

July 16, 2024

VIA EMAIL

Will Seuffert, Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. 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

Dear Will Seuffert:

The Minnesota Pollution Control Agency (MPCA) respectfully submits these comments in support of Xcel's electrification proposal in collaboration with Sain Paul Cogeneration (SPC) and their request to extend the Power Purchase Agreement beyond December 31, 2024.

Minn. Stat. § 216b.2424, subd. 5c was modified to allow the Public Utilities Commission ("Commission") to approve a power purchase agreement between Xcel and St. Paul Cogeneration (SPC) without the simultaneous approval of an electrification project. The Legislature also provided a \$16.562 million grant to support SPC's current operations for a limited time, which the MPCA is administering.

The MPCA has been following the discussion between SPC and Xcel comparing electrification options ranging in capacity from 20 to 175 megawatt (MW). MPCA agrees with the conclusions from the engineering and economic work backing those discussions: the 30MW electrode boiler coupled with thermal storage fits with the equipment and space available at the downtown setting, fits the electrical infrastructure available in St. Paul, and allows for continued use of energy from wood combustion.

SPC's 30MW boiler electrification project will serve two functions both providing a strong social benefit. The proposed electrification will displace 30% of the natural gas now used in District Energy's boilers, approximately 219,720 thousand cubic feet (Mcf). It will greatly reduce the use of fossil fuel at the St. Paul plant while continuing to allow SPC to manage nearly a quarter-million tons of waste wood in an environmentally preferable way. That quantity of waste wood is more than half of what is generated annually in the Metro area and nearby counties. SPC employs all required air pollution control equipment at its plant while delivering energy from the wood.

The MPCA has continued to engage with stakeholders on issues related to regional tree waste and the role that SPC plays in its management. The MPCA has begun to host stakeholder meetings and will continue these meetings throughout 2024. MPCA and stakeholders will be considering multiple options, including tipping fees that would be paid by those who deliver wood waste to SPC or its associated processing and storage facility, Environmental Wood Supply. This discussion is vital to the economic sustainability of wood use at SPC, since it is imperative to lower the cost of the biomass fuel from wood waste that SPC consumes. Tipping fees are one way that the social benefits of using wood for highly efficient district energy operations could be absorbed by users of this wood processing and utilization

service, thus improving the facility's economics. The stakeholder meetings will also explore areas to expand markets for wood waste, diversify outlets, and address the wood waste not going to SPC. This work will focus on utilizing wood for its highest and best use, and is making updates to the wood waste hierarchy from the [2019 EQB report on Emerald Ash Borer](#).

SPC has played a vital role in preventing thousands of truckloads of waste wood from heading to the cheapest alternative, which is clearly open burning. A massive rise in open burning in the absence of SPC is no theoretical scenario; before SPC began operation, the need to deal with the die-off from Dutch elm disease caused huge increases in tree burn-piles in and around the Metro.

SPC and Xcel have developed a cost-benefit analysis to evaluate the societal benefits and costs of SPC's continued use of woody biomass. This analysis is based on reasonable assumptions of the emission factors for fine particulate matter, nitrogen oxides, sulfur dioxide, carbon monoxide, carbon dioxide, methane, and nitrogen dioxide from combusting natural gas for heating and from open burning of wood waste; as well as per-ton externality cost values based on the Commission's established environmental and socioeconomic cost values (Docket No. E-999/CI-14-643). This analysis showed that the societal costs associated with SPC discontinuing its use of biomass would be approximately \$880 million, net present value, through the year 2050 if SPC ceased using biomass next year. The cost, \$694 million, is largely associated with the health impacts associated with particulate matter emissions from the open burning of waste wood that would occur absent SPC's consumption.

The MPCA appreciates the opportunity to provide these comments in support of Xcel's Compliance Filing and the Power Purchase Agreement. Please contact Jon Klapperich at jon.klapperich@state.mn.us with any questions or concerns.

Sincerely,

Kirk Koudelka

This document has been electronically signed.

Kirk Koudelka
Assistant Commissioner
Commissioners Office

Sincerely,

Frank Kohlasch

This document has been electronically signed.

Frank Kohlasch
Assistant Commissioner
Commissioners Office