

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
Ken Nickolai
Marshall Johnson
Phyllis Reha
Thomas Pugh

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Christopher B. Clark
Assistant Attorney General
Xcel Energy Services, Inc.
800 Nicollet Mall, Suite 2900
Minneapolis, MN 55402

SERVICE DATE: **MAR 31 2006**

DOCKET NO. E-002/M-05-1850

In the Matter of Northern States Power Company d/b/a Xcel Energy's Request for Approval of Power Purchase Agreement with Fenton Power Partners I, LLC

The above entitled matter has been considered by the Commission and the following disposition made:

Approved the PPA;

Xcel is allowed full recovery of the cost via its automatic fuel adjustments;

For any future projects selected in a competitive bidding process, a PPA between Xcel and the selected project must be signed within one year after the selection has been approved by the Commission;

Xcel is required to credit to the fuel clause any compensation it receives from the relevant transmission authority for calling an interruption of the energy generated from the Fenton project during the period that Xcel is recovering curtailment provision costs from ratepayers;

Xcel is required to identify in its monthly fuel adjustment report the date, length, cost to ratepayers and reason for each Voluntary Curtailment associated with the Fenton project. All such events should be summarized in Xcel's annual automatic adjustment (AAA) report.

The Commission agrees with and adopts the recommendations of the Department of Commerce which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION


Paul W. Haar
Executive Secretary

(S E A L)

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85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
651.296.4026 FAX 651.297.1959 TTY 651.297.3067

January 18, 2006

**PUBLIC DOCUMENT - TRADE SECRET
DATA HAS BEEN EXCISED**

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

JAN 18 2006

RE: Public Comments of the Minnesota Department of Commerce
Docket No. E002/M-05-1850

Dear Dr. Haar:

Attached are the Public Comments of the Energy Division of the Minnesota Department of Commerce in the following matter:

Northern States Power Company d/b/a Xcel Energy Request for Approval of Power Purchase Agreement with Fenton Power Partners I, LLC.

The petition was filed on November 18, 2005 by:

Christopher B. Clark
Assistant Attorney General
Xcel Energy Services Inc.
800 Nicollet Mall, Suite 2900
Minneapolis MN 55402

The Department recommends approval of the PPA; however, further information is needed to justify full cost recovery. The Department is available to answer any questions the Commission may have.

Sincerely,

EILON AMIT
Statistical Analyst

EA/sm
Attachment

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E002/M-05-1850

I. SUMMARY OF THE COMPANY PETITION

On November 18, 2005, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) petitioned the Minnesota Public Utilities Commission (Commission) for approval of a Power Purchase Agreement (PPA) between Xcel and Fenton Power Partners I, LLC (Fenton). The petition also requests that the Commission allow Xcel to recover the project's costs under Minnesota Statutes §216B.1645.

This PPA pertains to a 200 megawatt (MW) wind generation facility owned by Fenton. The facility is to be constructed on the Buffalo Ridge in extreme southwest Minnesota.

II. BACKGROUND

On June 19, 2003, Xcel filed a Final Evaluation Report (Final Report) for its 2001 All Source Request for Proposals in Docket No. E002/M-01-1618. Fenton's 200 MW wind power project was part of the selected portfolio.¹

In its November 19, 2003 Order, the Commission approved the proposed selection and denied the requests of Rainy River and Zilkha Renewable Energy for an investigation into Xcel's bid evaluation methodology and allowed the bidding process to continue.²

¹ This project was referred to as the enXco project in the June 19, 2003 Final Evaluation Report. Fenton is a division of enXco.

² In the Matter of Northern States Power Company d/b/a Xcel Energy 2001 All-Source Request for Proposals, Order Denying Requests For Investigation and Requiring Discussion and Report, Docket No. E002/M-01-1618.

III. DEPARTMENT ANALYSIS

A. WIND'S REQUIREMENTS

The Department notes that this PPA is related to various Minnesota statutes and Commission Orders.

The relevant Minnesota statutes are:

- Minn. Stat. §216B.1645 – Power Purchase Contract or Investment;
- Minn. Stat. §216B.1691 – Renewable Energy Objectives;
- Minn. Stat. §216B.2422 – Resource Planning, Renewable Energy; and
- Minn. Stat. §216B.2423 – Wind Power Mandate.

1. *Wind Requirements by Minnesota Statutes*

- a. Minn. Stat. §216B.2423, subd. 1 requires Xcel to construct and operate, purchase, or contract to construct and operate: (1) 225 megawatts (MW) of wind generated electric capacity by December 31, 1998 and (2) an additional 200 MW of wind generated electricity by December 31, 2002.
- b. Minn. Stat. §216B.2423, subd. 2 requires Xcel to construct and operate, purchase, or contract to purchase an additional 400 MW of wind generated electricity by December 31, 2002, subject to resource planning and least cost planning requirements in Minn. Stat. §216B.2422.
- c. Minn. Stat. §216B.1691, subd. 6 requires Xcel to deploy an additional 300 MW of wind capacity by 2010, beyond the wind capacity amount Xcel is required by law or Commission orders, to install by May 1, 2003.

2. *Wind Requirements by Commission Orders*

- a. On February 17, 1999, the Commission issued its Order Modifying Resource Plan, Requiring Additional Wind Generation, Requiring Further Filing and Setting Standards for Next Resource Plan Filing (Docket No. E002/RP-98-32). Part 8 of the Commission's Order states: "NSP shall construct and operate, purchase, or contract to purchase an additional 400 megawatts of electric energy installed capacity generated by wind energy conversion within the time frame of this resource plan." This Order means that NSP (now Xcel) is required to install additional 400 MW of wind by 2013. (This Order satisfies the requirement of Minn. Stat. §216B.2423, subd. 2.)
- b. On March 11, 2003, the Commission issued its Order Granting Certificates of Need Subject to Conditions.

Part 4a of the Commission's Order states:

- a. Xcel must sign power purchase agreements with wind developers no later than the end of 2003 for a minimum of 675 MW of wind-generated electricity on the Buffalo Ridge and must seek Commission approval of those contracts within a time frame permitting approval by June 30, 2004;

Part 4b of the Commission's Order states:

- b. Xcel must install a total of 825 MW of wind generation at Buffalo Ridge by the time the four transmission lines become operational;

Finally, Part 5 of the Commission's Order states:

Xcel must purchase at tariff rates all available small, locally-owned wind generation on Buffalo Ridge up to a total of 60 megawatts for purposes of triggering the timing of substation facilities prior to completion of the certified lines.

3. *Wind requirements as related to the PPA between Fenton and NSP*

The Department notes that Minn. Stat. §216B.1691, subd. 6 (b) sets additional wind generation requirements for Xcel. However, because these requirements pertain to small wind facilities, they are not relevant to the PPA between Xcel and Fenton.

At present, Xcel has 510.79 MW of wind generation in service, of which 489 MW are on the Buffalo Ridge. Additionally, the Commission has approved the PPA between Xcel and Ivanhoe for 150 MW of wind generation on the Buffalo Ridge. Finally, Xcel has also contracted for 17.85 MW of Small Wind projects on the Buffalo Ridge.

At this time Xcel in-service and contracted wind capacity on the Buffalo Ridge is 678.64 excluding the Fenton project and 878.64 MW including the Fenton project. Xcel is also in the process of negotiating a PPA for an additional 60 MW of wind generation on the Buffalo Ridge, as required by Part 5 of the Certificate of Need Order. Adding this 60 MW to the already operational or contracted wind capacity on the Buffalo Ridge would result in a total of 738.64 MW of wind capacity on the Buffalo Ridge (excluding the Fenton project). Therefore, to reach the 825 MW level and be in compliance with Part 4b of the Commission's Certificate of Need Order, Xcel must have the Fenton project operational by 2007 (the time at which the four transmission lines are expected to become operational).

B. DISCUSSION

1. The Competitive Bidding Process

This PPA is very similar to Ivanhoe's PPA that was previously approved by the Commission. However, there is one issue that is unique to this PPA.

This issue is the in-service date for the Fenton project and its impact on the price. The Department discusses this issue in detail in its following analysis.

Regarding the lengthy process to bring this PPA before the Commission, the Company explains that it took more than two years to complete the contract because of two issues:

- Transmission availability; and
- Federal Production Tax Credit's (PTC) uncertainty.

The Department notes that these two issues generally existed when Xcel made its final portfolio selection on June 19, 2003 since transmission capacity was not clearly available to transmit the energy from this PPA to Xcel's load and the PTC was slated to expire on December 31, 2003 and no extension had been enacted as of the June 19, 2003 date. These were not new issues; as such, the record does not indicate why these two issues would have prevented a timely completion of the PPA. Based on the evidence to date, it appears that both Xcel and the wind bidders considered the proposed bid price as a non-binding open-ended proposal. Such an approach would contradict a main principle of a competitive bidding process. In a competitive bidding process, proposals are selected based, in large degree, on their proposed prices. These original prices should be binding unless very good reasons deem otherwise. A significant price increase in the PPA makes the original selection of the proposal questionable. Other projects that had been eliminated because of their higher costs at the bidding time may now be competitive under these new circumstances. This issue is particularly important in this case where the Commission denied the requests of Rainy River and Zilkha Renewable Energy for an investigation into Xcel's bid methodology.

The Department concludes that a competitive bidding process should honor the bid price unless compelling reasons are shown to justify another price. To date, Xcel has not provided detailed justification for its new PPA price. Xcel needs to provide documentation to show that its PPA price is not unfair both to other bidders and to ratepayers.

2. Analysis of the PPA

The Department recommends that the Commission approve the PPA if, and only if, the PPA is in the best interest of Xcel's ratepayers. To be in the best interest of Xcel's ratepayers, the PPA must meet the following three requirements:

- the purchase price to be paid by Xcel for wind energy is reasonable,
- Xcel's ratepayers are appropriately protected from the financial and operational risks of the Wind Project, and

- curtailment provisions are appropriate.

a. The Price Issue

i. Discussion

In this section the Department discusses the proposed price without the possible impact of curtailment payments. Because of their importance the Department discusses curtailment issues in a separate section.

The Fenton Project was selected in an “all source” competitive process (Docket No. E002/M-01-1618). Therefore, if the proposed price is not significantly higher than the price provided by Fenton (enXco) in its all-source bid, and if the price is competitive with recently approved or proposed wind prices, then we can conclude that the price is reasonable.

The bid price proposed by Fenton in its original proposal was [TRADE SECRET DATA HAS BEEN EXCISED], with an in-service date of [TRADE SECRET DATA HAS BEEN EXCISED]. Under the PPA, the Commercial Operation Date (COD) is [TRADE SECRET DATA HAS BEEN EXCISED] and the price is [TRADE SECRET DATA HAS BEEN EXCISED]. This price is 37 percent higher than the original price for the first year of operation, and even higher in each consecutive year of operation. The proposed price is also much higher than the price proposed in the recently approved PPA between Ivanhoe and Xcel (the price was [TRADE SECRET DATA HAS BEEN EXCISED]). Finally, this price is 12 percent higher than the [TRADE SECRET DATA HAS BEEN EXCISED] that was set in the small distributed wind tariff based on market information.

Based on the above information, the Department concludes that, unless there are justifiable conditions for the significant price increase, the price proposed in the PPA is not reasonable. The following is the Department’s discussion of the reasons for the significant price increase.

In its filing, Xcel explains that the main reasons for the higher proposed price is the increased price of turbines in 2005 and, to lesser degree, the increased price of steel which is used in the construction of wind plants. The Department notes that Xcel and Fenton could have avoided those price increases if it maintained its original proposed in-service date of [TRADE SECRET DATA HAS BEEN EXCISED]. Xcel explains that the delay in the PPA was mostly the result of the following two fundamental problems:

- A mismatch between the in-service date originally proposed by Fenton and the completion of the transmission lines on the Buffalo Ridge.
- Uncertainty about the continuation of the Federal Production Tax Credit (PTC).

However, the evidence in the record regarding these issues is not convincing. The Final Report regarding the selection of the proposals for the “All Source Request for Proposal” (enXco [now Fenton] was one of the proposals selected) was issued on June 19, 2003. This selection was approved by the Commission on November 19, 2003. (Order Denying Request for Investigation and Requiring Discussion and Report.) Exhibit 1 of the Final Report contains a discussion of the

wind bids, and covers "Important Issues" for each wind bid. This discussion does not mention any PTC or transmission issues for enXco (Fenton). Both the PTC issue (i.e., expiration on December 31, 2003 and uncertain extension) and the transmission availability issue were well known when Xcel filed its Final Report. Therefore, it is reasonable to assume that those issues should have been incorporated as contingencies in enXco's original bid rather than become fundamental issues in the PPA's negotiations.

ii. Conclusion

Based on the above discussion, the Department concludes that, based on the record to date, the price does not appear to be reasonable as far as Xcel's ratepayers are concerned. The Department notes that to comply with the Commission's Order in Docket No. E002/CN-01-1958 (Certificate of Need for transmission), Xcel must have the Fenton project completed by 2007. Therefore, it behooves Xcel to provide information detailing and justifying the reasons for the price differential between the bid and PPA prices. Fenton is also invited, if it chooses, to provide further pricing information as well. The Department will make separate recommendations regarding the PPA and the cost recovery associated with the PPA.

b. Protection of Xcel's Ratepayers

As is generally true of electric generators, there are risks that Fenton will not be able to provide the electric service as specified in the PPA. An appropriate PPA should protect NSP's ratepayers from such risks. The risks of non-performance can be classified into two categories:

- Financial risks, and
- Operations risks.

The Department discusses these risks below.

i. Financial Risks

There are two financial risks that may have negative impacts on Xcel's ratepayers. They are:

- A seller default and termination of the PPA during the early years of the contract when the price paid exceeds the contract levelized price, and
- Entitlement by a lender or other party, as a result of the seller's failure to pay debt, to take over the project and terminate the PPA.

Under the first event, Xcel's ratepayers may have to pay an excessive price for wind energy during the period when the PPA is in effect. Moreover, Xcel may be forced to find a more costly replacement power when the PPA is terminated. Also, under both events, the Project may be terminated and, therefore, put Xcel's compliance with various wind legislative and Commission Order requirements in question, along with forcing Xcel to find what is likely to be more expensive replacement power.

In its petition, Xcel summarizes the specific features in the PPA that protect both Xcel and its ratepayers in case either of the two aforementioned events are triggered. These features include:

- A Security Fund which must be comprised of one or any combination of the following: an irrevocable letter of credit, United States currency, a guarantee, satisfactory to Xcel, as specified in Article 11.1, (c)(3) of the PPA. The Security Fund features are summarized in Article 11.1 of the PPA.
- A subordinated mortgage held by NSP. The subordinated mortgage allows Xcel to take over the wind facilities under certain circumstances to allow continuing performance of the wind facility. These provisions are summarized in Article 11.2 of the PPA.

After reviewing these features in the PPA, the Department concludes that Xcel's ratepayers are reasonably protected from the financial risks discussed above.

ii. Operational Risks

As it typically true of PPAs the operational risks are the risks that the wind project will not be built and operated as expected. These risks include a complete shutdown or a partial shutdown of the project due to technical problems. In the case of a partial shutdown due to technical problems with the wind facility, ratepayers must be assured that their payments for the wind energy are reduced accordingly. In the case of a complete shutdown, once again Xcel may face the risk of non-compliance with the various legislative wind requirements, and may need to find what is likely to be more expensive replacement power.

Xcel's petition summarized the specific features in the PPA that protect both Xcel and its ratepayers from the operational risks discussed above. These features include a security fund and payments only for net energy actually delivered to Xcel (except for curtailment discussed by the Department below). Additionally, the PPA includes restrictions on the sale or transfer of the wind facility, energy production guarantees, restriction on subcontracting, provisions to allow Xcel to monitor the operational aspects of the project and to verify compliance with certain aspects of the Project, and delay damages paid to Xcel for the seller's failure to meet any construction milestones or commercial operation milestones. Finally, under certain events of default by the seller, NSP has "step in rights" which allow it to take over the wind facility to assure that the wind facility continues to operate.

After reviewing these features in the PPA, the Department concludes that, except for the curtailment features of the PPA, Xcel's ratepayers are reasonably protected from the operational risks discussed above.

c. Curtailment Provisions

Curtailment issues must be divided into two categories:

- Curtailments prior to the completion of the transmission projects on the Buffalo Ridge in 2007; and

- Curtailments after completion of the transmission project on the Buffalo Ridge in 2007.

i. Curtailment Issues Prior to 2007

The original in-service date for the Fenton project was January 2005. The Department recognizes that if Fenton would have become operational in January 2005, it would have to curtail production for the period of two years and eight months (until the completion of the transmission project on the Buffalo Ridge). The Department notes that, given the current status of the transmission facilities in the area, these costs are unavoidable. To account for these costs, the Department used curtailment information provided by Xcel for the Ivanhoe Wind PPA. The calculation of these costs are shown in Exhibit No. 1. The Department will discuss the appropriate amount of these costs in its cost recovery section of these comments.

ii. Curtailment Issues After 2007

For wind power on the Buffalo Ridge, payments for curtailed energy may be necessary to maintain financial viability of the Wind Project. In principle, if the curtailments are initiated by Xcel, when the seller is able to produce and deliver wind energy, Xcel must pay for the curtailed energy. If, after including these payments, the price is still reasonable, curtailment payments should be approved. Below is detailed discussion of the curtailment issue.

Section 7.3 of the PPA contains provisions to ensure that the Fenton Project will continue to receive payments for energy it would have generated during any period of voluntary curtailment.

The PPA defines two types of curtailment:

- Non-compensable curtailment (7.3 (A)), and
- Compensable (voluntary) curtailment (7.3 (B)).

Non-compensable curtailments are in essence, curtailments initiated by organizations in charge of the transmission facilities resulting from: emergency, *force majeure*, the wind energy seller's failure to obtain the necessary permits, or failure of the wind energy seller's equipment.

Voluntary curtailments are curtailments for reasons other than non-compensable events. In essence, voluntary curtailments are the result of Xcel's refusal to accept delivery for reasons other than non-compensable events.

The Department notes that the curtailment provision in this PPA is different than the curtailment provision in the PPA between Xcel and Ivanhoe (Docket No. E002/M-04-404). The main reason for the difference is that the PPA between Xcel and Ivanhoe includes an in-service date prior to completion of the transmission projects on the Buffalo Ridge, while the PPA between Xcel and Fenton includes in-service date after the expected completion of the transmission project.

The PPA's proposed payments per MWh for voluntary curtailment are the same as the PPA's price including the amount of lost PTC and any other tax benefits that would have been received by the seller, absent the curtailment.

The Department notes that the voluntary curtailments are necessary to maintain the integrity of the transmission system and that the payment for curtailed energy are required to maintain the financial viability of Fenton. Therefore, the curtailment payments should be approved.

IV. COST RECOVERY

Xcel requests to recover the cost of the PPA using a flow-through method as allowed by Minnesota Statutes §216B.1645, subd. 2. This statute states that the utility is entitled to recover the expenses or costs approved by the Commission. Therefore, the Commission may disallow certain costs which it may find inappropriate.

As indicated above, the Department concludes that, unless there are justifiable conditions for the significant price increase, the price proposed in the PPA does not appear to be reasonable. To date, the record does not provide an adequate discussion to justify the price increase. However, the Department also requests that Xcel provide specific information in its reply comments to justify the delay in the PPA. Likewise, Fenton is also invited to provide any information it deems helpful in addressing this issue.

The Department concludes that more information is needed to meet Xcel's burden of showing that Xcel's ratepayers should be responsible for the new PPA price as opposed to the original PPA price plus curtailment costs that would have occurred over the period 2005 through 2007.

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

Based on its review and analysis of the PPA, the Department concludes that:

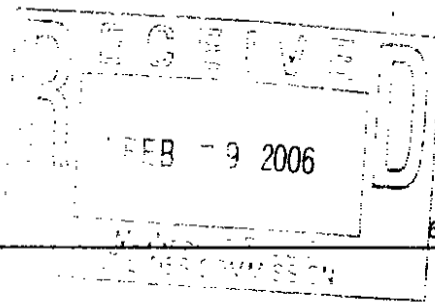
1. The proposed PPA violates a main principle of the Competitive Bidding Process by including a different price than the bid price without compelling information to justify and document the reasons for the price difference.
2. Xcel needs to provide more evidence in the record to support a finding that the proposed price to be paid by Xcel's ratepayers is reasonable.
3. Xcel's ratepayers are appropriately protected from the financial and operational risks of the PPA.
4. The curtailment provisions in the PPA are appropriate.

B. RECOMMENDATION

Based on the above conclusions, the Department recommends that the Commission:

1. **Approve the PPA.**
2. **Regarding cost recovery, Xcel needs to provide further information to justify the extensive delay in executing the PPA, as well as the price increase in the PPA. After reviewing whatever additional cost recovery information is provided, the Department may provide further information regarding its recommendations in this matter.**
3. **Require Xcel to credit to the fuel clause any compensation it receives' from the relevant transmission authority for calling an interruption of the energy generated from the Fenton project during the period that Xcel is recovering curtailment provision costs from ratepayers.**
4. **Require Xcel to identify in its monthly fuel adjustment report the date, length, cost to ratepayers and reason for each Voluntary Curtailment associated with the Fenton project. All such events should be summarized in Xcel's annual automatic adjustment (AAA) report.**

/sm



85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
651.296.4026 FAX 651.297.1959 TTY 651.297.3067

February 8, 2006

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

RE: Reply Comments of the Minnesota Department of Commerce
Docket No. E002/M-05-1850

Dear Dr. Haar:

Attached are the reply comments of the Energy Division of the Minnesota Department of Commerce in the following matter:

Northern States Power company d/b/a Xcel Energy Request for Approval of Power Purchase Agreement with Fenton Power Partners I, LLC.

The petition was filed on November 18, 2005 by:

Christopher B. Clark
Assistant Attorney General
Xcel Energy Services Inc.
800 Nicollet Mall, Suite 2900
Minneapolis, MN 55402

The Department recommends approval including full cost recovery and is available to answer any questions the Commission may have.

Sincerely,

A handwritten signature in cursive script that reads 'Eilon Amit'.

EILON AMIT
Statistical Analyst

EA/sm
Attachment

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

REPLY COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E002/M-05-1850

I. BACKGROUND

On November 18, 2005, Northern States Power Company d/b/a Xcel energy (Xcel or the Company) petitioned the Minnesota Public Utilities Commission (Commission) for approval of a Power Purchase Agreement (PPA) between Xcel and Fenton Power Partners I, LLC (Fenton). The petition also requests that the Commission allow Xcel to recover the project's costs under Minnesota Statutes §216B.1645.

This PPA pertains to a 200 megawatt (MW) wind generation facility owned by Fenton. The facility is to be constructed on the Buffalo Ridge in extreme southwest Minnesota.

On January 18, 2006, the Minnesota Department of Commerce (Department) filed comments recommending approval of the PPA, but requesting Xcel to provide additional information explaining the extensive delay in executing the PPA and the significant price increase in the PPA.

On January 30, 2006, Xcel filed Reply Comments providing the requested additional information.

On January 30, 2006, Eric F. Swanson, the lawyer representing Fenton, filed a letter with the Commission explaining the negotiation process that has taken place between Xcel and Fenton.

II. DEPARTMENT DISCUSSION

In its initial comments, the Department expressed its concerns regarding the following issues:

- The significant price increase in the PPA as compared with the price proposed in the original bid: and

- The degree to which the very slow negotiation process contributed to the significant price increase.

In response to the Department's initial comments, both Xcel and Fenton (the Parties) provided additional information explaining the circumstances that lead to the lengthy negotiations and the significant price increase.

In their comments, the Parties explained that due to the uncertainty associated with the continuation of the federal production tax credit (PTC) and transmission availability issues on the Buffalo Ridge, contract negotiations were first put on hold and then, upon renewal of the PTC, started again. However, by the time the PTC was reinstated, the prices for wind turbines had increased significantly.

After reviewing the additional information provided by the parties, the Department concludes that the PTC and transmission issues created sufficient justifications for the delays in the completion of the PPA. Also, after the delay in the PPA, the market environment for wind has changed significantly causing the wind turbines prices to rise significantly. Given these mitigating circumstances, the Department concludes that the higher proposed price is justified.

However, the Department notes again that both the PTC and the transmission issues were well known at the time of the final selection of the short-list and should have been better incorporated into the valuation and scoring of the proposed bids. To avoid similar situations of very lengthy negotiations and significant price changes, the Department proposes that the Commission set a time limit on the length of the negotiation period.

III. RECOMMENDATIONS

Based on the above discussion and the additional information provided by the parties, the Department recommends that the Commission:

1. Approve the PPA.
2. Allow Xcel full recovery of the cost via its automatic fuel adjustments.
3. For any future projects selected in a competitive bidding process, a PPA between Xcel and the selected project must be signed within one year after the selection has been approved by the Commission.