COMMERCE DEPARTMENT

April 17, 2023 **PUBLIC DOCUMENT**

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. E002/M-19-568, E002/M-19-33, and E002/M-21-222

Dear Mr. Seuffert:

On December 9, 2022, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), filed a petition (Petition) for approval of two replacement Solar Energy Purchase Agreements (Replacement PPAs) with Louise Solar Project and Fillmore County Solar Project to replace the Elk Creek Solar Project, which was approved by the Minnesota Public Utilities Commission (Commission) in a May 18, 2021, Order in the instant docket. The Company stated that the Replacement PPAs are necessary as the Elk Creek Solar project had been delayed and faced interconnection issues that made the project untenable. On January 19, 2023, the Department filed comments recommending the Commission approve the proposed replacement PPAs with additional reporting requirements. During its March 16, 2023, Agenda Meeting the Commission approved the Replacement PPAs, however during the discussion the Commission raised concerns about the information provided by the Company regarding the viability of the Elk Creek Solar Project based on information that was not in the record. For this reason, the Commission required the Company to submit a supplemental filing detailing the analysis of the benefits of the Replacement PPAs compared to other available options and the viability of the original Elk Creek Solar Project.

On March 30, 2023, Xcel submitted the required information in a supplemental filing. Xcel stated that while it was made aware that the Elk Creek Solar project did have injection rights into MISO in December 2022, this did not make the project viable, and the Company already knew that it would need to obtain replacement PPAs in some form. Xcel stated that on May 6, 2022, National Grid Renewables (NGR) communicated to the Company that it could not proceed with the development of the project for a variety of reasons that made the previously negotiated PPA price untenable. Xcel states that it was left with either the decision to purpose contractual remedies under the Elk Creek PPA and seek replacement resources in the market or negotiate replacement PPAs with NGR. The Department reviewed the provided documents and agree that Xcel provided sufficient information demonstrating that the Elk Creek Solar Project was no longer viable. Specifically, the Elk Creek Solar Project was significantly delayed due to delays in MISO and SPP study processes, which further resulted in increased costs due increased tariffs on imported solar panels and the war in Ukraine causing "material disruption to the world steel markets." Xcel stated that NGR requested and increase in the originally negotiated PPA price from **[TRADE SECRET DATE HAS BEEN EXCISED]**. NGR did not accept the Company's counter proposal and claimed that the Company should not receive a termination fee if NGR breached the terms of the original

PPA due to its alleged Force Majeure events. As such Xcel concluded that the original PPA was not viable and began negotiating for the Replacement PPAs.

Xcel also submitted the results of its analysis comparing the cost of the Replacement PPAs as compared to obtaining alternative PPAs from another source. Xcel states that the Q3 Edison Energy Renewables Market report stated that due to increased demand and other factors the prices for new PPAs were anticipated to be at $58 per MWh, up more than 80 percent between the 3rd quarter of 2019 and the 3rd quarter of 2022, but that is an average price that does not reflect typically higher prices for Minnesota. Indeed, Xcel stated that in its 2022 Solar RFP the Company was unable to obtain its total requested 900 MW of solar and that the Company shortlisted bids with a price of $70 per MWH or below. The Company indicated that due to this any replacement PPA for the Elk Creek Solar project would likely cost $70 per MWH or higher, which would amount to a likely total minimum cost for a replacement PPA of **[TRADE SECRET DATE HAS BEEN EXCISED]** more than the Elk Creek Solar PPA. If the Company's Elk Creek PPA failed NGR would owe **[TRADE SECRET DATE HAS BEEN EXCISED]** to Xcel, however Xcel believes NGR would have contested this due to factors outside of its control being the cause of the failure of the PPA. As such the Company projects that a replacement PPA from the market would likely cost around **[TRADE SECRET DATE HAS BEEN EXCISED]** more than the Elk Creek Solar PPA assuming the recovery of damages from the breach of the Elk Creek Solar PPA contract. Meanwhile, Xcel projects that the Replacement PPA's obtained from NGR would only cost approximately **[TRADE SECRET DATE HAS BEEN EXCISED]** more than the Elk Creek Solar PPA, with an additional projected savings of **[TRADE SECRET DATE HAS BEEN EXCISED]** due to the elimination of Xcel's responsibility to cover curtailment costs under the Replacement PPAs, or an estimated **[TRADE SECRET DATE HAS BEEN EXCISED]** more overall. Comparing the two Xcel estimated that the Replacement PPAs obtained from NGR save at minimum**[TRADE SECRET DATE HAS BEEN EXCISED]** as compared to obtaining a new PPA from the market.

The Department reviewed the Company's filing and attached documentation and agrees that Xcel has demonstrated that not only was the Elk Creek Solar Project not viable, but that the Replacement PPA's demonstrate a substantial savings over alternative PPA's available in the market at this time.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

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