Comments, August 9, 2024, Docket No. 002/RP-24-67, (eDockets) [20248-209394-02](#), [20248-209394-04](#) (hereinafter “Department IRP Comment”).

⁴⁴ CN and IRP Order at point 20.

⁴⁵ CN and IRP Order at 11.

⁴⁶ Department IRP Comment at 33.

⁴⁷ CN and IRP Order at point 21.

A.3. *Promotional Practices*

Minn. R. 7849.0120 A (3) states that the Commission must consider “the effects of promotional practices of the applicant that may have given rise to the increase in the energy demand, particularly promotional practices which have occurred since 1974.”⁴⁸

Regarding this criterion, the Petition states that “Xcel Energy does not have programs promoting the sale of electricity that would have given rise to the demand for this facility.”

The Department agrees that Xcel’s promotional practices have not created the increase in the energy demand the proposed Project is designed to address.

A.4. *Non-CN Facilities Analysis*

Minn. R. 7849.0120 A (4) states that the Commission is to consider “the ability of current facilities and planned facilities not requiring certificates of need to meet the future demand.”⁴⁹

Xcel’s model development practice is to include all existing facilities and all projects that have been approved by the Commission.⁵⁰ Therefore, “the ability of current facilities and planned facilities not requiring certificates of need to meet the future demand” has been considered by the Commission in the CN and IRP Order since all current facilities would be in Xcel’s EnCompass models and all planned facilities that have been approved by the Commission would also be included in Xcel’s EnCompass models.

The Department concludes that current facilities and planned facilities not requiring certificates of need have been considered and will not be able to meet the future demand.

A.5. *Efficient Use of Resources*

Minn. R. 7849.0120 A (5) states that the Commission is to consider “the effect of the proposed facility, or a suitable modification thereof, in making efficient use of resources.”⁵¹

First, according to the Petition⁵² “The Project is anticipated to have a permanent footprint of 30 acres and would be co-located adjacent to MNEC [Minnesota Energy Connection] facilities and an existing natural gas pipeline, avoiding the need for substantial additional infrastructure.”

⁴⁸ Note that [Minn. Stat. § 216B.243 subd. 3\(4\)](#) requires the Commission to evaluate promotional activities that may have given rise to the demand for this facility.

⁴⁹ Note that [Minn. Stat. § 216B.243 subd. 3\(6\)](#) requires the Commission to evaluate alternatives for satisfying the energy demand or transmission needs including but not limited to upgrading of existing energy generation and transmission facilities and distributed generation.

⁵⁰ IRP Petition at Appendix F.

⁵¹ [Minn. R. 7849.0120 A \(5\)](#).

⁵² Petition at 6.

Second, according to the Petition:⁵³

The Project would interconnect to the grid using Xcel Energy's existing and valuable interconnection rights at the Sherco Substation. Thus, the Project is not subject to the Midcontinent Independent System Operator (MISO) interconnection queue. Because of MISO requirements related to interconnection re-use, only Xcel Energy-owned facilities are eligible to re-use these interconnection rights.

Third, the Petition states that "these more efficient, lower GHG-emitting generation units will displace the operation of older, less efficient and higher-GHG emitting generation units in Xcel Energy's system."⁵⁴

Based upon these factors the Department concludes that the proposed facility will make efficient use of resources.

A.6. Department Conclusion

Based upon the above analysis the Department recommends that the Commission find that the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the Applicant, to the Applicant's customers, and to the people of Minnesota and neighboring states.

B. ALTERNATIVES ANALYSIS

Minn. R. 7849.0120 B requires the Commission to determine "a more reasonable and prudent alternative to the proposed facility has not been demonstrated by a preponderance of the evidence on the record."⁵⁵ The rule then lists four specific considerations. The Department addresses each consideration separately below.

Overall, the Petition discusses the following alternatives:

- No Facility: "Because the Commission concluded it was more likely than not that Xcel Energy would need up to 800 MWs of firm dispatchable resources in the 2027-2029 timeframe, Xcel Energy did not consider the alternative of not selecting any resources as part of the Firm Dispatchable Docket."⁵⁶

⁵³ Petition at 7.

⁵⁴ Petition at 78.

⁵⁵ [Minn. R. 7849.0120 B](#).

⁵⁶ Petition at 35.

- Distributed generation (DG): Xcel reviewed the costs of both solar DG and thermal DG and concluded that they would be cost prohibitive.⁵⁷
- Renewable Generation: Xcel concluded that “based on EnCompass simulations, renewable generation alternatives, by itself does not meet the capacity need for firm dispatchable generation.”⁵⁸
- Demand-Side Management (DSM): Xcel concluded that “We modeled EE [energy efficiency] and DR [demand response] as supply-side resource that were available to meet load serving needs. Additions of EE and DR were approved by the Commission, but were not substitutes for the firm dispatchable need.”⁵⁹
- Transmission: Xcel concluded that transmission was not a viable alternative because there are no existing resources that Xcel could access via transmission and new transmission could not meet the required in-service date.⁶⁰

B.1. Size, Type, and Timing

Minn. R. 7849.0120 B (1) states that the Commission must consider “the appropriateness of the size, the type, and the timing of the proposed facility compared to those of reasonable alternatives.”⁶¹

B.1.1. Size

Size refers to capacity of the generation project in MW. The proposed Project is 420 MW in size.

As discussed above the IRP and CN Order approved a settlement containing 2 GW of peaking (CTs and BESS) in the action plan. The proposed Project, the alternatives discussed by Xcel and summarized above, and other alternatives such as Combined Cycle (CC) units, BESS, fuel oil CTs, and so forth, could provide 420 MW of capacity.

Based upon the size of the need identified in the IRP analysis and Commission approval of the Settlement Agreement, the Department concludes that the size of the proposed Project is not excessive and therefore is reasonable.

⁵⁷ Petition at 36.

⁵⁸ Petition at 37.

⁵⁹ Petition at 38.

⁶⁰ Petition at 38.

⁶¹ [Minn. R. 7849.0120 B.](#)

B.1.2. Type

In terms of type, the proposed Project is a peaking unit. This means the proposed Project would generate electricity only occasionally, typically during hours of high demand. Many of the alternatives discussed by Xcel along with BESS, and fuel oil CTs would be able to provide peaking resources.

As discussed above, the Commission's IRP and CN Order approved a settlement containing 2 GW of peaking (CTs and BESS) in the action plan. CTs and BESS units perform similar functions in that they provide energy during times when the system is stressed. The Department concludes that the type of the proposed Project is reasonable.

B.1.3. Timing

The Department interprets "timing" of a generation project as referring to the on-line date for the proposed facility. According to the Petition, "[t]he Project in-service date is anticipated in December 2028, assuming construction commences in July 2026.⁶²" The potential alternatives that meet the type criteria (BESS and fuel oil CTs and the generation alternatives discussed by Xcel) should be able to meet the in-service date of 2028.

As noted above, the CN and IRP Order includes about 2 GW of peaking (CTs and BESS) in the 5-year action plan, which runs through 2030. In addition, the Petition states that "[t]he maximum amount of generation that can be connected to MNEC is 1,100 MW until the [Lyon County] Generation Project is in service.⁶³" Based upon this information, the Department concludes that the Applicants' proposed timing is reasonable.

B.1.4. Size, Type, and Timing Summary

While other peaking alternatives exist and could meet Xcel's need in terms of size, type, and timing, such alternatives had the opportunity to be bid into the 800 MW firm dispatchable CN proceeding.⁶⁴ The proposed Project was selected as a least cost resource by the Commission in that proceeding.⁶⁵ Therefore, the Department concludes that the size, the type, and the timing of the proposed facility compared to those of the alternatives, is reasonable.

⁶² Petition at 4.

⁶³ Petition at 11.

⁶⁴ See Docket No. E002/CN-23-212.

⁶⁵ CN and IRP Order at Point 1.

B.2. Cost Analysis

Minn. R. 7849.0120 B (2) states that the Commission is to consider “the cost of the proposed facility and the cost of energy to be supplied by the proposed facility compared to the costs of reasonable alternatives and the cost of energy that would be supplied by reasonable alternatives.”⁶⁶

As noted above, while other peaking alternatives exist and could meet Xcel’s need in terms of size, type, and timing, such alternatives had the opportunity to be bid into the 800 MW firm dispatchable CN proceeding.⁶⁷ The proposed Project was selected as a least cost resource by the Commission in that proceeding.⁶⁸ Therefore, the Department agrees with the Xcel’s analysis that there is no reasonable alternative or combination of alternatives that would be expected to have a lower cost. Therefore, no new cost analysis of alternatives is necessary.

B.3. Natural and Socioeconomic Environments Analysis

Minn. R. 7849.0120 B (3) states that the Commission is to consider “the effects of the proposed facility upon the natural and socioeconomic environments compared to the effects of reasonable alternatives.”⁶⁹

As discussed above, Xcel concluded that there is no reasonable alternative or combination of alternatives. The Department agrees with Xcel’s analysis that there is no reasonable alternative or combination of alternatives that would be more reasonable and prudent. Therefore, no analysis of the impact of alternatives on the natural and socioeconomic environments is necessary.

B.4. Reliability Analysis

Minn. R. 7849.0120 B (4) states that the Commission is to consider “the expected reliability of the proposed facility compared to the expected reliability of reasonable alternatives.”⁷⁰

As discussed above, Xcel concluded that there is no reasonable alternative or combination of alternatives. Overall, the Department agrees with Xcel’s analysis that there is no reasonable alternative or combination of alternatives that would be more reasonable and prudent. Therefore, no reliability analysis of the alternatives is necessary.

B.5. Department Conclusion

Based upon the above analysis, the Department concludes that a more reasonable and prudent alternative to the proposed facility is not demonstrated by a preponderance of the evidence in the record.

⁶⁶ [Minn. R. 7849.0120 B.](#)

⁶⁷ See Docket No. E002/CN-23-212.

⁶⁸ CN and IRP Order at Point 1.

⁶⁹ [Minn. R. 7849.0120 B.](#)

⁷⁰ [Minn. R. 7849.0120 B.](#)

C. *PROTECTING THE NATURAL AND SOCIOECONOMIC ENVIRONMENTS*

Minn. R. 7849.0120 C requires the Commission to determine “by a preponderance of the evidence on the record, the proposed facility, or a suitable modification of the facility, will provide benefits to society in a manner compatible with protecting the natural and socioeconomic environments, including human health.”⁷¹ The rule then lists four specific considerations. The Department addresses each consideration separately below.

C.1. *Overall State Needs*

Minn. R. 7849.0120 C (1) states that the Commission shall evaluate “the relationship of the proposed facility, or a suitable modification thereof, to overall state energy needs.”⁷²

The Department’s *Energy Policy and Conservation Quadrennial Report, 2024* (Quad Report) states that, “[a]s renewable capacity grows to capture a greater share of Minnesota’s power market, utilities will need more fast-ramping resources to maintain system balance, given the variable and non-dispatchable nature of solar and wind power capacity.”⁷³ While the Quad Report proceeds to discuss energy storage, CT units such as the proposed Project can provide the same services to the grid.

The Department concludes that the proposed Project will have substantial benefits for meeting overall state energy needs as identified in the Quad Report.

C.2. *Effects on Natural and Socioeconomic Environments*

Minn. R. 7849.0120 C (2) states that the Commission shall evaluate “[t]he effects of the proposed facility, or a suitable modification thereof, upon the natural and socioeconomic environments compared to the effects of not building the facility.”⁷⁴

The ER provides information related to the effects of the proposed facility upon the natural and socioeconomic environments compared to the effects of not building the facility. The Department recommends that the Commission consider the ER filed by EIP in the Commission’s decision in this matter.

⁷¹ [Minn. R. 7849.0120 C.](#)

⁷² Note that Minn. Stat. § 216B.243 subd. 3(3) requires the Commission to evaluate the relationship of the proposed facility to overall state energy needs, as described in the most recent state energy policy and conservation report prepared under section 216C.18, or, in the case of a high-voltage transmission line, the relationship of the proposed line to regional energy needs, as presented in the transmission plan submitted under section 216B.2425.

⁷³ *Energy Policy and Conservation Quadrennial Report*, Minnesota Department of Commerce, (2024). At 118. (hereinafter “Quad Report”)

⁷⁴ [Minn. R. 7849.0120 C.](#)

C.3. Induced Development

Minn. R. 7849.0120 C (3) states that, in assessing need, the Commission shall evaluate “the effects of the proposed facility, or a suitable modification thereof, in inducing future development.”⁷⁵

Induced development is indirectly addressed in the ER. The Department recommends that the Commission consider the ER filed by EIP in the Commission’s decision in this matter.

C.4. Socially Beneficial Uses

Minn. R. 7849.0120 C (4) states that, in assessing need, the Commission shall evaluate “the socially beneficial uses of the output of the proposed facility, or a suitable modification thereof, including its uses to protect or enhance environmental quality.”⁷⁶

Socially beneficial uses of the output are indirectly addressed in the ER. The Department recommends that the Commission consider the ER filed by EIP in the Commission’s decision in this matter.

D. OTHER PERMITS

Minn. R. 7849.0120 D requires the Commission to determine “the record does not demonstrate that the design, construction, or operation of the proposed facility, or a suitable modification of the facility, will fail to comply with relevant policies, rules, and regulations of other state and federal agencies and local governments.”⁷⁷ This rule does not list any specific considerations.

The Petition lists numerous permits, approvals, consultations, and reviews that may be required for the proposed Project.⁷⁸ The Department reviewed the information on potentially required permits. Regarding the permits required by other agencies, the Department presumes that the various agencies will review and confirm that the Applicant is in compliance prior to granting their permits. The Department relies upon the agencies to enforce their requirements. Also, it is the Applicant’s responsibility ensure they have the necessary permits and approvals prior to constructing. Of course, should any necessary permits be denied, the proposed Project will not be constructed, regardless of the Commission’s decision regarding the Petition.

⁷⁵ [Minn. R. 7849.0120 C.](#)

⁷⁶ [Minn. R. 7849.0120 C.](#) Note that [Minn. Stat. § 216B.243 subd. 3\(5\)](#) requires the Commission to evaluate benefits of this facility, including its uses to protect or enhance environmental quality, and to increase reliability of energy supply in Minnesota and the region.

⁷⁷ [Minn. R. 7849.0120 D.](#) Note that Minn. Stat. § 216B.243 subd. 3(7) requires the Commission to evaluate the policies, rules, and regulations of other state and federal agencies and local governments.

⁷⁸ Petition at 96-100.

E. POLICY ANALYSIS

There are several remaining criteria in statutes and rules applicable to a CN that do not closely fit into the rule decision criteria discussed above. These criteria are grouped into a final category of policy considerations.

E.1. Socially Beneficial Uses

Minn. Stat. § 216B.243, subd. 3 (9) states that the Commission shall evaluate “with respect to a high-voltage transmission line, the benefits of enhanced regional reliability, access, or deliverability to the extent these factors improve the robustness of the transmission system or lower costs for electric consumers in Minnesota.”⁷⁹

The proposed project is not a large high-voltage transmission line (LHVTL) under Minn. Stat. § 216B.2421 Subd. 2 (2). Therefore, this statute is not relevant.

E.2. Renewable Preference

There are two sections of Minnesota Statutes that provide a preference for renewable resources in resource planning and resource acquisition decisions. First, Minn. Stat. § 216B.243, subd. 3a⁸⁰ states that:

The Commission may not issue a certificate of need under this section for a large energy facility that generates electric power by means of a nonrenewable energy source, or that transmits electric power generated by means of a nonrenewable energy source, unless the applicant for the certificate has demonstrated to the Commission's satisfaction that it has explored the possibility of generating power by means of renewable energy sources and has demonstrated that the alternative selected is less expensive (including environmental costs) than power generated by a renewable energy source. For purposes of this Subdivision, “renewable energy source” includes hydro, wind, solar, and geothermal energy and the use of trees or other vegetation as fuel.

Second, Minn. Stat. § 216B.2422, subd. 4 states that:

The Commission shall not approve a new or refurbished nonrenewable energy facility in an integrated resource plan or a certificate of need, pursuant to section 216B.243, nor shall the Commission allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy

⁷⁹ [Minn. Stat. § 216B.243 subd. 3\(9\)](#).

⁸⁰ Note that [Minn. Stat. § 216B.243 subd. 3\(9\)](#) also requires the Commission to evaluate whether an applicant has made the demonstrations required under this subdivision.

facility, unless the utility has demonstrated that a renewable energy facility is not in the public interest.⁸¹

As discussed above, Xcel concluded that “based on EnCompass simulations, renewable generation alternatives, by itself does not meet the capacity need for firm dispatchable generation.”⁸² The Department agrees with Xcel renewable resources were analyzed using EnCompass and cannot eliminate or address the claimed need for firm dispatchable capacity. Thus, the Department concludes that renewable generation is not a reasonable alternative and this statutory criterion has been met.

E.3. Distributed Generation Analysis

Minn. Stat. § 216B.2426 states that:

The Commission shall ensure that opportunities for the installation of distributed generation, as that term is defined in section 216B.169, Subdivision 1, paragraph (c), are considered in any proceeding under section 216B.2422, 216B.2425, or 216B.243.⁸³

Minn. Stat. § 216B.169 states:

For the purposes of this section, the following terms have the meanings given them...(c) “High-efficiency, low-emission, distributed generation” means a distributed generation facility of no more than ten megawatts of interconnected capacity that is certified by the commissioner under Subdivision 3 as a high efficiency, low- emission facility.⁸⁴

Any distributed generation (DG) certified by the Commissioner of the Minnesota Department of Commerce (Commissioner) in the past would be reflected in the Applicant’s and MISO’s models used to analyze the project. Any DG certified by the Commissioner in the future and sited in the local area would impact the rate of local load growth the Applicant would need to serve. However, there is no reason to believe the impacts of Commissioner-certified DG would be significant. Therefore, the Department concludes that the statutory criterion of Minn. Stat. §§ 216B.2426 and 216B.169 have been met.

E.4. Innovative Energy Project Analysis

Minn. Stat. § 216B.1694, subd. 2 (a) (4) states that an innovative energy project:

[...] shall, prior to the approval by the commission of any arrangement to build or expand a fossil-fuel-fired generation facility, or to enter into an

⁸¹ [Minn. Stat. § 216B.2422, subd. 4.](#)

⁸² Petition at 37.

⁸³ See [Minn. Stat. § 216B.2426.](#)

⁸⁴ See [Minn. Stat. § 216B.169.](#)

agreement to purchase capacity or energy from such a facility for a term exceeding five years, be considered as a supply option for the generation facility, and the commission shall ensure such consideration and take any action with respect to such supply proposal that it deems to be in the best interest of ratepayers.⁸⁵

The Petition states that, “[a]t this time, the Company is not aware of an innovative energy project available to meet the need.”⁸⁶ The Department agrees with Xcel and concludes that the statutory criterion of Minn. Stat. § 216B.1694, subd. 2 (a) (4) has been met.

E.5. Renewable Energy Standard Compliance

E.5.1. Renewable Generation

Minn. Stat. § 216B.243, subd. 3 (10) states that the Commission shall evaluate “whether the applicant or applicants are in compliance with applicable provisions of sections 216B.1691 [...]”⁸⁷ In turn, Minn. Stat. § 216B.1691, subd. 2a (a) states that each electric utility shall provide retail customers in Minnesota the following percentages of total retail electric sales from energy generated by renewable energy technologies:

- 1) 2012 12 percent;
- 2) 2016 17 percent;
- 3) 2020 20 percent;
- 4) 2025 25 percent; and
- 5) 2035 55 percent.⁸⁸

In addition, Minn. Stat. § 216B.1691 subd. 2f requires that public utilities such as Xcel generate or procure solar energy equal to at least 1.5 percent of Minnesota retail sales by the end of 2020.⁸⁹ At least ten percent of the 1.5 percent goal must be generated by or procured from solar photovoltaic devices with a nameplate capacity of 40 kW or less. The solar energy standard (SES) statute (Minn. Stat. § 216B.1691, subd. 2f) excludes certain retail sales to iron mining, paper, and wood products manufacturers from the calculation of the SES requirement.

The Department reviews compliance with the RES statute in a biennial report to the legislature. The most recent report was filed January 15, 2025.⁹⁰ Table 1 of the RES Report shows that Xcel complied

⁸⁵ See [Minn. Stat. § 216B.1694](#).

⁸⁶ Petition at 36.

⁸⁷ [Minn. Stat. § 216B.243 subd. 3\(10\)](#).

⁸⁸ See [Minn. Stat. § 216B.1691](#).

⁸⁹ [Minn. Stat. § 216B.1691 subd. 2f](#).

⁹⁰ *Minnesota Renewable Energy Standard: Utility Compliance*. Minnesota Department of Commerce, (2025). Available at: <https://www.lrl.mn.gov/docs/2025/mandated/250202.pdf> (hereinafter RES Report).

for 2023.⁹¹ Regarding future compliance the Department notes that the RES Report estimates Xcel can comply into the future to 2040.⁹²

Regarding the SES, the RES Report at Table 2 showed that Xcel met the overall SES and the small-scale solar section of the SES in 2021.⁹³ In addition, the RES Report states that “Xcel states it will be in compliance with the small solar carve-out through 2036, if actual solar installations meet Xcel’s forecasted levels.”⁹⁴ Finally, the RES Report states that “Xcel forecasts that the currently approved and proposed/planned solar resources will be sufficient to meet the 10 percent (10%) by 2030 goal and will furthermore be sufficient to satisfy the SES requirements through year 2035 without the use of banked RECs.”⁹⁵

Overall, the Department concludes that the statutory criterion of Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.1691, subd. 2a (a) has been met.

E.5.2. Transmission for Renewable Generation

Minn. Stat. § 216B.243, subd. 3 (10) states that the Commission shall evaluate:

whether the applicant or applicants are in compliance with applicable provisions of sections [...] 216B.2425, subdivision 7 and have filed or will file by a date certain an application for certificate of need under this section or for certification as a priority electric transmission project under section 216B.2425 for any transmission facilities or upgrades identified under section 216B.2425, subdivision 7.⁹⁶

Minn. Stat. § 216B.2425, subdivision 7 requires “[e]ach entity subject to this section shall determine necessary transmission upgrades to support development of renewable energy resources required to meet objectives under section 216B.1691 and shall include those upgrades in its report under subdivision 2.”⁹⁷

Fourteen utilities, including Xcel file a biennial transmission report to address the requirements of Minn. Stat. § 216B.2425.⁹⁸ The Biennial Transmission Plan addresses transmission upgrades needed to support development of renewable energy in a two-step process. First, the utilities calculate an estimate of the capacity each utility needs to acquire; this is referred to as a gap analysis. The gap

⁹¹ RES Report at 4-5.

⁹² RES Report at 9.

⁹³ RES Report at 7.

⁹⁴ RES Report at 8.

⁹⁵ RES Report at 8.

⁹⁶ [Minn. Stat. § 216B.243, subd. 3.](#)

⁹⁷ See [Minn. Stat. § 216B.2425.](#)

⁹⁸ *In the Matter of the 2025 Minnesota Biennial Transmission Projects Report*, Minnesota Transmission Owners, Petition, October 31, 2025, Docket No. E999/M-25-99, (eDockets) [202510-224474-01](#), [202510-224474-02](#), [202510-224474-03](#), [202510-224474-05](#), [202510-224474-06](#). (hereinafter “Biennial Transmission Plan”).

analysis in the Biennial Transmission Plan shows a need for new renewable capacity of 2.4 GW for 2030 and 6.1 GW for 2035; this is for all fourteen utilities but the majority of the need is for Xcel.⁹⁹ The Biennial Transmission Plan shows no need for solar capacity, to meet the SES, in 2030 and a need for 1.2 GW in 2035. All of this need is for Xcel. The Biennial Transmission Plan shows that three utilities are planning on adding 3.2 GW of renewable capacity by 2030 and 7.6 GW by 2035 to comply with Minnesota's Carbon Free Standard (CFS).¹⁰⁰ Again, the majority of the need is for Xcel.

Overall, the Department concludes that the utilities subject to the RES, SES, and CFS are showing a significant need for new generation; thus, additional transmission is potentially required in the near future. The second step in the analysis would be to determine the transmission necessary to interconnect the calculated amount of renewable generation. Given the amount of new transmission approved by MISO via the Joint Targeted Interconnection Queue Study and Long Range Transmission Plan Tranches 1 and 2.1 the Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.2425, subdivision 7.

E.6. Environmental Cost Planning

Minn. Stat. § 216B.243, subd. 3 (12) states that the Commission shall evaluate "if the applicant is proposing a nonrenewable generating plant, the applicant's assessment of the risk of environmental costs and regulation on that proposed facility over the expected useful life of the plant, including a proposed means of allocating costs associated with that risk."¹⁰¹ Xcel responded to the requirement regarding an assessment of the risk of environmental costs and regulation on that proposed facility:

- a. In our January 2024 proposal for the Lyon County CT in Docket No. E002/CN-23-212, we noted that environmental regulations continue to be promulgated year after year, and while the general trajectory can be discernible, the specific details that impact any given generating facility are not predictable. Xcel Energy took into account USEPA proposed greenhouse gas regulation for new power plants (New Source Performance Standard, TTTTa) when proposing Lyon County. Lyon County is anticipated to operate at a capacity factor of 20% or less to reduce the cost and complexity of emission controls required for the facility. Additionally, to provide future flexibility, Xcel Energy is procuring combustion turbines capable of up to 30% hydrogen co-combustion. We concluded, saying that we have analyzed environmental costs and regulations over the expected useful life of the Lyon County Station, and the facility will be able to comply with the only proposed regulation known at this time. This continues to be true.

⁹⁹ Biennial Transmission Plan at 236.

¹⁰⁰ Biennial Transmission Plan at 238.

¹⁰¹ [Minn. Stat. § 216B.243, subd. 3 \(12\)](#).

For additional context, we note that in 2023, EPA released a final rule to address interstate transport provisions of the 2015 Ozone National Ambient Air Quality Standards. The Good Neighbor rule, as it was called, has since been challenged and implementation in the State of Minnesota has been stayed. If the Good Neighbor rule, or some future version thereof, implicates Minnesota in a future Ozone Season oxides of nitrogen (NOx) emissions program, the low anticipated utilization of Lyon County will minimize future potential for additional NOx emission controls. A future Good Neighbor rule will likely include a NOx emission allowance trading program similar to the existing program that would accommodate for unforeseen operational needs yet still within the site capacity factor limitations.¹⁰²

Xcel responded to the requirement regarding a proposed means of allocating costs associated with that risk by stating “if a new rule is issued that impacts our costs to operate the facility, those costs are borne by NSP System customers – with the allocation of those costs following the cost allocation for the overall facility.”¹⁰³

Based upon the above information the Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. § 216B.243, subd. 3 (12).

E.7. Statewide Carbon Dioxide Emissions

Minn. Stat. § 216H.03, subd. 3 states:

Unless preempted by federal law, until a comprehensive and enforceable state law or rule pertaining to greenhouse gases that directly limits and substantially reduces, over time, statewide power sector carbon dioxide emissions is enacted and in effect, and except as allowed in Subdivisions 4 to 7, on and after August 1, 2009, no person shall construct within the state a new large energy facility that would contribute to statewide power sector carbon dioxide emissions.¹⁰⁴

Note that Minn. Stat. § 216H.03, subd. 3 has, as a precondition: “until a comprehensive and enforceable state law or rule pertaining to greenhouse gases that directly limits and substantially reduces, over time, statewide power sector carbon dioxide emissions is enacted and in effect [...]”¹⁰⁵ With the passage of the state’s carbon free energy targets in Minn. Stat. § 216B.1691 subd. 2g

¹⁰² See Attachment 1: Xcel’s Response to Department Information Request No. 3. (hereinafter “Response to Department Information Request No. 3”).

¹⁰³ Response to Department Information Request No. 3.

¹⁰⁴ See [Minn. Stat. § 216H.03](#).

¹⁰⁵ See [Minn. Stat. § 216H.03, subd. 3](#).

(Carbon-free standard)¹⁰⁶ the Commission has determined that this section is no longer applicable as the state has an enforceable law that limits statewide power sector carbon dioxide emissions.¹⁰⁷

E.8. Local Job Impacts

Minn. Stat. § 216B.2422, subd. 4a states:

The commission must consider local job impacts and give preference to proposals that maximize the creation of construction employment opportunities for local workers, consistent with the public interest, when evaluating any utility proposal that involves the selection or construction of facilities used to generate or deliver energy to serve the utility's customers, including but not limited to an integrated resource plan, a certificate of need, a power purchase agreement, or commission approval of a new or refurbished electric generation facility. The commission must, to the maximum extent possible, prioritize the hiring of workers from communities hosting retiring electric generation facilities, including workers previously employed at the retiring facilities.¹⁰⁸

At this time there are no alternative proposals to consider, only the proposed Project. The Petition states that the workforce required for construction of the proposed Project is estimated to be about 300 to 400 construction workers and will last approximately 30 to 33 months.¹⁰⁹ The proposed Project will be operated and maintained by approximately five staff.¹¹⁰ In addition, one to two workers are required to perform aerial inspections and three workers are required to perform the ground inspections. Xcel will perform annual aerial inspections of the proposed Project's transmission line and inspect the line from the ground every four years.¹¹¹

The Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. § 216B.2422, subd. 4a.

E.9. Domestic Content Preference

Minn. Stat. § 216B.2422, subd. 4b states “[t]he commission may give preference in resource selection to projects utilizing energy technologies produced domestically by entities who received an advanced

¹⁰⁶ Laws of Minnesota 2023, chapter 7; available at: <https://www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/7/>

¹⁰⁷ For details of the Commission's determination see: *In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation*, Order Approving Petition and Requiring Compliance Filing, November 3, 2023, Docket No. E002/CN-23-212, (eDockets) [202311-200215-01](#), at Point 3.

¹⁰⁸ See [216B.2422, subd. 4a](#).

¹⁰⁹ Petition at 59.

¹¹⁰ Petition at 21.

¹¹¹ Petition at 47.

manufacturing tax credit for those technologies under section 45X of the Internal Revenue Code, as allowed under the federal Inflation Reduction Act of 2022, Public Law 117-169.”¹¹²

Section 45X of the Internal Revenue Code applies to generation projects. Components eligible for the advanced manufacturing tax credit include certain solar energy components, wind energy components, inverters, qualifying battery components, and applicable critical minerals.¹¹³ The Department understands that these components will not be part of the proposed Project. Therefore, the Department concludes that Minn. Stat. § 216B.2422, subd. 4b does not apply.

E.10. Inflation Reduction Act Compliance

The Commission’s September 12, 2023 *Order Setting Requirements Related to Inflation Reduction Act* in Docket No. E,G999/CI-22-624 states:

The utilities shall maximize the benefits of the Inflation Reduction Act in future resource acquisitions and requests for proposals in the planning phase, petitions for cost recovery through riders and rate cases, resource plans, gas resource plans, integrated distribution plans, and Natural Gas Innovation Act innovation plans. In such filings, utilities shall discuss how they plan to capture and maximize the benefits from the Act, and how the Act has impacted planning assumptions including (but not limited to) the predicted cost of assets and projects and the adoption rates of electric vehicles, distributed energy resources, and other electrification measures. Reporting shall continue until 2032.¹¹⁴

The Petition states:

Xcel Energy has evaluated the Inflation Reduction Act for applicability to activities to be undertaken in the planning, procurement, and construction of this Project in an effort to reduce the rate impact of this Project. However, at this time, Xcel Energy has not identified any opportunities under the Inflation Reduction Act to reduce the cost of the Project for customers.¹¹⁵

With this information the Department concludes that Xcel has adequately discussed how the Company plans to capture the benefits from the Inflation Reduction Act.

¹¹² See [216B.2422, subd. 4b](#).

¹¹³ 88 Fed. Reg. 86844 (December 15, 2023). Available at [Federal Register](#).

¹¹⁴ *In the Matter of a Joint Investigation into the Impacts of the Federal Inflation Reduction Act*, Order, September 12, 2023, Docket No. E,G999/CI-22-624, (eDockets) [20239-198869-01](#) at Point 1.

¹¹⁵ Petition at 32.

F. CONDITIONS

Regarding a cost cap for the proposed Project, the CN and IRP Order at point 1 states:

- b. For all resources identified in the settlement agreement, costs must be capped at bid amounts as of October 2, 2024, unless Xcel demonstrates by substantial evidence that additional costs were caused by events outside of Xcel's control and are otherwise prudent.
- c. Within 6 months of the in service of Lyon County Combustion Turbine or 30 days before the next rate case filing, whichever is sooner, Xcel must file comprehensive substantial evidence in support of the cost recovery of the Lyon County Combustion Turbine in Docket No. E-002/CN-23-212 and Docket No. E-002/RP-24-67.¹¹⁶

Thus, the Commission has already imposed a cost cap on the proposed Project and established a process for review of the proposed Project's costs. In response to the cost cap in the CN and IRP Order, Xcel requests that the Commission:

allow the final project cost to be adjusted – up or down – to reflect changes in pricing due to government actions, such as tariffs or trade investigations. This adjustment mechanism ensures that any significant disruptions to supply and market prices are accounted for.¹¹⁷

The text of the CN and IRP Order allows any costs that were prudent and caused by events outside Xcel's control to be recovered. Xcel's language requests adjustments for costs that change due to government actions, which is already covered by the CN and IRP Order's cost cap language regarding events outside of Xcel's control. The only difference between the Commission order and appears to be a true up if costs go down; the Department agrees with Xcel on this point. The Department recommends the Commission clarify that the existing cost cap allows for reductions in pricing due to government actions to be reflected in the cost cap.

G. COMMISSION NOTICE

G.1. Approve the CN?

The first issue in the Notice is "Should the Commission grant a certificate of need for the proposed project?"

The Department recommends the Commission grant a CN to the proposed Project.

¹¹⁶ CN and IRP Order at order point 1.

¹¹⁷ Petition at 16.

G.2. Conditions?

The second issue in the Notice is “If granted, what additional conditions or requirements, if any, should be included in the certificate of need?”

The Department recommends the Commission apply the condition specified in section III.F above.

G.3. Grant a Site Permit with Conditions?

The third issue in the Notice is “Are there other issues or concerns related to this matter?”

The Department has no other issues or concerns.

IV. DEPARTMENT RECOMMENDATIONS

Based on analysis of the information in the record, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. NEED ANALYSIS

- A.6. Based upon the above analysis the Department concludes that the probable result of denial would be an adverse effect upon the future adequacy, reliability, or efficiency of energy supply to the Applicant, to the Applicant’s customers, and to the people of Minnesota and neighboring states.

B. ALTERNATIVES ANALYSIS

- B.5. Based upon the above analysis the Department concludes that a more reasonable and prudent alternative to the proposed facility is not demonstrated by a preponderance of the evidence in the record.

C. PROTECTING THE NATURAL AND SOCIOECONOMIC ENVIRONMENTS

- C.1. The Department concludes that the proposed Project will have substantial benefits for meeting overall state energy needs as identified in the Quad Report.

D. POLICY ANALYSIS

- E.2. The Department concludes that renewable generation is not a reasonable alternative and this statutory criterion has been met.

- E.3. The Department concludes that the statutory criterion of Minn. Stat. §§ 216B.2426 and 216B.169 have been met.
- E.4. The Department agrees with Xcel and concludes that the statutory criterion of Minn. Stat. § 216B.1694, subd. 2 (a) (4) has been met.
- E.5.1. The Department concludes that the statutory criterion of Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.1691, subd. 2a (a) have been met.
- E.5.2. The Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. §§ 216B.243, subd. 3 (10) and 216B.2425, subdivision 7.
- E.6. The Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. § 216B.243, subd. 3 (12).
- E.8. The Department concludes that Xcel has adequately addressed the statutory requirement of Minn. Stat. § 216B.2422, subd. 4a
- E.9. The Department concludes that Minn. Stat. § 216B.2422, subd. 4b does not apply.
- E.10. The Department concludes that Xcel has adequately discussed how the Company plans to capture the benefits from the Inflation Reduction Act.

F. CONDITIONS

- The Department recommends that the Commission clarify that the existing cost cap allows for reductions in pricing due to government actions to be reflected in the cost cap.

G. COMMISSION NOTICE

- G.2. The Department recommends the Commission grant a CN to the proposed Project subject to the condition modification specified above.

Appendix

Appendix

Attachments

Attachments

CERTIFICATE OF SERVICE

I, Nicole Westling, 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
Comments**

Docket No. E002/CN-25-145

Dated this **11th** day of **February 2026**

/s/Nicole Westling

| # | First Name | Last Name | Email | Organization | Agency | Address | Delivery Method | Alternate Delivery Method | View Trade Secret | Service List Name |
|----|------------|--------------------|-----------------------------------|------------------------------|---|---|--------------------|---------------------------|-------------------|---------------------------------|
| 1 | Lisa | Agrimonti | lagrimonti@fredlaw.com | Fredrikson & Byron, P.A. | | 60 South Sixth Street Suite 1500 Minneapolis MN, 55402-4400 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 2 | John | Bornhoft | john@buffaloridgeconcrete.com | | | | Electronic Service | | No | 25-145 Official CC Service List |
| 3 | Generic | Commerce Attorneys | commerce.attorneys@ag.state.mn.us | | Office of the Attorney General - Department of Commerce | 445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States | Electronic Service | | Yes | 25-145 Official CC Service List |
| 4 | Deb | Dirlam | deb.dirlam@lowersioux.com | Lower Sioux Indian Community | | PO Box 308 39527 Reservation Highway 1 Morton MN, 56270 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 5 | Martin | Donovan | martin.donovan@state.mn.us | | Department of Natural Resources | 500 Lafayette Road St Paul MN, 55155 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 6 | Sharon | Ferguson | sharon.ferguson@state.mn.us | | Department of Commerce | 85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 7 | Dalton | Hannasch | dalton@buffaloridgeconcrete.com | | | | Electronic Service | | No | 25-145 Official CC Service List |
| 8 | Craig | Janezich | craig.janezich@state.mn.us | | Public Utilities Commission | 121 7th Pl E #350 St. Paul MN, 55101 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 9 | Breann | Jurek | bjurek@fredlaw.com | Fredrikson & Byron PA | | 60 S Sixth St Ste 1500 Minneapolis MN, 55402 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 10 | Stacy | Kotch Egstad | stacy.kotch@state.mn.us | | Minnesota Department of Transportation | 395 John Ireland Blvd MS 678 St. Paul MN, 55155 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 11 | Christine | Marquis | regulatory.records@xcelenergy.com | Xcel Energy | | 414 Nicollet Mall MN1180-07-MCA Minneapolis MN, 55401 United States | Electronic Service | | No | 25-145 Official CC Service List |

| # | First Name | Last Name | Email | Organization | Agency | Address | Delivery Method | Alternate Delivery Method | View Trade Secret | Service List Name |
|----|----------------|--------------------------------|--------------------------------------|---|---|---|--------------------|---------------------------|-------------------|---------------------------------------|
| 12 | James | Mortenson | james.mortenson@state.mn.us | | Office of Administrative Hearings | PO BOX 64620 St. Paul MN, 55164-0620 United States | Electronic Service | | Yes | 25-145 Official CC Service List |
| 13 | Carol A. | Overland | overland@legalelectric.org | Legalelectric - Overland Law Office | | 1110 West Avenue Red Wing MN, 55066 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 14 | Kevin | Pranis | kpranis@liunagro.com | Laborers' District Council of MN and ND | | 81 E Little Canada Road St. Paul MN, 55117 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 15 | Generic Notice | Residential Utilities Division | residential.utilities@ag.state.mn.us | | Office of the Attorney General - Residential Utilities Division | 1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States | Electronic Service | | Yes | 25-145 Official CC Service List |
| 16 | Janet | Shaddix Eling | jshaddix@janetshaddix.com | Shaddix & Associates | | 7400 Lyndale Avenue South Suite 190 Richfield MN, 55423 United States | Electronic Service | | Yes | 25-145 Official CC Service List |
| 17 | Bria | Shea | bria.e.shea@xcelenergy.com | Xcel Energy | | 414 Nicollet Mall Minneapolis MN, 55401 United States | Electronic Service | | No | 25-145 Official CC Service List |
| 18 | Melissa | Sheffer | sheffer.melissa@epa.gov | EPA Region 5 | | | Electronic Service | | No | 25-145 Official CC Service List |
| 19 | Haley | Waller Pitts | hwallerpitts@fredlaw.com | Fredrikson & Byron, P.A. | | 60 S Sixth St Ste 1500 Minneapolis MN, 55402-4400 United States | Electronic Service | | No | 25-145 Official CC Service List |