

August 17, 2021

PUBLIC DOCUMENT

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

**RE: PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E002/M-20-815**

Dear Mr. Seuffert:

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

Petition of Northern States Power, doing business as Xcel Energy, for Approval of an Updated Renewable Energy Standard Rider Factor.

The Petition was filed on November 5, 2020 by:

Holly Hinman
Regulatory Manager
Xcel Energy
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401.

The Department requests that Xcel provide additional information and will provide a full recommendation after reviewing Xcel's reply comments. The Department is available to answer any questions that the Minnesota Public Utilities Commission may have in this matter.

Sincerely,

/s/ STEPHEN COLLINS
Rates Analyst

SC/ja
Attachment



Before the Minnesota Public Utilities Commission

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

Docket No. E002/M-20-815

I. INTRODUCTION

On November 5, 2020, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), filed a petition requesting approval to modify the Company's Renewable Energy Standard (RES) factor in the RES Rider. The petition was filed pursuant to Minnesota statutes section 216B.1645, subdivision 2a, the RES Rider statute.

Specifically, Xcel requests that the Minnesota Public Utilities Commission (Commission) approve:

- The addition of costs associated with the Mower County Wind project in the RES Rider;
- 2021 revenue requirements of \$188.8 million, which includes the tracker carryover balance, the production tax credit (PTC) true-up, and credit for proceeds from the sales of renewable energy credits (RECs);
- A RES Rider adjustment factor of 9.067 percentage of base revenue to be implemented on February 1, 2021;
- The ability to recalculate the adjustment factor for implementation in compliance based on the timing of the Commission's decision;
- The proposed tariff revisions and customer notice;
- Updating the tariff sheet to reflect the actual adjustment factor to be implemented based on the Commission's decisions in this proceeding;
- Providing an updated final tariff sheet in a compliance filing within 10 days after the Order is received; and
- Implementing the updated RES factor the first day of the month following the Commission's Order regarding this petition.

The proposed customer notification is as follows:

This month the Resource Adjustment has increased due to changes in the Renewable Energy Standard (RES) Rider, which recovers our investments and expenses to add renewable energy systems to our generation resources. The RES Rider portion of the Resource Adjustment is 9.067% of the basic service charge, energy charge, and demand charge on your bill.

Xcel provided the proposed tariff sheet in Attachment P to the petition. Xcel filed its existing tariff on May 17, 2021 in Docket No. E002/M-19-732, last year's RES Rider docket, which Xcel implemented on June 1, 2021. The Minnesota Department of Commerce, Division of Energy Resources (Department) provides a comparison of Xcel's proposed update to its existing tariff below, with Xcel's proposed change shown in bold:

The Renewable Energy Standard ("RES") Adjustment Factor shall be the RES annual forecasted revenue requirement as a percentage of "base" revenues. The RES annual forecasted revenue requirement shall be the sum of the Renewable Energy Standard Costs for the forecast period and any residual Tracker balance in the RES Tracker Account.

The RES Adjustment Factor may be adjusted with the approval of the Minnesota Public Utilities Commission (Commission). The RES Factor is:

All Classes ~~5.091%~~ **9.067%**

In other words, Xcel's proposal would increase customer bills by about 4% relative to each customer's base bill, which excludes riders and taxes. Therefore the total bill increase would generally be somewhat less than 4%.¹ Based on the base bill for a typical residential customer of \$64.62 a month, the new adjustment factor would increase a typical residential customer's bill by \$2.57 a month.²

II. BACKGROUND

On May 6, 2021, in Docket No. E002/M-19-732, the Commission issued an Order approving Xcel's current RES adjustment factor, reflecting 2019 and 2020 revenue requirements (2020 RES Rider Order). The 2020 RES Rider Order approved Xcel's prior petition modified as follows (starting with Order Point 2):

2. Xcel shall limit recovery of costs related to the Crowned Ridge II, Lake Benton, Jeffers Wind and Community Wind North projects to the terms of each of their respective purchase and sales agreements (PSAs).
3. The 2019 and 2020 RES Rider revenue requirements shall be calculated using the 2.06% weighted cost of debt proposed by Xcel in Docket No. E-002/GR-19-564, *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, while maintaining the same debt/equity ratio.

¹ Since the total bill is larger than the base bill, the increase as a percentage of the total bill will be lower than as a percentage of the base bill.

² May 17, 2021 compliance filing in Docket No. E002/M-1-732 cites a bill impact of \$3.29 under the existing 5.091% surcharge, which implies a base bill of \$64.62 (\$3.29/5.091%). Under a 9.067% surcharge, the bill impact would be \$5.86 a month, resulting in a difference of \$2.57 (\$5.86 - \$3.29).

4. The Commission approves RES recovery eligibility of the following facilities:
 - Dakota Range I
 - Dakota Range II
 - Jeffers Wind
 - Community Wind North

6. Xcel shall calculate the RES Rider revenue requirements using the updated commercial operation dates. *[Department note: there is no Order Point 5]*

7. Xcel shall include all actual Renewable Energy Credit sales through the full 2019–2020 test period as an offset in the 2019–2020 revenue requirement calculation.

8. Xcel shall calculate its RES Rider Adjustment Factor in this filing to reflect all actual Production Tax Credits to date and use forecasted production tax credits for any months for which actual production tax credits are not yet available.

13. In next RES Rider filing, Xcel shall do the following:
 - A. Offset the Rider’s revenue requirement with the value of any Renewable Energy Credits not incorporated into the 2019–2020 update (in addition to any additional Renewable Energy Credits sold), and
 - B. Provide a discussion of its RES Renewable Energy Credit management strategy and describe why it is in the public interest.

On May 17, 2021, Xcel submitted a compliance filing with the final tariff sheet and supporting documentation for the calculation of the new adjustment factor. The 5.091% factor calculated was by dividing Xcel’s approved 2019 and 2020 revenue requirements, before adjusting for 2020 collections, of \$106,169,401 by forecasted June 2021 to May 2022 base revenues of \$2,085,575,707 (Attachment A to the compliance filing). As shown in Attachment B to the compliance filing, Xcel’s RES Rider revenue requirements for 2019 were \$41,636,194, which after adjusting for prior tracker balances and revenue collections resulted in a tracker balance of \$40,712,497 carried over to 2020. Adding this to Xcel’s 2020 revenue requirements of \$65,456,902 and subtracting 2020 collections of \$9,315,918 results in an uncollected balance of \$96,853,482 to be carried over to 2021.

III. DEPARTMENT ANALYSIS

A. REVIEW OF FACTOR CALCULATION IN INSTANT PETITION

The instant petition calculates the proposed 9.067% factor by taking \$92,794,332 in proposed 2021 revenue requirements, adding \$95,966,106 in proposed carryover balances (calculated as of the petition filing date, resulting in a slightly different number than the compliance filing), and then dividing the \$188,760,438 sum by Xcel’s forecasted February 2021 to January 2022 base revenues of \$2,081,796,423.

To help review this proposal, the **Department requests that Xcel provide its best estimate of total 2021 RES Rider revenue collections, assuming the new factor is implemented in 2022.**

B. ELIGIBILITY

Xcel is requesting recovery of 11 wind projects: Courtenay, Blazing Star I, Blazing Start II, Foxtail, Freeborn, Crowned ridge, Lake Benton, Dakota Range I and II, Jeffers, Community Wind North, and the Mower County Wind facility (Mower). The first 10 of these have already been approved for RES Rider recovery; Mower is the only new project requested. None of the projects are fully recovered or being recovered in base rates.

On November 5, 2020, in Docket No. E002/PA-19-553 (Mower docket), the Commission issued an Order approving Xcel's acquisition of Mower (Mower Order). The Mower Order states that "Xcel is authorized to recover costs of the Project acquisition through the RES rider." Therefore, Mower is eligible for RES Rider recovery.

C. RECOVERY LEVELS

1. Mower

Regarding cost recovery, the Mower Order states:

- A. Xcel must justify any costs (including operations-and-management expense, ongoing capital expense—including revenue requirements related to capital included in rate base— insurance expense, land-lease expense, and property/production tax expense) that are higher than forecasted in this proceeding. Xcel bears the burden of proof in any future regulatory proceeding related to the recovery of costs above those forecasted in this proceeding.
- B. Xcel customers must be protected from risks associated with the non-deliverability of accredited capacity and/or energy from the Project. The Commission may adjust Xcel's recovery of costs associated with this Project in the future if actual production varies significantly from assumed production over an extended period.
- C. Xcel must credit to its customers 100% of any additional production tax credits received in connection with the Mower County Wind Facility that it receives as a result of any extension related to production tax credits.

Xcel's August 30, 2019 petition in the Mower docket (Mower petition) cited a purchase price of approximately [**TRADE SECRET DATA HAS BEEN EXCISED**]. The specific purchase price language in the purchase and sale agreement (PSA), which stipulates the terms of Xcel's purchase of the project, are stated in section 2.2.1 as follows:

[TRADE SECRET DATA HAS BEEN EXCISED]

The PSA defines the Post-Closing Adjustment in section 2.5.1 as follows:

[TRADE SECRET DATA HAS BEEN EXCISED]

The Mower petition also states that Xcel expected the PSA to close on or around the commercial operation date which Xcel estimated to be December 1, 2020 but no later than December 31, 2020. Xcel's petition in the instant docket continued to estimate a December 2020 commercial operation date. Presumably based on this expected commercial operation date, Xcel assumes a January 1, 2021 RES Rider eligibility date for Mower.

The instant petition (see Attachment G and page 43 of Attachment I) proposes to recover a plant balance of \$168,272,462 for Mower as of the end of 2020.

The Department requests that Xcel provide a detailed explanation of how this requested plant balance is consistent with the PSA. The Department also requests that Xcel explain how the requested operating and maintenance expense (O&M), property taxes, and any other ongoing costs (as cited on page 43 of Attachment I) are consistent with what was modeled and cited in the Mower docket.

2. Other Projects

Xcel's May 17, 2021 compliance filing in Docket No. E002/M-19-732 reflects the approved cost levels (plant in service, O&M, property taxes, etc.) for the other 10 projects. Therefore, the Department reviewed whether the requested cost levels in the petition are consistent with that filing. Given there appear to be some differences, some of which of course are to be expected due to the passage of time, **the Department requests that Xcel provide updated revenue requirements for these 10 projects to reflect any updates as well as all applicable requirements in the 19-732 Order**, such as the limitation on cost recovery of Crowned Ridge II, Lake Benton, Jeffers Wind and Community Wind North projects to the terms of each of their respective purchase and sales agreements." This request is consistent Xcel's statement in the instant petition that it "will update the proposed 2021 RES Rider revenue requirements and rate presented in this docket to adjust for decisions made in the pending docket [19-732] once an Order is issued."

D. COST OF DEBT

The 2020 RES Rider Order required Xcel to use the 2.06% weighted cost of debt for 2020 as cited by Xcel in Docket No. E-002/GR-19-564.

On November 2, 2020 filed a rate case (which was later withdrawn) in Docket No. E002/GR-20-723 that cited a weighted cost of debt for 2021 of 1.99%.³ Since Xcel's instant filing reflects a 2021 test year, **the Department recommends that the Commission require Xcel to update its RES Rider weighted cost of debt to 1.99%.**

E. IMPLEMENTATION DATE & ACCUMULATED DEFERRED INCOME TAXES (ADIT)

The Department will provide a recommendation on ADIT and implementation date after reviewing Xcel's reply comments.

F. REC STRATEGY

The 2020 RES Rider Order requires that Xcel "provide a discussion of its RES Renewable Energy Credit management strategy and describe why it is in the public interest." Xcel provided this information in an April 29, 2021 supplemental filing in the instant docket. The purpose of the Commission's request was to gain more information on the reasonableness of Xcel's Certified Renewable Percentage (CRP) program.

Xcel clarified that RECs can be used to comply with state regulations for the year in which they are produced or any of the following four years. Xcel then explained the CRP program:

With the CRP, we retire sufficient RECs on behalf of all our retail customers such that the total RECs retired annually reflects the portion of energy delivered to those customers that is renewable. This allows all retail customers to claim the percentage of renewable energy on the system as the starting point towards their sustainability goals.

Therefore, if the renewable energy delivered on Xcel's system exceeds the amount of RECs needed for regulatory compliance, Xcel will still retire the excess RECs up to an incremental amount equaling the Company's total renewable percentage for the year. Since Xcel could otherwise sell those RECs or use those RECs for compliance for the following four years, the CRP program increases rates for customers. Ratepayers lose the money they otherwise would have gotten from the REC sales and may have to pay more to generate any future REC shortfalls due to the reduction in banked RECs.

Xcel believes the program is worthwhile because it allows certain customers to "more fully claim the renewability of the generation they are using and paying for," even though the CRP has no actual effect on the amount of renewable energy consumed. Xcel states that this purported marketing benefit is "of particular value to commercial customers." Therefore, the Department concludes that the effect of the CRP is that residential and most commercial customers pay more to provide questionable benefits

³ November 2, 2020 direct testimony of Sarah Soong in Docket No. E002/GR-20-723, page 4. Both Soong's testimony and the instant petition use a 52.50% equity ratio.

to certain commercial customers. **Unless Xcel can demonstrate that this purported marketing benefit for select commercial customers outweighs the harm to other customers from having to pay more for electricity, the Department recommends that the Commission require Xcel to immediately end the CRP program.**

IV. REQUEST FOR ADDITIONAL INFORMATION

The Department requests that Xcel, in reply comments:

- Provide a detailed explanation of how the requested Mower plant balance is consistent with the Mower PSA, and
- Explain how the requested operating and maintenance expense (O&M), property taxes, and any other ongoing costs (as cited on page 43 of Attachment I) for Mower are consistent with what was modeled and cited in the Mower docket; and
- To the extent necessary, update its petition to reflect the 19-732 docket;
- Provide an updated best estimate of total 2021 RES Rider revenue collections, assuming the new factor is implemented in 2022.

The Department will provide full and final recommendations after reviewing Xcel's reply comments.

/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-20-815

Dated this 17th day of August 2021

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_20-815_M-20-815
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	No	OFF_SL_20-815_M-20-815
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd. St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_20-815_M-20-815
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-815_M-20-815
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Brooke	Cooper	bcooper@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_20-815_M-20-815
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174 Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_20-815_M-20-815
John	Farrell	jfarrell@ilsr.org	Institute for Local Self-Reliance	2720 E. 22nd St Institute for Local Self-Reliance Minneapolis, MN 55406	Electronic Service	No	OFF_SL_20-815_M-20-815
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-815_M-20-815

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Edward	Garvey	edward.garvey@AESLconsulting.com	AESL Consulting	32 Lawton St Saint Paul, MN 55102-2617	Electronic Service	No	OFF_SL_20-815_M-20-815
Janet	Gonzalez	Janet.gonzalez@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	No	OFF_SL_20-815_M-20-815
Matthew B	Harris	matt.b.harris@xcelenergy.com	XCEL ENERGY	401 Nicollet Mall FL 8 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_20-815_M-20-815
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_20-815_M-20-815
Michael	Hoppe	lu23@ibew23.org	Local Union 23, I.B.E.W.	445 Etna Street Ste. 61 St. Paul, MN 55106	Electronic Service	No	OFF_SL_20-815_M-20-815
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2950 Yellowtail Ave. Marathon, FL 33050	Electronic Service	No	OFF_SL_20-815_M-20-815
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Sarah	Johnson Phillips	sarah.phillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South Burnsville, MN 55337	Electronic Service	No	OFF_SL_20-815_M-20-815
Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_20-815_M-20-815

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_20-815_M-20-815
Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_20-815_M-20-815
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_20-815_M-20-815
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	No	OFF_SL_20-815_M-20-815
Stacy	Miller	stacy.miller@minneapolismn.gov	City of Minneapolis	350 S. 5th Street Room M 301 Minneapolis, MN 55415	Electronic Service	No	OFF_SL_20-815_M-20-815
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_20-815_M-20-815
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office	1110 West Avenue Red Wing, MN 55066	Electronic Service	No	OFF_SL_20-815_M-20-815
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-815_M-20-815

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206 St. Paul, MN 551011667	Electronic Service	No	OFF_SL_20-815_M-20-815
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_20-815_M-20-815
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-815_M-20-815
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_20-815_M-20-815
Byron E.	Starns	byron.starns@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	150 S 5th St Ste 700 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_20-815_M-20-815
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_20-815_M-20-815
Thomas	Tynes	jjazynka@energyfreedomcoalition.com	Energy Freedom Coalition of America	101 Constitution Ave NW Ste 525 East Washington, DC 20001	Electronic Service	No	OFF_SL_20-815_M-20-815

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_20-815_M-20-815
Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine	225 South Sixth Street, Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815
Patrick	Zomer	Pat.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-815_M-20-815