

Staff Briefing Papers

Meeting Date October 31, 2019 Agenda Item 4**

Company Northern States Power Company dba Excel Energy

Docket No. **E-002/PA-18-777**

In the Matter of the Petition of Northern States Power Company dba Xcel Energy for Approval of the Acquisition of the Community Wind North Facilities and the Jeffers Wind Facility

Issue Should the Commission approve the request of Northern States Power Company dba Xcel Energy (Xcel or the Company) for approval of the acquisition, ownership, and operation of the Community Wind North Facilities and the Jeffers Wind Facility pursuant to the terms of a negotiated purchase agreement?

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 **Relevant Documents**

Date

Docket No. E-002/M-06-1234

Commission – Notice of Approval of Power Purchase Agreements with Jeffers Wind, 20, LLC November 30, 2006

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✓ **Relevant Documents**

Date

Docket No. E-002/M-10-734

Commission – Notice of Approval of Purchase Power Agreements with
Community Wind North Facilities August 26, 2010

Docket No. E-002/PA-18-777

Xcel Energy – Petition for Approval of Acquisition of Community Wind
North Facilities and Jeffers Wind Facility December 21, 2018

City of Minneapolis – Comments February 20, 2019

Department of Commerce- Comments March 25, 2019

Xcel Energy - Reply Comments April 12, 2019

Department of Commerce – Response to Reply Comments August 2, 2019

Xcel Energy – Reply Comments August 19, 2019

LIUNA - Comments August 27, 2019

Department of Commerce – Response to Reply Comments -
Supplemental September 16, 2019

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I. Statement of the Issues

Should the Commission approve the request of Northern States Power Company dba Xcel Energy (Xcel or the Company) for approval of the acquisition, ownership, and operation of the Community Wind North Facilities and the Jeffers Wind Facility pursuant to the terms of a negotiated purchase agreement?

II. Introduction

On December 21, 2018 Xcel Energy filed a Petition with the Minnesota Public Utilities Commission (Commission) requesting approval of the Company's acquisition, ownership and operation of the refurbished Community Wind North (CWN) Facilities and the refurbished Jeffers Wind (Jeffers) Facility.¹

However, if approval is not granted as requested, Xcel requests the Commission's approval of the Amendments to the Wind Generation Renewable Energy Purchase Agreements (REPAs) for the Community Wind North Facilities and Jeffers Wind Facility. According to Xcel, the amended REPAs would lower the amount Xcel pays to the Owner by about five percent (5%) for energy purchased from the CWN and Jeffers Facilities.²

Xcel originally entered into two Wind Generation Purchase Agreements (REPAs) with Community Wind North, based in Lincoln County, Minnesota on May 28, 2010, and a separate REPA with Jeffers Wind 20, LLC based in Cottonwood County, Minnesota on July 31, 2006 for terms of twenty (20) years that will expire in October 2028 and May 2031, respectively.

The CWN and Jeffers Facilities are currently owned by Longroad Energy (the Owner), who in early 2016 informed Xcel that it would be undertaking a substantial project to refurbish the Community Wind North Facilities and the Jeffers Wind Facility, in order to ensure successful operation for the duration of the REPAs and beyond. The Community Wind North Facilities consist of twelve 2.5 MW Clipper C-96 wind turbines, and the Jeffers Wind Facility, that also consists of twenty 2.5 MW Clipper C-96 wind turbines were originally established as Community-Based Energy Development (C-BED) projects. Both CWN and Jeffers Facilities achieved commercial operation in May 2012 and on October 10, 2008, respectively.

Longroad Energy indicated to Xcel that the refurbishing project would involve installing smaller, and more efficient 2.2 MW Vestas wind turbines (compared to the current 2.5 MW turbines), which will reduce the nameplate capacity of the Community Wind North Facilities to 26.4 MW (13.2 MW each for North Wind Turbines and North Community Turbines) from 30MW and the Jeffers Wind Facility to 44 MW from 50 MW. Figure 1 shows the change in Nameplate Capacity for CWN and Jeffers Facilities below.

¹ Xcel Energy Petition, p. 1

² Department of Commerce Comments, p. 2

Figure 1: Change in Nameplate Capacity of Current Contracts and the Refurbished Plan

Facilities	Current Capacity	Refurbished/Proposed Capacity
North Wind	15.0 MW	13.2 MW
North Community	15.0 MW	13.2 MW
Jeffers	50 MW	44 MW
Total Capacity	80 MW	70.4 MW

There were three commenters to Xcel’s Petition, namely the City of Minneapolis, the Laborer’s International Union of America (LIUNA) and the Department of Commerce, Division of Energy Resources (Department). City of Minneapolis and LIUNA recommend commission approval of the Petition, while the Department recommends Commission deny approval of the proposal to purchase CWN and Jeffers Facilities. The Department recommended approval of Xcel’s proposed amendments to the existing PPAs.

In a related matter, on October 18, 2019, Xcel requested authorization from the Federal Energy Regulatory Commission (FERC), in FERC Docket No. ER20-144-000, to make affiliate sales from CWN and Jeffers Wind to a yet-to-be-formed wholly-owned indirect subsidiary of Xcel.³ Xcel submitted this application to the FERC to address the possibility of the MPUC rejecting its request to directly acquire the CWN and Jeffers Wind facilities.⁴

III. Background

On November 30, 2006, in Docket No. E-002/M-06-1234, the Commission issued its Order and approved Xcel’s petition for a Power Purchase Agreement (PPA) to purchase energy from the Jeffers Wind 20, LLC 50-MW wind project (Original Jeffers PPA).

³ According to Xcel’s October 18, 2019 application, in FERC Docket No. ER20-144-000:

“... the Wind PPAs are agreements between unaffiliated third parties with amendments that would take effect upon the repowering of the wind facilities. However, in a potential transaction that NSP-Minnesota and Longroad Energy Holdings, LLC (“Longroad”) hope to close in 2020, Xcel Holdco (“Holdco”), a wholly-owned indirect subsidiary of Xcel Energy Company (“Xcel Energy”) that is yet-to-be-formed, would acquire 100% of the ownership interests in Jeffers, CWN, NCT and NWT and hold those companies as separate affiliated companies within the Xcel Energy holding company system. As a result of this potential transaction, sales under the Wind PPAs would become affiliate sales between a market-regulated seller and a franchised public utility with captive customers.”

“The Filing Parties are asking for authorization for Jeffers, NCT and NWT, after they are acquired by Holdco, to continue making sales to NSP-Minnesota under the terms and conditions of the Wind PPAs for the remaining terms of those agreements. Such authorization is necessary under sections 35.39(b) and 35.44(a) of the Commission’s regulations because the Wind PPAs will become affiliate sales agreements when Holdco acquires Jeffers, CWN, NCT and NWT from Longroad.”

⁴ Staff notes that Xcel’s FERC filing has not been entered into the record in this proceeding.

On August 26, 2010, in Docket No. E-002/M-10-734, the Commission approved Xcel's petition for two PPAs for Xcel to purchase energy from with North Wind Turbines, LLC and North Community Turbines LLC, which together had a total of 30 MW name-plate capacity.

On October 8, 2018, Xcel and Minnesota Wind Holdings, LLC, a limited liability company and subsidiary of NRG that indirectly owns 99 percent of the outstanding membership interests in Community Wind North and Jeffers Wind 20, LLC, executed an Option Agreement (Agreement) granting Xcel the option to purchase the Community Wind North Facilities and the Jeffers Wind Facility.⁵ A copy of the Option Agreement is attached to Xcel's Petition as Attachment A.

Per the Agreement, Xcel may exercise the option by delivering an initial exercise notice at any time during the Option Exercise Period. In order for the Agreement to be effective, Xcel is required pay a (trade secret) purchase price⁶ and make sure that all of the Agreement's attendant obligations required of Xcel have been approved by the Commission.⁷

On February 20, 2019, the City of Minneapolis submitted a letter supporting Xcel's petition.

On March 25, 2019, the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted comments indicating it believes Xcel has not demonstrated that its proposal to purchase the Jeffers and Community Wind North facilities is reasonable, but did demonstrate that the proposed amendments to the PPAs (the REPA alternative) are reasonable. The Department recommended the Commission approve Xcel's proposed amendments to the existing PPAs.

On April 12, 2019, Xcel submitted reply comments requesting Commission approval of the Company's proposed acquisition, ownership, and operation of the Community Wind North Facilities and the Jeffers Wind Facility.

On August 2, 2019, the Department submitted its response to Xcel's reply comments and continues to recommend that the Commission approve Xcel's proposed amendments to the REPAs it has negotiated for the Jeffers and Community Wind North facilities. If the Commission approves the REPA alternative, the costs associated with those power purchase agreements should continue to be recovered through the Fuel Clause Rider. The Department did not recommend approval of Xcel's proposed acquisition of the facilities.

On August 19, 2019, Xcel replied to the Department's August 2, 2019 filing and noted that it is not assuming any liability "as a guarantor, endorser, surety, or otherwise in the security of another person"; as these projects will be financed in the normal course of utility operations consistent with how they finance other assets. Xcel indicated that the requirements of Rule 7825.1400, therefore, are not applicable here, and the Commission should approve the Company's requested variance to Rule 7825.1800(B)—as it consistently has in the past for similar transactions.

⁵ Xcel Energy Petition, p. 8

⁶⁶ Ibid.

⁷ Ibid.

On August 27, 2019, Laborer's International Union of America (LIUNA) submitted a letter supporting Xcel's petition.

On September 16, 2019, the Department submitted supplemental response comments indicating that, regardless of whether or not the Commission grants Xcel request for a variance to Minnesota Rule 7825.1800, the Department continues to hold that Xcel's proposed amendments to the existing purchased power agreements are reasonable; however, recommends the Commission deny approval Xcel's proposal to acquire the facilities.

IV. Relevant Statues and Rules

A. Minn. Stat. § 216B.50

This statue pertains to the acquisition of plant by a public utility and it states:

No public utility shall sell, acquire, lease or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 . . . without first being authorized to do so by the Commission and requires a finding by the Commission whether the proposed action is consistent with the public interest.

B. Minn. R. 7825.1700 and Minn. R. 7825.1800

These two rules cover the acquisition of property. Minn. R. 7829.1700 covers procedures for approval to acquire property and Minn. R. 7829.1800 covers the filings requirements for petitions to acquire property.

Minn. R. 7825.1700. Procedure For Approval To Acquire Property.

A public utility, prior to entering into a transaction, shall petition for and receive from the commission by formal written order approval for such transaction. A petition for approval of capital structure (parts 7825.1000 to 7825.1500) shall be filed concurrently with the petition for approval of transfer, merger, or consolidation if consideration for such a transaction is a security or securities as defined in part 7825.1000. The commission may require an independent valuation of the property involved in the transaction.

Minn. R. 7825.1800. Filing Requirements For Petitions To Acquire Property.

Petitions for approval to acquire property shall contain one original and three copies of the following information, either in the petition or as exhibits attached thereto:

- A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.

B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

D. Other pertinent facts or additional information that the commission may require.

C. Minn. R. 7825.1400

This rule covers the filing requirements for capital structure approvals:

A. A descriptive title.

B. A table of contents.

C. The exact name of the petitioner and address of its principal business office.

D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.

E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.

F. The purpose for which the securities are to be issued.

G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.

I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.

J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

V. Parties' Comments

A. Xcel Energy

On December 21, 2018, Xcel Energy filed a Petition requesting Commission approval of the Company's acquisition, ownership, and operation of the Community Wind North Facilities and the Jeffers Wind Facility. However, should the Commission not approve its acquisition of the facilities, Xcel is requesting, as an alternative, Commission approval of the amendments to the Community Wind North Facilities and the Jeffers Wind Facility three existing wind energy purchase agreements (REPAs) or purchase power agreements (PPAs). These are described briefly in the introduction and discussed in detail in the following sections of the briefing materials.

B. City of Minneapolis (City)

On February 20, 2019, City of Minneapolis submitted comments. The City expressed appreciation for the opportunity for public input on Xcel's request to exercise the option to purchase two wind farms that are now under two separate wind generation purchase agreements (REPAs) or purchase power agreements (PPAs).⁸ The City also recommended Commission approval of Xcel's request to acquire, own and operate the two 13.2 MW CWN Facilities and the 44 MW Jeffers Wind Facility. The City believes the acquisitions are in the public interest, provide more savings to Xcel's customers than would be the case under the PPA amendments.⁹

Further, the City stated that the acquisitions are a low risk investment with no fuel costs that offers emission-free renewable generation that will protect customers from the impact of future carbon regulation during the life span of the Facilities and support compliance with State of Minnesota' Renewable Electricity Standard. Additionally, the City held that the acquisition of CWN and the Jeffers Wind Facilities aligns with the City's clean energy and climate goals, as well as, the December 2018 announcement of Xcel's nation-leading de-carbonization goals.¹⁰

C. Laborer's International Union of America (LiUNA)

On August 27, 2019, LiUNA submitted a letter and stated that, though the Commission does not mandate the use of local or union labor, the Commission should recognize the value of practices that create high-quality job opportunities for Minnesotans, host communities, and

⁸ See City of Minneapolis Letter of Support

⁹ Ibid.

¹⁰ Ibid.

ratepayers, and should give appropriate weight to these factors when considering whether to approve a transaction such as Xcel's proposed acquisition of CWN and Jeffers Wind Facilities.¹¹

D. Department of Commerce

On March 29, 2019, the Department submitted comments and made the following observations:¹²

- Xcel did not identify Minn. Stat. §216B.50 or provide the information required by Minnesota Rule 7825.1400 as legal support for its request to purchase the facilities;
- Xcel did not provide support for the exemption of these contracts from the competitive generation process;
- Xcel did not justify the approval of significant resource acquisition adjustments included in the proposed purchase prices; and
- Xcel did not explain why its request that the Commission approve its proposed option to purchase is preferable to the Commission requiring Xcel to file executed purchase agreements for Commission review prior to allowing for recovery of the purchase price.

The Department stated that Xcel did not show that its proposal is reasonable, however, Xcel did show that the proposed amendments to the PPAs (the REPA alternative) is reasonable.¹³ The Department recommended the Commission deny Xcel's request to acquire the CWN and Jeffers Facilities but recommended the Commission approve the proposed amendments to existing PPAs.¹⁴

Further, on August 2, 2019, the Department filed its Response Comments and noted that, in addition to its initial comments observations, it objects to the use of Strategist model just like it did in Xcel's Mankato acquisition docket.¹⁵ The Department further noted that Xcel made no request to the Commission for a variance to Minnesota Rules 7825.1800, Subpart B to provide information required under Minnesota Rules 7825.1400 (A) to (J). Thus, in this response comments and the Sept 16, 2019, Supplemental Response Comments, the Department states:

Regardless of whether or not the Commission grants a variance to Minnesota Rule 7825.1800, the Department continues to conclude that Xcel's proposed amendments to the existing purchased power agreements are reasonable; however, the Department does not recommend that the Commission approve Xcel's proposal to acquire the facilities.

¹¹ See Laborer's International Union of America Letter of Support

¹² Department of Commerce Response Comments, p. 2

¹³ Department of Commerce Comments, p. 12

¹⁴ Ibid.

¹⁵ Docket E-002/PA-18-702

E. Xcel Energy – Reply Comments

On April 29, 2019, Xcel filed its Reply Comments. Xcel expressed gratitude to the City of Minneapolis for supporting the acquisition. Xcel also appreciates the City's views that, by providing savings for customers, the acquisition is in the public interest and is in alignment with the state's Renewable Energy Standard and the City's clean energy and climate goals, being a low risk investment with no fuel costs that provides emissions-free renewable generation, protecting customers from the impacts of possible carbon regulation within the lifespan of the projects.

Xcel expressed appreciation for the Department's thorough review and analysis of the Petition. Although the Department recommended the Commission approve only the REPA amendments and deny approval of the proposed acquisition of CWN and Jeffers Facilities, Xcel continued to believe its proposed purchase is in the public interest and should be approved.

Xcel indicated that its modeling (updated in response to the Department's comments) demonstrates that, on both a Present Value of Revenue Requirements (PVRR) and Present Value of Societal Costs (PVSC) basis, Xcel Energy ownership is expected to provide more benefits compared to continuation of the REPAs. Though the PVRR benefits are modest assuming a 25-year project life, the PVSC benefits are not.

Xcel believes the \$31.7 million in estimated PVSC benefits, assuming a 25-year project life, to be substantial in view of the size of these projects, and for the fact that they are already existing resources in Xcel's portfolio.¹⁶

On August 19, 2019 Xcel submitted a letter in reply to the Department and noted that it would not address the Department's concerns regarding its Strategist modeling in detail in this docket to avoid any such response triggering a delay in the Mankato Energy Center proceeding. Xcel stated instead, it would be prepared to respond to each of the issues raised in the Department's and other parties' comments at the Commission hearing on the petition in this docket.

VI. Staff Analysis

A. Should the Commission authorize Xcel's request to acquire, own, and operate the Community Wind North Facilities (CWN) and the Jeffers Wind Facility pursuant to the terms of the negotiated purchase agreement?

Xcel petitioned the Commission for approval to acquire, own and operate two Community Wind North facilities and Jeffers Wind facility. However, should the Commission not approve the former, Xcel requests Commission approval of amendments to the three existing PPAs between Xcel and CWN and Jeffers Wind.

In an effort to buttress its case, Xcel performed economic analysis to determine the effects of the proposed wind projects on its customers by employing its Strategist resource planning

¹⁶ Xcel Energy's Reply Comments, p. 2

model. Xcel employed its Strategist model to estimate the effects of Xcel’s proposed transactions on the Present Value of Revenue Requirements (PVRR) and Present Value of Societal Costs (PVSC) of its system. The Strategist model simulates operation of the Xcel system and estimates the cost necessary to serve load through the life of the project/facilities and in this case the simulation was through 2057.¹⁷ Further, Xcel indicated that its analyses assumes the addition of the 1850 MWs of wind generation approved by the Commission in prior dockets, including Dakota Range III in Docket No. E-002/M-18-765.¹⁸

Figure 2 below is from Table 1 in Xcel’s Petition and shows incremental changes in PVRR and PVSC savings from the Reference case. The bracketed amounts indicate reductions in costs, which represents benefits to Xcel customers.

Figure 2 - Incremental Changes in PVRR and PVSC Savings from Reference Cast (\$ millions) 2018 - 2057

Description	Amended PPAs	Acquisition
PVRR (No CO2 costs)	(1.7)	(6.9)
PVSC – Low Externality Costs all Years	(2.4)	(14.7)
PVSC - High Externality Costs all Years	(5.3)	(31.8)

Xcel stated that the results of the Strategist analysis for both options (Acquisition and PPAs amendments) show financial benefits for its customers. According to Xcel, the results of the Strategist analysis show that these new wind resources will result in net savings for its customers under all sensitivity (which include Gas prices, forecasted load and carbon costs) tests conducted. Xcel noted that estimated benefits to its customers are higher for the Acquisition option than the PPAs alternative.

Xcel further held that, though its preference is for approval of the Acquisition option which would offer greater benefits/savings to its ratepayers than the amendments to the REPAs, both proposals are in the public interest, reasonable and protect the interests of customers in several ways, such as:

¹⁷ Xcel Energy’s Petition, p. 12

¹⁸ Excel Energy’s Petition, p. 12

(a) The projects are reasonable

- The projects will improve the efficiency of existing wind facilities;
- The purchase price under the Option Agreement will provide savings for Xcel’s customers compared to the existing REPAs pricing; and
- Although not as beneficial as the Option Agreement, the price of energy under the Amendment to the REPAs will provide savings for Xcel’s customers compared to the existing pricing.

In Figures 3 and 4 below, Xcel provided numerical support for its conclusion that the REPA alternative would financially benefit ratepayers.

Figure 3: Comparison of Annual Average Energy Volumes for Current Facilities to Refurbished Facilities¹⁹

Facilities	Average Current Energy Volume – MWh/Year (A)	Average Refurbished Energy Volume- MWh/Year (B)	Difference in Average Volume – MWh/Year [C] = [B-A]
North Wind	49,700 MWh	50,000 MWh	300 MWh
North Community	49,700 MWh	50,000 MWh	300 MWh
Jeffers	164,200 MWh	175,300 MWh	11,100 MWh
Total Capacity	263,600 MWh	275,300 MWh	11,700 MWh

Figure 4 – Comparison of Average Historical and Forecasted Annual Revenue (\$/yr)²⁰

Description	Total Annual Revenue (\$/yr)	Average Annual Generation (MWh/yr)	Average Cost per MWh (\$/MWh)
Forecasted	\$12,195,140	275,300	\$44.29
Historical	\$12,405,920	263,600	\$47.06
Difference	(\$210,780)	11,700	(\$2.77)

(b) The projects are in the public interest

- Repowering allows the Company to continue to include the projects as a component of our renewable generation portfolio that serves the long-term, best interests of Xcel’s customers; and
- Repowering will help ensure that the projects meet their contractual obligation to provide renewable energy to Xcel’s customers for the full 20-year term of the PPAs.

¹⁹ Department of Commerce Petition, p. 3

²⁰ Id., at p. 4

(c) Customers are protected

- The purchase and sale agreements being negotiated by the Company will include provisions to protect the interests of customers, including warranties on the refurbished turbines being installed.
- The REPAs have been structured to protect the interests of customers through several safeguards contained in the agreement between the Company and other parties. The REPA Amendments make no revisions to these provisions.

In the light of the above representations, Xcel urged the Commission to approve its acquisition, ownership and operation of these wind facilities pursuant to the terms of the renegotiated purchase agreements.

The Department commented on Xcel's Petition by discussing four different areas, namely legal/procedural, accounting, financial and policy matters, as follows.

1. Legal/Procedural

Should Xcel be granted waiver from complying with the requirements of Minn. Stat. § 216B.50?

The Department, in its March 25, 2019 Comments noted that Xcel sought approval from the Commission for the purchase of CWN and the Jeffers Facilities for a (trade secret) amount in excess of the threshold established in Minn. Stat. § 216B.50 which states:

“No public utility shall sell, acquire, lease or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 . . . without first being authorized to do so by the Commission.”

The statute directs the Commission to determine whether “the proposed action is **consistent with** the public interest.” [emphasis added]

The Department noted that Xcel made no mention of the above statute or statutory requirement in its filing.

Xcel acknowledged its failure to expressly seek approval under the Minnesota statute or to request a variance, but believed the analysis presented in its petition provided necessary information for the Commission to determine that the proposed acquisition is consistent with the public interest.²¹

The Department in its August 2, 2019 Response Comments accepted Xcel's acknowledgment that Minn. Stat. § 216B.50 applies to the Petition and also noted that the Commission is

²¹ Xcel Energy's Reply Comments, p. 9

directed by the statute to determine whether “the proposed action is consistent with the public interest.”

Should the Commission grant Xcel’s Variance Request for Minn. R. 7825.1800, subp. B. to its Petition?

The Department opined that Minnesota Rule 7825.1600 through Minnesota Rule 7825.1800 specify the requirements for a utility filing seeking acquisition of property. In fact, Minnesota Rule 7825.1800 (B) and (C) lists the procedures and requirements for petitions to acquire property, as thus:

- Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations (see as listed on page 6 of this briefing papers above).
- A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

Xcel, in its April 12, 2019 Reply Comments, requested the Commission waive compliance to the above Minnesota Rule and stated that detailed information set forth in Minn. R. 7825.1400 is titled as Filing Requirements for Capital Structure Approval. Thus the Rule is not applicable to the instant case because it is aimed at capital structure filings (Xcel is presumably not requesting permission to issue securities to consummate this transaction) and concerns investigation of issuance of securities.²²

Further, Xcel argued that the Commission had previously granted a variance to the requirements to provide the information outlined under Minn. R. 7825.1400 (A)-(J) in proposed acquisition of property transactions, as in NSP and ITC Midwest LLC, Petition for approval of transfer of Transmission Assets and Route Points in Docket E002/PA-10-685, Dec. 28, 2010.²³ Xcel opined that in the mentioned case the Commission found that Minn. R. 7825.1400 is applicable to capital structure filings and, therefore, not applicable to petitions for property acquisition.²⁴

The Department also noted that in Xcel’s August 19, 2019 Reply Comments, Xcel stated that the Department has “consistently recommended that such variances be granted” and referenced three prior dockets in which the Department had recommended approval of variances in purchase acquisition dockets. The Department responded that the set of facts in those dockets

²² Xcel Energy’s Reply Comments, p. 10

²³ Ibid.

²⁴ Ibid.

vary materially from the current case. Two of the referenced dockets were for sale of facilities instead of acquisition with its attendant risks, and the third one involved a lease of a small pre-existing hydro-electric facility. The Department emphasized that Xcel's petition in the current docket is about proposals to acquire, own and operate wind facilities with such attendant risks, as follow:²⁵

- Decommissioning costs associated with the facilities would become the responsibility of Xcel and its ratepayers;
- Plant outages and equipment failures would become the responsibility of Xcel and its ratepayers;
- Property tax increases would be shifted to Xcel and its ratepayers, and
- Increases in operations and maintenance expenses would also be shifted to Xcel and its ratepayers.

Xcel requested that the Commission grant a similar variance in the instant case.

Xcel argued that it has satisfied the conditions set forth in Minn. R. 7829.3200,²⁶ thus:

- First, the proposed transaction does not implicate the information sought by Minn. R. 7825.1400 (A)-(J) and, thus, its provision would impose an excessive burden on the Company.
- Second, because the proposed transaction does not involve the issuance of securities, granting a variance does not conflict with the public interest.
- Third, as evidenced by previous Commission precedent waiving these requirements under similar circumstances, a waiver will not violate any standards imposed by law.

The Department, in response, argued that there would be public harm if Xcel's requested variance is granted, because Xcel failed to provide the information required in Minnesota Rule 7825.1400. The Department maintained that items G to J listed below are particularly important for an interested party to glean information about liabilities involved in acquiring the asset.

The Department named potential examples of liabilities that ratepayers would be exposed under the Acquisition option of the wind facilities. The liabilities include equipment failures, costs of decommissioning the site or other factors.²⁷ See Items G to H of Minn. R. 7825.1400:

G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of

²⁵ Department of Commerce Supplemental Comments, p. 1

²⁶ Minnesota Rule 7829.3200, Other Variances.

(a) Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;

(b) Granting the variance would not adversely affect the public interest; and

(c) Granting the variance would not conflict with standards imposed by law.

²⁷ Department of Commerce Response Comments, p. 4

stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.

I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.

J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

The Department concluded that Xcel did not meet the criteria to be granted a variance from Minn. R. 7825.1400 and recommended the Commission deny Xcel's request.

Xcel noted that, in regards to the requirements of Minn. R. 7825.1800, subp. C, its proposed acquisition of CWN and Jeffers would be paid for in cash (at appropriate schedules in the purchase and sale agreement) to Mission Minnesota Wind III, LLC and Mission Community Wind North, LLC (wholly-owned subsidiaries of Minnesota Wind Holdings, LLC, which itself is a wholly-owned subsidiary of Longroad Energy). Xcel maintained that no affiliated interests exist between the Company and Longroad Energy or its subsidiaries and that the proposed acquisitions include all the assets used in the operation and ownership of CWN and Jeffers facilities.

Additionally, Xcel noted in regards to Minn. R. 1800, subp. C, the purchase price of the wind facilities include the: [a] estimated remaining project costs and additional assets to be acquired, on November 30, 2019; [b] estimated net book value of electric plant in service (including estimated repowering expenditures) for Jeffers (trade secret), and the accumulated provision for depreciation of electric utility plant (trade secret); and [c] estimated net book value of electric plant in service for Community Wind North (trade secret), and the accumulated provision for depreciation of electric utility plant (trade secret).²⁸

Xcel indicated that it provided the Department with proposed journal entries in response to the Department's Information Request No. 23, which Xcel attached to its Reply Comments as Attachment D.

²⁸ Xcel Energy's Reply Comments, p. 12

The Department also noted that the Commission's rules of practice and procedure include completeness requirements and procedures for miscellaneous tariff filings. (Minn. Rules, parts 7829.1300 and 1400). According to the Department, it reviewed Xcel's petition for completeness per Minnesota Rules and Statutes and determined as complete the information identified in the petition for the REPA alternative.²⁹

2. Accounting and Financial

Should the Commission affirm that Xcel has shown sufficient benefits for ratepayers as to justify recovery of acquisition adjustments for the Community Wind North facilities and Jeffers Wind Facility?

According to the Department, in its "IR No. 23",³⁰ it requested from Xcel an example of the proposed journal entries for three transactions, namely acquisition entries for CWN, Jeffers and a combination of these. The Department noted that Xcel did provide journal entries for CWN and Jeffers facilities that showed substantial or large acquisition adjustments amounts (trade secret). The sum of the acquisitions amounts comprised a percentage (trade secret) of acquisition/purchase price (trade secret) of the projects assets.

Traditionally, according to the Department, utility assets are recorded and recovered using the original cost of the asset and related accumulated depreciation or resulting net book value of the asset. Further the Department opined, that Acquisition adjustments are an addition to the net book value and thus require a significant finding of benefits to offset or justify any higher acquisition adjustment or premium before rate recovery could be allowed, more so, for utility assets that were already deployed for public service, as in the case of these wind facilities under discussion.

The Department also noted that the use of net book value in rate base is consistent with Federal Energy Regulatory Commission requirements and requirements of Minnesota statute (216B.16, subd.6).³¹ Minn. Stat. § 216B.16, subd. 6 states:

The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property. In determining the rate base upon which the utility is to be allowed to earn a fair rate of return, the commission shall give due consideration to evidence of the cost of the property when first devoted to public use, to prudent acquisition cost to the public utility less appropriate depreciation on each, to construction work in progress, to offsets in the nature of

²⁹ Department of Commerce Comments, p. 6

³⁰ Ibid.

³¹ Id., at p. 7

capital provided by sources other than the investors, and to other expenses of a capital nature. **For purposes of determining rate base, the commission shall consider the original cost of utility property included in the base and shall make no allowance for its estimated current replacement value.** If the commission orders a generating facility to terminate its operations before the end of the facility's physical life in order to comply with a specific state or federal energy statute or policy, the commission may allow the public utility to recover any positive net book value of the facility as determined by the commission.

Based on FERC and Minnesota requirements, the Department noted that a utility, if it receives Commission approval, can recover acquisition adjustments costs and also be allowed to amortize the acquisition adjustment over the life of the related plant asset. However, for this to happen the utility must prove or show to the Commission clear and significant benefits that inure to the ratepayers to offset and/or justify the higher acquisition costs. The Department held that the acquisition adjustments are too high and not justified by Xcel.

Xcel, in its Reply, stated:

Although the Department correctly notes that FERC accounting rules require the Company to record the plant's net book value separately from the remainder of the purchase price (i.e. the "acquisition adjustment"), those rules simply provide the accounting standards to compare net book value to market value. They are not rules regarding the recovery of costs, and they do not preclude the Company from recovering the total amount of the investment. . . . Market conditions change over time, and there is little reason to assume that fair market value for a plant should be tied to net book value. Net book value reflects only the original cost to construct a plant, less depreciation – not what a plant might be valued at in today's market. A plant's value is a product of its generating characteristics, its expected life, its operating costs, and its projected revenues either from PPAs or expected market sales among other things.

Should the Commission find Xcel's acquisition of the wind facilities reasonable and in public interest without competitive bidding process?

On March 25, 2019, Reply Comments, the Department opined that competitive bidding would be a way to ensure that the acquisition adjustment or premium is reasonable; however, Xcel did not use this process. The fact that the proposed facilities were already in service would have been of no consequence, since "FERC uniform system of accounts supports a net book valuation of utility plant, especially for facility/plant that is already being used in public service".³²

Xcel argued that the standard for assessing whether an acquisition is reasonable was determined in the Administrative Law Judge (ALJ) Order "In the Matter of the Application of

³² Department of Commerce Comments, p. 8

Minnegasco, a Division of NorAm Energy Corp., for Authority to Increase Its Natural Gas Rates in Minnesota.³³ The standard as summarized by the ALJ follows:

- (a) a utility must demonstrate benefits to ratepayers;
- (b) the benefits would not have occurred but for the acquisition;
- (c) the benefits to ratepayers are greater than the cost of the acquisition adjustment, and
- (d) there will be ongoing ratepayer benefit realized over time.

According to the Department, the Minnegasco case is not a good example to compare to the set of facts in the present case. In fact, the Minnegasco acquisition was about acquisition of an asset that wasn't already providing service to the utility; whereas, Xcel's petition is about wind facilities that are assets which are already providing service to Xcel's ratepayers under the REPA contracts.³⁴

Further, the Department opined that, in the current case, there is no question as to whether CWN and Jeffers facilities should provide service to Xcel's ratepayers since the facilities already provide service under the existing power purchase agreements and would continue to provide service under REPAs. Rather the question that needs resolution, is whether the REPA contracts should be converted to Xcel's ownership and operation of the facilities.

The Department also noted that the FERC Uniform System of Accounts offers the opportunity for an acquisition adjustment with approval of the rate regulator and a clear showing of benefits that justify or offset the large acquisition adjustment cost.

Xcel acknowledged that a competitive bidding process is a valuable tool to ensure ratepayers obtain the best value whenever possible to do so. Xcel pointed out that even the Department recently noted, in its March 5, 2019 Comments in the Mankato (MEC) proceeding, that "there are other considerations"³⁵ According to Xcel, the Department noted in that docket that a competitive bidding process was not feasible because, in part, "the proposal arose, not necessarily to address a need identified within the Commission's resource planning process, but from an opportunity that occurred due to Southern's desire to sell the MEC I and MEC II projects." Further, per the Department in that docket, because "the proposal involves existing units," it is "not clear" whether the Commission's orders on competitive bidding apply.³⁶ In light of the Department's view in MEC I and II projects, Xcel held that, for much of the same reasons, a competitive bidding process also was not appropriate for its proposed acquisition of Jeffers and Community Wind North facilities.

Xcel maintained that Jeffers and Community Wind North are existing resources on Xcel system and it is party to two 20-year REPAs that will expire in 2028 and 2031. Further, Xcel opined that

³³ Xcel Energy's Reply Comments, p. 3

³⁴ Department of Commerce Response Comments, p. 5

³⁵ Xcel Energy's Reply Comments, p. 7

³⁶ Id., at p. 8

the option to purchase arose as the Company was negotiating amendments to the existing REPAs, in connection with the Longroad Energy's plans to refurbish the facilities. Although Xcel was able to negotiate improved terms for ratepayers as a result of the amendments to the REPAs, as the Company was negotiating those amendments, it realized it may be able to obtain even greater benefits for Xcel's customers by purchasing the refurbished facilities. Xcel stated that, because Jeffers and Community Wind North are already on the system—and will be for the next nine to eleven years, conducting a competitive bidding process for an alternative is not a realistic option and; therefore, not a viable measure for whether the acquisition price for the facilities is reasonable.

Staff's evaluations of the arguments by Xcel and the Department indicate Xcel's position concerning the inapplicability of competitive bidding to the current case does not appear unreasonable. The assets Xcel proposes to acquire are already in service and are currently being used to serve Xcel's ratepayers. Staff does not consider Xcel's rationale for not holding competitive bidding process to be unreasonable. The reason offered by the Department in the Mankato docket under similar circumstances should also be afforded Xcel.

B. If the acquisition is approved, should the Commission authorize Xcel to recover the cost of purchasing the CWN and Jeffers Wind Facilities through its Fuel Clause Rider?

The Department stated that it assumed cost recovery under the acquisition alternative, would be included in the Xcel's upcoming general rate case. However, should that not be the case, then Xcel should furnish its proposed recovery mechanism in written comments on or before the Commission hearing.³⁷

Additionally, Department recommended continuation of the current cost recovery mechanism if the Department's recommended PPAs alternative is approved, which is through Fuel Clause Rider.

Should the Commission accept Xcel's Petition on the basis of the results of Xcel's Strategist Modeling in determining whether acquisition of the facilities benefits Xcel's ratepayers more than a continuation of the current or amended REPAs?

Xcel stated in its Petition, that its Strategist modeling showed acquisition of the facilities would result in a lower price of energy compared to the price of wind energy under both the current and amended REPAs for the facilities combined with the price available to replace the REPAs in the future (when the REPAs expire), on both a PVRR and PVSC basis. Xcel believes that under all scenarios, acquiring these facilities provides better benefits for customers compared to both the existing and amended REPAs.

In reviewing the financial modeling for the Acquisition option and PPAs alternative, the Department noted that Xcel used the same Strategist modeling software it uses for integrated

³⁷ Department of Commerce Response Comments, p. 8

resource planning. Based on Strategist modeling, Xcel showed benefits ranging from \$6.9 to 31.8 million and \$1.7 to 5.3 million under the Acquisition³⁸ and PPAs alternatives, respectively.

The Department also stated that, in its effort to gain better knowledge of Xcel's Strategist modeling, it submitted information request No. 12 to Xcel and asked: "In the PVRR (No CO2) scenario the Company's identifies an incremental benefit of \$6.9 million under the Acquisition alternative. The Department asked Xcel to provide the total PVRR for that combination of scenario and alternative"³⁹ Xcel responded thus:

The total present value of the revenue requirement (PVRR) for the base scenario is \$45,211,000. The PVRR under the proposed acquisition scenario alternative is \$45,204,000, resulting in a net savings of \$6,880, or 0.0152%.⁴⁰ The Department opined that, on a percentage basis, the benefit is very small.⁴¹

Further, the Department posed more questions in information requests concerning the sensitivity of the benefits identified by Xcel, if some assumptions were changed. In particular, the Departments asked in its Information Request No.14, the rationale for Xcel assuming a 20 percent longer useful life for the refurbished wind generation facilities for the Acquisition alternative than the assumed useful life in the PPAs alternative. Xcel replied:

The OEM (Original Equipment Manufacturer) of the repower equipment will deliver a "Letter of Conformity" that will confirm a minimum repowered turbine design life of 20 years, as certified by a third party (DNV/GL), (turbine life after decommissioning of the existing equipment, and installation of the new equipment). Additionally, with proper adherence to OEM operating procedures, and with a consistent maintenance protocol, we expect the turbines to operate beyond 20 years, having average lifespans of 25 years. The replacement turbine technology used on the repower project is similar to technology being utilized in our self-build portfolio of projects, and we anticipate being able to operate the turbines for that entire lifespan.

The Department requested Xcel vary its assumed useful life for the turbines from 25 to 20 years for the acquisition option and, based on Xcel's response, the Department provided the information shown in Figure 5.

³⁸ Department of Commerce Comments, p. 8

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Id., at p. 9

Figure 5 – Strategist Results Comparing Base, Own both (25 year turbine life), Own both (20 year turbine life)*⁴²

Financial Measure	Scenario	Net Present Value (\$2018) (\$000s)	Delta from Base (\$000s)
PVRR	Base	45,211	
	Own Both (25 years)	45,204	(6.9)
	Own Both (20 years)	45,215	3.8
	Amended PPAs	45,209	(1.7)
PVSC	Base	55,500	
	Own Both (25 years)	55,468	(32)
	Own Both (20 years)	55,484	(16)
	Amended PPAs	55,495	(4.8)

* Negative values denote benefits to ratepayers

The Department observed that, adjusting the model for 20-year useful lives, in both the PVRR and PVSC scenarios flips the \$6.9 million in ratepayer benefits to \$3.8 million in additional costs using the present value of the revenue requirement as the point of reference. Therefore, the Department concluded that this also makes the REPA (PPAs) alternative more attractive to the Acquisition alternative since the former retains a \$1.7 million benefit relative to the Base scenario.

Further, for the present value of the social costs (PVSC) scenario, assuming 20-year lives in both Acquisition scenarios halves the PVSC benefits (\$32 million to \$16 million) that Xcel identified in its original 25-year turbine life ownership scenario. The PVSC for the REPA (PPAs) alternative is also a benefit, even though smaller (\$4.8 million versus \$16 million) than the benefit identified under the “Own Both (20 years)” case. Therefore, based on these results the Department held that varying assumed lives of the facilities with the acquisition adjustment substantially impacts the project’s cost effectiveness.

C. Alternatively, should the Commission approve Xcel’s proposed amendments to existing Purchase Power Agreements (REPAs) for the CWN and Jeffers Wind Facilities?

Xcel in its petition relied on the results of its Strategist Modeling and claimed that the acquisition of the two wind facilities would be in the public interest because it “benefits customers and places them in a better position than they would be were Xcel to continue with either the existing or amended PPAs.”⁴³ The Department, in Reply Comments, conceded that Strategist modeling is a very complex task and that it did not conduct the same audit of Xcel’s Strategist modeling in the current proceeding as it did in the Mankato docket.

Nevertheless, the Department held that it was reasonable to expect the Strategist modeling Xcel used in this petition to be similar to the one used in the Mankato proceeding. Since the

⁴² Department of Commerce Comments, p. 10

⁴³ Xcel Energy’s Petition, p. 5

Department raised many concerns about that Strategist modeling, the Department recommended that Xcel’s Strategist analysis not be used as a basis for approval of that acquisition petition. Despite the Strategist concerns, the Department reviewed Xcel’s revised cost/benefit analysis and believed it was interesting that Xcel portrayed the acquisition of the Jeffers and CWN facilities as being a “bundled” transaction.⁴⁴ According to the Department, a review of the two proposed alternatives did not disclose any instruction or language directing simultaneous acquisition of the two facilities.⁴⁵

Therefore, the Department opted to review the two agreements separately, as depicted in figures 6 and 7 below.

Figure 6 – Incremental PVRR and PVSC Benefits Resulting from Community Wind North Amended PPA/Acquisition (in \$thousands of 2018 Dollars)*⁴⁶

	CWN				
	Scenario	PVRR	Delta	PVSC	Delta
1.	Own CWM - 20 Year Life	\$ 44,903.40	\$ -	\$ 55,657.00	\$ -
2.	PPA - Repower CWN	\$ 44,902.60	\$ (0.80)	\$ 55,655.50	\$ (1.50)
3.	Own CWM - 20 Year Life	\$ 44,907.70	\$ 4.30	\$ 55,656.20	\$ (0.80)
4.	Own CWM - 25 Year Life	\$ 44,904.30	\$ 0.90	\$ 55,650.70	\$ (6.30)
5.	Own CWM - 30 Year Life	\$ 44,902.40	\$ (1.00)	\$ 55,647.20	\$ (9.80)

* Negative values denote benefits to ratepayers

Per the figure 6, the Department observed that two (2) of the four (4) scenarios modeled show ratepayer benefits from a PVRR perspective. Also an amended PPA with Longroad Energy Company for the CWN identified a \$0.8 million in PVRR benefit and additional information on an acquisition with a 30-year turbine useful life show a \$1.0 million PVRR ratepayer benefit, as well. Further, the Department held that two of the four scenarios do not show ratepayer benefits from a PVRR perspective: the 20- and 25-year turbine lives scenarios calculated a cost to ratepayers of \$4.3 or \$0.9 million. Therefore, the Department maintained that the proposed CWM acquisition would not be in the public interest.

The Department stated that since, as shown in Figure 6, ratepayers could achieve \$0.8 million in PVRR benefits simply by amending the existing PPA, it considered that to be the new base scenario for evaluating this criterion.

⁴⁴ Department of Commerce Response Comments, p. 6

⁴⁵ Ibid.

⁴⁶ Department of Commerce Response Comments, p. 6

Figure 7 – Incremental PVRR and PVSC Benefits Resulting from CWN Acquisition (In \$ thousands of 2018 Dollars)⁴⁷

	CWN				
Line No.	Scenario	PVRR	Delta	PVSC	Delta
1.	PPA – Repower CWN	\$ 44,902.60		\$ 55,655.50	
2.	Own CWM - 20 Year Life	\$ 44,907.70	\$ 5.10	\$ 55,656.20	\$ 0.70
3.	Own CWM - 25 Year Life	\$ 44,904.30	\$ 1.70	\$ 55,650.70	\$ (4.80)
4.	Own CWM - 30 Year Life	\$ 44,902.40	\$ (0.20)	\$ 55,647.20	\$ (8.30)

* Negative values denote benefits to ratepayers

The Department maintained that, as shown in Figure 7, the 20 and 25-year turbine life for CWN scenarios demonstrate estimated net costs, not benefits, of \$5.1 and \$1.7 million suggesting that this acquisition is not favorable for ratepayers from a PVRR perspective. In fact, the results of the 30-year turbine life scenario supports this perspective as well because the benefits are only \$200,000.

The Department held in the light of all the above analyses that, Xcel still did not justify requiring ratepayers to pay a significant acquisition premium for purchase of the assets and results of all analyses produce more reliable ratepayer benefits in favor of amended PPAs alternative. Further, Xcel did not request a variance to the rules or identify the risks to which ratepayers would be exposed if the assets were purchased, as shown above.

The Department stated that its analysis of Xcel’s Strategist modeling shows high sensitivity to differences in assumptions and those differences show that ownership may result in ratepayer costs and not benefits. Moreover, it is possible that, in the future, even less expensive wind resources may be available. Thus, the Department recommends that the Commission deny Xcel’s proposed purchase of both facilities.

D. Are there any other issues or concerns related to this matter?

Should the Commission delay making a decision on Xcel’s Petition for the proposed acquisition of CWN and Jeffers Wind Facilities and allow Xcel to cure deficiencies in its filing?

Xcel in its Reply Comment, acknowledged its failure to expressly seek approval under the applicable Minnesota statute, nor request a variance from the applicable rules, but believed the analysis presented in the petition provided necessary information for the Commission to determine that the proposed acquisition of Jeffers Wind and Community Wind North to be in the public interest.

Xcel also failed to provide information requirements under Minn. R. 7825.1800 - Information Requirements under Minn. R. 7825.1400. Specifically items Item G – J.

⁴⁷ Id., at p. 7

The Department correctly noted these deficiencies in Xcel's filings for the proposed acquisition of the Wind facilities.

Staff acknowledges the complexity of the instant case and therefore appreciates the Department's time employed in offering such robust analysis and resultant recommendations.

Additionally, because this docket is about the acquisition of wind facilities and the Mankato docket was about the purchase of gas facilities, the Department assumption that Xcel used the same Strategist modeling employed in both proceedings has not been definitively confirmed in this record. Therefore, the Commission may want to ask the Department to audit or review the Strategist modeling Xcel employed for this filing in this docket and instruct both the Department and the Company to discuss their findings.

Finally, Staff suggests that, if the purchase is approved, the Commission may want to require Xcel, within 60 days of closing, to file the final journal entries used to record the transaction.

VII. Decision Alternatives

Proposed Acquisition of CWN and Jeffers Wind

Should the Commission authorize Xcel's request to acquire, own, and operate the Community Wind North Facilities (CWN) and the Jeffers Wind Facility pursuant to the terms of the negotiated purchase agreement?

1. Find that Xcel's petition to acquire the Wind Facilities is consistent with public interest as required under Minn. Stat. § 216B.50 and approve Xcel's request. (Xcel) or
2. Find that Xcel's petition to acquire the Wind Facilities is not consistent with public interest as required under Minn. Stat. § 216B.50 and deny Xcel's request. (DOC) or
3. Approve proposed amendments to the existing PPAs. (DOC, Xcel alternative)

If Xcel's proposed acquisition of CWN and Jeffers Wind is approved

Variance to Minn. R. 7825.1800, subp. B [Acquisition of Property Filing Requirements]

4. Grant Xcel's Variance Request to Minn. R. 7825.1800, subp. B. (Xcel) or
5. Deny Xcel's Variance Request to Minn. R. 7825.1800, subp. B.

Acquisition adjustments for CWN and Jeffers Wind

6. Approve Xcel's request to recover acquisition adjustments for the Community Wind North facilities and Jeffers Wind Facility. (Xcel) or
7. Deny Xcel's request to recover acquisition adjustments for the Community Wind North facilities and Jeffers Wind Facility.

Recovery of costs through the Fuel Clause Rider

8. Require Xcel to explain its proposed cost recovery mechanism in written comments either before or after the Commission's meeting or in oral comments at the Commission meeting. (DOC)
9. Authorize Xcel to recover the cost of purchasing the CWN and Jeffers Wind Facilities through its Fuel Clause Rider. (Xcel). or
10. Deny Xcel's request to recover the cost of purchasing the CWN and Jeffers Wind Facilities through its Fuel Clause Rider and authorize Xcel to seek recovery in its upcoming general rate case. (DOC)

If the PPA amendments are approved

And decision alternative 3 is adopted, should Xcel be authorized to recover costs related to the amended PPAs through its Fuel Clause Rider?

11. Require Xcel to explain its proposed cost recovery mechanism in written comments either before or after the Commission's meeting or in oral comments at the Commission meeting. (DOC) and
12. Authorize Xcel to recover PPA amended costs through its Fuel Clause Rider. (DOC)

Other (if further information would be helpful)

13. Authorize Xcel to submit a supplemental filing in this docket to attempt a cure of the identified legal and procedural issues in its petition. (Staff)
14. Request that the Department audit or review the Strategist modeling Xcel employed for this filing, discuss its findings with the Company and make a filing informing the Commission of the results. (Staff)

Compliance Filing

15. If the purchase is approved, require Xcel to file, within 60 days of completing the transaction, the final journal entries used to record the transaction. (Staff)