

November 22, 2013

**Via Electronic Filing**

The Honorable Eric L. Lipman  
Assistant Chief Administrative Law Judge  
Office of Administrative Hearings  
600 North Robert Street  
St. Paul, Minnesota 55101

Re: In the Matter of the Petition of Northern States Power Company to Initiate a  
Competitive Resource Acquisition Process  
OAH Docket No. 8-2500-30760  
MPUC Docket No.: E002/CN-12-1240

Dear Judge Lipman:

Enclosed please find a copy of the Great River Energy's Initial Brief ("Brief") in the  
above captioned matter. Also enclosed is an Affidavit of Service.

Sincerely,



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DL/cm  
Enclosures  
cc: All parties of record

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**STATE OF MINNESOTA  
BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
FOR THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Northern  
States Power Company d/b/a Xcel Energy  
for Approval of Competitive Resource  
Acquisition Proposal and Certificate of  
Need

**OAH Docket No. 8-2500-30760  
MPUC Docket No. E002/CN-12-1240**

**GREAT RIVER ENERGY INITIAL BRIEF**

November 22, 2013

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**GREAT RIVER ENERGY INITIAL BRIEF**

**INTRODUCTION**

Great River Energy (“GRE”) respectfully submits this Initial Brief in the above-referenced matter regarding the selection of competitive bids to meet the expected generating capacity needs of Northern States Power Company d/b/a Xcel Energy (“Xcel Energy”). GRE’s proposal to sell capacity credits to Xcel Energy would give Xcel Energy greater flexibility regarding the in-service date at a competitive cost. Therefore, GRE’s proposal should be included for consideration in the next step of the resource selection process.

Xcel Energy’s need for additional capacity being addressed in this docket is characterized by substantial uncertainty as to how much capacity Xcel Energy will need, and the timeframe in which it will be needed. This proceeding is itself a successor to a prior docket initiated in 2011 in which Xcel Energy initially sought a Certificate of Need (“CON”) to expand its Black Dog Plant to provide additional capacity by 2014. After initially applying for a CON in that docket, Xcel Energy withdrew its CON application

based on new data demonstrating that no new generating capacity would in fact be needed by 2014.<sup>1</sup>

The evidence in this current proceeding has revealed continuing uncertainty regarding Xcel Energy's forecasted capacity needs. For example, Xcel Energy has acknowledged that, depending on which Midcontinent Independent System Operator, Inc. ("MISO") reserve margin applies, Xcel Energy's originally projected need for capacity by 2019 may be reduced from 307 MW to a substantially lower value of 26 MW. This uncertainty has resulted in Xcel Energy requesting Power Purchase Agreements ("PPAs") with developers that include flexible in-service dates and cancellation provisions. GRE's offer includes both a flexible in-service date and flexible capacity.

GRE's proposal to sell capacity credits, in conjunction with Xcel Energy's augments to its Red River Valley 1 and Black Dog 6 facilities, would give Xcel Energy the flexibility needed to address the considerable uncertainties regarding both the amount and timing of additional capacity required. Additionally, GRE's proposal supports Xcel Energy's ability to select a later in-service date for the other projects offered in this proceeding if it would be prudent to pursue later in-service dates for those projects.

More specifically, GRE's flexible proposal would allow Xcel Energy to purchase only the capacity it needs in the years 2017, 2018 and/or 2019, rather than make a commitment now to a 20-year PPA that would require substantial capital investments, including potential costs associated with delays and cancellations that could occur due to changes in MISO's reserve margins or to changes in Xcel Energy's demand forecast.

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<sup>1</sup> NOTICE AND ORDER FOR HEARING, June 21, 2013, at p. 1.

Further, GRE's proposal, unlike the PPAs offered by Calpine and Invenergy, would result in no incremental environmental impact, including no incremental greenhouse gas emissions.

Accordingly, GRE respectfully requests that its proposal be included in the next stage of the resource selection process, either alone or in conjunction with any of the other parties' proposals.

## **DISCUSSION**

### **I. GRE'S PROPOSAL PROVIDES UNIQUE AND ESSENTIAL FLEXIBILITY TO ADDRESS THE UNCERTAINTIES SURROUNDING XCEL ENERGY'S CAPACITY NEEDS.**

The significant uncertainties surrounding how much capacity Xcel Energy will need, and the timeframe in which that capacity is needed are well documented in the record. Xcel Energy's capacity needs have already turned out to be much less than initially anticipated. For example, new data in 2011 showed no new capacity needed by 2014, causing Xcel Energy to withdraw its Black Dog CON Application.<sup>2</sup> Xcel Energy has more recently reduced its expected capacity need established in the Commission's March 5, 2013 Resource Plan Order for the 2017 to 2019 time frame from 150 MW in 2017 and 500 MW in 2019 to 93 MW and 307 MW respectively.<sup>3</sup> Additionally, Xcel Energy has acknowledged that the actual need for capacity by 2019 may be as small as 26

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<sup>2</sup> *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for a Certificate of Need for Approximately 450 MW of Incremental Capacity for the Black Dog Generating Plant Repowering Project*, Docket No. E-002/CN-11-184, Xcel Energy Motion to Withdraw Application (Dec. 7, 2011).

<sup>3</sup> Ex. 46, Wishart Direct at pp. 4 and 7-8, including reference to the Commission Order in Xcel Energy's Resource Plan proceeding, Docket No. E002/RP-10-825.

MW based on possible changes in MISO's reserve margin standards.<sup>4</sup> The Minnesota Department of Commerce, Division of Energy Resources ("Department") witness Dr. Steve Rakow, also acknowledged the significant uncertainties associated with Xcel Energy's projected need for additional capacity.<sup>5</sup>

Based on these uncertainties, Xcel Energy has expressed the need for substantial flexibility as to how much capacity is necessary and the time period in which it should be added. To that end, Xcel Energy has recommended that "the question of total capacity and project timing be revisited in 2014 and in 2015 as more information becomes available."<sup>6</sup> Xcel Energy has further recommended pursuing the ability to delay or cancel proposed projects as part of its negotiation of PPAs.<sup>7</sup> Xcel Energy has underscored the importance of avoiding the premature implementation of a PPA, stating:

The Projects the Company has proposed offer flexible in-service dates from 2017-2019. As presented in our proposal, we can push back the in-service dates or cancel units if conditions change and our resource need assessment indicates that it is prudent to do so. As filed on April 15, the proposals from Calpine and Invenergy did not offer similar flexibility. Should the Company's resource need diminish as MISO's reserve margin methodology evolves, the early implementation of the proposed PPAs will cause additional costs to be shouldered by our customers before it is necessary . . .<sup>8</sup>

GRE's proposal to sell capacity credits to Xcel Energy would give Xcel Energy greater flexibility regarding the in-service date and at a competitive cost. When used in combination with Xcel Energy's Black Dog 6 and Red River Valley Unit 1, GRE's

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<sup>4</sup> *Id.* at p. 2.

<sup>5</sup> Ex. 86, Rakow Direct at pp. 24 and 39-41; Ex. 87, Rakow Rebuttal at p. 7.

<sup>6</sup> Ex. 46, Wishart Direct at p. 2.

<sup>7</sup> *Id.* at p. 11. ("We believe it is prudent to pursue the ability to delay or cancel the proposed projects with counterparties during negotiations. . . . Flexibility options may prove to be an important distinguishing factor.")

<sup>8</sup> *Id.*

proposal, if all three years of its proposal are considered, has the 3<sup>rd</sup> lowest cost among the 20 alternatives evaluated in this Docket.<sup>9</sup> If the first year of GRE's proposal were excluded, as offered by GRE witness Mr. Stan Selander, then GRE's capacity credits in combination with Black Dog 6 and Red River Valley 1 would be one of the two least-cost options.<sup>10</sup> As another possibility, the first two years of GRE's proposal could be excluded, if that would better fit Xcel Energy's needs based on the updated information available when the decision is made.<sup>11</sup>

One of the most critically beneficial features of GRE's proposal is its flexibility, providing Xcel Energy with the opportunity to choose the quantity of capacity and the years in which the capacity is acquired through 2019. As GRE's witness Mr. Selander explained, GRE's proposal would give Xcel Energy the flexibility to adjust how many years or how much capacity Xcel Energy obtains from GRE and thereby "address the uncertainty identified by Xcel Energy with respect to prospective changes in its MISO reserve margin standards."<sup>12</sup> This flexibility is particularly critical given Xcel Energy's desire to negotiate delay provisions in the proposed PPAs and its concern about the additional costs that early implementation of the proposed PPAs would impose on ratepayers.

The next stage in this process will involve the selection of final resource options and possible negotiations with power producers as well as further evaluation of and adjustments to the amount and timing of additional capacity that Xcel Energy will

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<sup>9</sup> *Id.* at p. 26, Table 5 – Strategist Top 20 Proposal Combinations (PVSC).

<sup>10</sup> Ex. 64, Selander Rebuttal at p. 3.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

acquire. Given the uncertainties identified by Xcel Energy and the Department, it makes sense to include the flexibility offered by GRE's proposal as part of this next stage. GRE's proposal already stands out as the 2<sup>nd</sup> or 3<sup>rd</sup> lowest cost option in conjunction with Black Dog 6 and Red River Valley 1. Depending on changes to the projected need for capacity, GRE's proposal can also add value in conjunction with other projects that might be advanced to the next stage of the process and could further benefit ratepayers by delaying the need for new capital investment.

## **II. GRE'S PROPOSAL WOULD PROVIDE ADDITIONAL NEEDED CAPACITY WITHOUT ANY INCREMENTAL ENVIRONMENTAL IMPACT.**

As confirmed by the Department's Environmental Report, there will be no additional construction or generation associated with GRE's proposal and, therefore, no incremental environmental impact.<sup>13</sup> As such, the unique flexibility provided by GRE's proposal comes without any incremental environmental impact, including no additional greenhouse gas emissions. This combination of flexibility and no incremental environmental impact distinguishes GRE's proposal from the other proposals and further supports its consideration in the next stage of the resource selection process.

### **CONCLUSION**

GRE's proposal is a uniquely flexible alternative that includes a choice in the amount of capacity and the timing of when that capacity is provided. These attributes can mitigate the substantial uncertainties regarding the amount and timing of additional capacity Xcel Energy may require, and can delay large capital investments associated

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<sup>13</sup> *Id.* at p. 4; and Ex. 38, *Environmental Report, Xcel Competitive Resources Acquisition Proposals*, PUC docket No. E-002/CN-12-1240 (October 2013) at pp. 12-57.



with new generation facilities. Moreover, GRE's proposal results in no incremental environmental impact. GRE's proposal is one of the three least-cost options identified in Xcel Energy's analysis. Accordingly, GRE respectfully requests that its proposal be included in the next stage of the resource selection process, either alone or in conjunction with any of the other parties' proposals.

Dated: November 22, 2013

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## **CERTIFICATE OF SERVICE**

In the Matter of the Petition of Northern States Power Company to Initiate a  
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MPUC Docket No.: E002/CN-12-1240  
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Carolyn McCune hereby certifies that on November 22, 2013, she e-filed true and correct copies of the Initial Brief, on behalf of Great River Energy, by posting it on [www.edockets.state.mn.us](http://www.edockets.state.mn.us). Said document was also served via U.S. mail and e-mail as designated on the Official Service List on file with the Minnesota Public Utilities Commission.

/s/ Carolyn McCune  
Carolyn McCune

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