

July 9, 2024

Via Electronic Filing

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
Saint Paul, MN 55101-2147

Re: ***In the Matter of Xcel Energy's Petition for Approval of a Power Purchase Agreement between Northern States Power Company and St. Paul Cogeneration, LLC, Docket No. E0002/M-21-590***

Initial Comments of St. Paul Cogeneration and District Energy St. Paul, Inc.

Dear Mr. Seuffert:

St. Paul Cogeneration, LLC ("SPC") and District Energy St. Paul, Inc. ("District Energy") respectfully submit these comments in support of Northern States Power Company's ("Xcel") Compliance Filing filed on March 29, 2024 ("Compliance Filing"),¹ in the above referenced docket. As more fully explained below, SPC and District Energy support approval of both the extension of the Power Purchase Agreement between Xcel and SPC ("PPA") and the proposed electrification project, consisting of an electric boiler with up to 30 MW of capacity ("Electrification Proposal"), outlined in the Compliance Filing.

Pursuant to the Commission's April 19, 2023 Notice of Comment Period, these Comments address three items. First, and most importantly, the societal benefits associated with the PPA extension and Electrification Proposal—avoided and reduced greenhouse gas ("GHG") and criteria pollutant emissions—strongly support approval of each. Moreover, the value and societal benefits that SPC provides to Twin Cities Metro cities and counties, the State of Minnesota and the downtown district of St. Paul through its beneficial use of waste wood independently warrant approval of the PPA extension, particularly in light of SPC's and District Energy's long term commitment to electrification. Finally, SPC and District Energy believe the PPA extension and Electrification Proposal meet the statutory requirements of Minn. Stat. § 216B.2424, subd. 5c and provide limited clarifications to assist the Commission in evaluating the same.

SPC and District Energy appreciate the substantial time and energy that Xcel has devoted to studying and developing the Electrification Proposal with them, as well as to negotiating the PPA

¹ Compliance Filing by Xcel, Mar. 29, 2024, eDockets ID No. [20243-204801-01](#) ("Compliance Filing").

extension, which will be filed with the Commission in the coming days. Those efforts play a key role in ensuring SPC's continued ability to provide approximately 50 percent of District Energy's annual thermal energy through beneficial use of regional waste wood.

I. The Commission should approve the PPA extension and the Electrification Proposal in light of the societal benefits they provide.

As highlighted in Xcel's Compliance Filing, approval of the PPA extension and Electrification Proposal would provide significant societal benefits, with Xcel's modeling indicating a total of approximately \$880 million in net present value ("NPV").

First, and most significantly, the PPA extension would provide approximately \$694 million NPV in societal benefits over the next twenty-five years by avoiding criteria pollutant emissions that would occur in the absence of SPC's operations. Specifically, SPC's beneficial and controlled use of biomass addresses a tangible and increasing need—waste wood disposal, especially from trees infected with emerald ash borer ("EAB"). Over the past few years, the Minnesota Pollution Control Agency ("MPCA"), local governments, and other stakeholders, have expended significant resources studying waste wood disposal in light of the proliferation of the invasive EAB, concluding that, without SPC's beneficial use, the waste wood largely would be disposed of through open burning.² Prior to SPC becoming operational in 2001, open burning was utilized to manage regional waste wood.³ Returning to open burning in 2025 would result in a significant increase in particulate matter emissions in and around the Twin Cities Metro area. Because such emissions have very high externality values, avoiding these costs has significant societal value.

Moreover, the PPA extension would provide approximately \$156 million NPV over the next twenty-five years by avoiding GHG emissions that would be emitted if SPC did not provide thermal energy to District Energy. If SPC were to cease operations, District Energy would be required to burn additional natural gas to replace the thermal energy currently supplied to it by SPC, which covers approximately 50 percent of District Energy's heating energy requirements.⁴

Finally, Xcel's EnCompass modeling shows a meaningful societal cost savings attributable to the PPA extension and the Electrification Proposal—approximately \$30 million NPV over twenty-five years—due to reduced CO₂ emissions. Currently, District Energy combusts natural gas to supplement the heat it receives from SPC. The Electrification Proposal would displace approximately 219,721 MMBtu of District Energy's annual natural gas use, resulting in

² Compliance Filing at 4.

³ Cf. Attachment to Letter in Support of Northern States Power Company's Progress Report by St. Paul Cogeneration, LLC at 9-10, Dec. 16, 2022, eDockets ID No. [202212-191426-01](#) (noting that District Energy affiliates have been the "single largest volume processor" for wood biomass for two decades); Comments by Minnesota Pollution Control Agency at 3, Nov. 2, 2021, eDockets ID No. [202111-179454-01](#) (explaining that open burning "was the most common form of wood waste disposal" during historic disease outbreaks and without SPC's use of the current wood biomass, it is likely that the wood would be "stockpiled...and then burned in open heaps"); Reply Comments by Partnership on Waste and Energy at 2, Oct. 1, 2021, eDockets ID No. [202110-178450-01](#) (same).

⁴ Compliance Filing at 12.

approximately 12,854 tons of avoided CO₂ emissions per year.⁵ In addition to these tangible societal benefits, such a reduction in GHG emissions is consistent with Minnesota’s goal of reducing emissions associated with heating and cooling homes and businesses.⁶

II. Approval of the PPA extension and Electrification Proposal will allow SPC to continue in its vital role for the Twin Cities Metro cities and counties, the State of Minnesota, and the Downtown District of St. Paul.

Notably, the most significant benefits identified in Xcel’s Compliance Filing (avoided criteria pollutant and greenhouse gas emissions) are directly tied to SPC’s continued operation, specifically its beneficial use of waste wood. While SPC would cease operations without the PPA extension,⁷ approval of the PPA extension and related Electrification Proposal will help ensure the availability of SPC’s vital services in and around in the Twin Cities Metro cities and counties and the State of Minnesota for years to come.⁸

Recent legislative action and other stakeholder support illustrate the essential nature of SPC’s services. For instance, in 2023, the legislature provided a one-time grant to support SPC’s current operations in the face of rising operating costs (due to inflation) and the need for capital investments.⁹ As SPC represented to the Commission earlier this year, SPC was very challenged to continue operations without that support from the State.¹⁰ In addition, key state agencies, local governments and other stakeholders that recognize SPC’s critical role have provided support in the form of partnerships and studies. In 2022–2023, both the Department of Commerce and MPCA collaborated with Xcel and SPC to develop a cost-benefit analysis of SPC’s continued use of biomass.¹¹ As described above, the cost-benefit analysis found significant benefits from avoiding emissions of criteria pollutants. Additionally, in 2022, the Partnership on Waste and Energy, an organization representing Hennepin, Ramsey, and Washington counties, published an extensive report on the management of EAB infected wood, noting that currently about 400,000 tons of waste wood are processed in the Twin Cities, two-thirds of which are processed by District Energy via SPC.¹² Since the peak volume of waste wood generated from EAB has not yet been reached, the stakeholders interviewed for the report recommended supporting existing beneficial uses and described that support as “imperative.”

⁵ Compliance Filing at 5.

⁶ Minnesota’s Climate Action Framework, Goal 4, Clean Energy and Efficient Buildings p. 50, available at <https://climate.state.mn.us/minnesotas-climate-action-framework>.

⁷ See Compliance Filing at 4, 6.

⁸ Although, the legislature decoupled approval of the PPA extension from the electrification project through Minn. Stat. § 216B.2424, subd. 5c (f), SPC and District Energy appreciate Xcel’s view that approval of the two is related, given the unique nature of the Electrification Proposal. See Compliance Filing at 4.

⁹ Laws of Minn. 2023, ch. 60, art. 1, sec. 2, subd. 7(q).

¹⁰ See Comments in Support by SPC, Jan. 5, 2024, eDockets ID No. [20241-201908-01](https://dockets.dca.state.mn.us/dockets/entry/20241-201908-01).

¹¹ See *id.*

¹² See Letter in Support of Progress Report by SPC, Dec. 16, 2022, eDockets ID No. [202212-191426-01](https://dockets.dca.state.mn.us/dockets/entry/202212-191426-01).

SPC and District Energy strongly support electrification and will continue to explore additional electrification opportunities in partnership with Xcel.¹³ Indeed, Minn. Stat. § 216B.2424, subd. 5c(b)(3), which authorized the Electrification Proposal, contemplates the possibility of multiple electrification projects. SPC and District Energy believe approval of the PPA extension and Electrification Proposal is necessary at this time, enabling SPC's continued operation while allowing SPC and Xcel additional time to explore additional electrification projects to feasibly electrify District Energy's system in a cost effective manner.

III. Both the PPA extension and the Electrification Proposal should be approved as they satisfy the requirements of Minn. Stat. § 216B.2424, subd. 5c.

As detailed at pages 9–15 of the Compliance Filing, the PPA extension and Electrification Proposal meet the requirements of Minn. Stat. § 216B.2424, subd. 5c and should be approved. SPC largely agrees with Xcel's thorough analysis and would like to provide two additional clarifications. First, SPC and District Energy recognize that Xcel could not analyze whether the PPA extension complies with subd. 5c(b)(1) in its Compliance Filing because the PPA extension was not filed in this docket at that time. SPC notes that the PPA extension likely will be filed shortly after these comments and will materially mirror or incorporate the relevant PPA terms that the Commission previously determined comply with subd. 5c(b)(1).¹⁴ Second, as Xcel has noted, subd. 5(c)(g) requires periodic reports to the Commission regarding the implementation of the electrification project. Because SPC and District Energy will be responsible for the installation and operation of any electrification project, they agree with Xcel that SPC or District Energy should be the party responsible for reporting on the progress to the Commission.

Conclusion

SPC and District Energy believe that the PPA extension and Electrification Proposal will support their continued operations while enabling electrification and additional decarbonization and complying with the requirements of the legislature. SPC and District Energy reiterate their appreciation of Xcel's efforts and thank the Commission for its attention to this matter. Please contact Michael Auger at michael.auger@ever-greenenergy.com or (651) 925-8119 with any questions or concerns.

¹³ For instance, District Energy continues to explore recovery of waste heat from the Metro Wastewater Treatment Plant referenced in SPC's January 5 Comments, which could produce up to 60 MW thermal energy. The City of Saint Paul in collaboration with District Energy and the Metropolitan Council submitted a grant application to the Environmental Protection Agency in March 2024 to fund implementation of the project.

¹⁴ Order Approving Power-Purchase Agreement, Authorizing Cost Recovery, and Setting Additional Requirements by the Commission, Jan. 24, 2022, eDockets ID No. [20221-181874-01](#).

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Respectfully submitted,

Stinson LLP

A handwritten signature in blue ink, appearing to be 'MJ Revell', written over a horizontal line.

Micah J. Revell

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

*In the Matter of Xcel Energy's Petition for
Approval of a Power Purchase Agreement
between Northern States Power Company and
St. Paul Cogeneration, LLC*

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Docket No. E002/M-21-590

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the *Initial Comments of St. Paul Cogeneration and District Energy St. Paul, Inc.* dated July 9, 2024, was electronically served upon the individuals listed on the attached service list.

Dated this 9th day of July, 2024

/s/ Nena L. Kuhnly
Nena L. Kuhnly

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