

The Commission met on **Thursday, October 13, 2016**, with Vice Chair Lange and Commissioners Lipschultz, Tuma, and Schuerger present.

The following matters were taken up by the Commission:

ENERGY AGENDA

G-011/D-16-490

In the Matter of the Petition of Minnesota Energy Resources Corporation for its Annual Review of Depreciation Rates for 2016

Commissioner Tuma moved to

- 1) approve the depreciation parameters and depreciation rates proposed in MERC's petition effective January 1, 2016; and
- 2) require MERC to file a five-year depreciation study by June 1, 2017.

The motion passed 4-0.

E-002/M-12-1278

In the Matter of Xcel's Request to Issue Renewable Development Fund Cycle 4 Requests for Proposals and Petition for Approval of a Standard Grant Contract

Commissioner Lipschultz moved to

- 1) Accept the agreement on royalty payments, as described by Xcel in its reply comments, and approve the grant contract between Xcel and Barr Engineering (RD4-14) contingent upon Xcel filing, as a compliance filing, an amendment to the Barr grant contract that increases the initially agreed to maximum royalty obligation by \$12,000. Xcel shall file its amendment to the grant contract within 10 days of the issue date of the Commission's Order in this matter.
- 2) Require Xcel as part of its Cycle 4 "Lessons Learned" report to include a discussion of how to address the issue of RDF project royalty payments in its standard grant contract for R&D projects.
- 3) Find that any benefits of the grant contract assigned to Xcel, including but not limited to royalty payments, will be returned by Xcel to its Minnesota electric ratepayers and be directed back into the RDF fund.

The motion passed 4-0.

E,G-999/CI-08-133

In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c

Commissioner Lipschultz moved to deny Xcel’s petition for reconsideration.

The motion passed 4–0.

The Commission adjourned until 10:00. At 10:00 the Commission reconvened, with Chair Heydinger also present, and took up the following matter:

E-002-RP-15-21

In the Matter of Xcel Energy’s 2016-2030 Integrated Resource Plan

1. *Forecasting*

Commissioner Lipschultz moved that the Commission find that Xcel’s Strategist-modeled energy and demand forecast is acceptable for planning purposes but it should not be used to support any resource acquisition proposal beyond the five-year action plan.

The motion passed 5–0.

2. *Five-Year Action Plan: Wind*

Commissioner Lipschultz moved that the Commission find that the record shows that it is reasonable to acquire at least 1000 MW of wind by 2019. Upon submission of evidence such as price, bidder qualifications, rate impact, transmission availability and location, additional acquisitions may be approved.

The motion passed 5–0.

3. *Five-Year Action Plan: Solar*

Commissioner Lipschultz moved that the Commission modify Xcel’s resource plan to remove 400 MW of large-scale solar in 2016–2021. Xcel shall acquire approximately 650 MW of solar in this timeframe through a combination of the Company’s community solar gardens program or other acquisitions. The Company may pursue additional, cost-effective solar resources if it is in the best interests of its customers. Xcel shall report on its progress in its next resource plan.

The motion passed 5–0.

4. *Five-Year Action Plan: Resource Acquisition*

Commissioner Lipschultz moved that the Commission:

- a. Authorize, in this case, the use of the modified Track 2 process for the acquisition of wind resources included in the five-year action plan, and for any additional solar, if needed, through 2021.
- b. Require that if Xcel intends to provide a bid for wind generation, Xcel shall acquire wind resources through the modified Track 2 process.
- c. Require that Xcel file a contingency plan early in the process (preferably with the filing of the Company's self-build proposal) to address the potential for the bidding process to fail.
- d. Determine that the proper mix of purchased power and Company-owned resources shall be determined during the resource acquisition process.
- e. Require in wind acquisition proceedings that Xcel describe how revenues from wind generation sold into the MISO market will be returned to Minnesota ratepayers, and provide an estimate of these revenues.

The motion passed 5–0.

Chair Heydinger moved that the Commission require that in any filing seeking approval of wind resources, Xcel shall discuss each project's wind curtailment risk.

The motion passed 4–1. Commissioner Lipschultz voted no.

5. *Intermediate Term: Sherco Units 1 and 2*

Commissioner Lipschultz moved that the Commission:

- a. Approve Xcel's schedule to retire Sherco 1 and 2 in 2026 and 2023, respectively.
- b. Find that, more likely than not, there will be a need for approximately 750 MW of intermediate capacity coinciding with the retirement of Sherco 1 in 2026.
- c. Authorize Xcel to file a petition for a certificate of need under Minn. Stat. § 216B.216B.243 to select the resource or resource combination that best meets the system resource (including capacity) and reliability needs associated with the retirement of Sherco 1 in 2026. The Company's filing and the proceeding shall:
 - evaluate combinations of supply-side, demand-side, and transmission alternatives;
 - consider location-specific factors related to socioeconomic impacts on the local community and regional reliability;
 - allow for utility ownership of replacement resources if determined to be in the best interest of customers;
 - comply with all relevant state energy policies; and
 - ensure public participation.

The motion passed 5–0.

6. *Intermediate Term: Demand Response*

Commissioner Schuerger moved that the Commission:

- a. Require that Xcel acquire no less than 400 MW of additional demand response by 2023.
- b. Require that, in its next resource plan, Xcel must provide a full and thorough cost-effectiveness study that takes into account the technical and economic achievability of 1,000 MW of additional demand response, or approximately 20% of Xcel's system peak in total by 2025.

The motion passed 5–0.

7. *Intermediate Term: 2025–2030 Peaking Capacity / Combustion Turbines*

Commissioner Lipschultz moved that the Commission:

- a. Modify the resource plan to change Xcel's proposed Fargo combustion turbine to a generic combustion turbine.
- b. Modify the resource plan to change Xcel's planned CT additions in the 2025–2030 time frame to provide instead for adding the most cost-effective combination of resources consistent with state energy policies, including but not limited to the following resource options: large hydropower, short-term life extensions of Xcel-owned peaking units, natural gas combustion turbines, demand response, utility-scale solar generation, energy storage, and combined heat and power.

The motion passed 5–0.

8. *Intermediate Term: Energy Efficiency*

Commissioner Lipschultz moved that the Commission:

- a. Approve an average annual energy savings level of 444 GWh for all planning years.
- b. Require Xcel to investigate the potential for an energy-efficiency competitive bidding process for customers that have opted out of CIP and summarize its investigation and findings in its next resource plan.

The motion passed 5–0.

9. *Long-Term Planning*

Commissioner Schuerger moved that the Commission:

- a. Require Xcel, in its next resource plan filing, to describe its plans and possible scenarios for cost-effective and orderly retirement of its aging baseload fleet, including Sherco, King, Monticello, and Prairie Island.

- b. Require Xcel to evaluate combinations of supply-side (distributed and centralized), demand-side, and transmission solutions that could in the aggregate meet post-retirement energy and capacity needs as well as contribute to grid support.

The motion passed 5–0.

Commissioner Lange moved that the Commission require that in future resource plan filings, analysis and inputs should, to the extent possible, be consistent with Xcel’s distribution system planning.

The motion passed 5–0.

Chair Heydinger moved that the Commission require that Xcel, in its next resource plan filing, explore the role of cost-effective combined heat and power solutions.

The motion passed 5–0.

Commissioner Tuma moved that the Commission require that Xcel file its next resource plan on February 1, 2019.

The motion passed 5–0.

10. *Resource Plan Approval*

Commissioner Lange moved that the Commission approve Xcel Energy’s 2016–2030 Integrated Resource Plan with modifications consistent with the above decisions.

The motion passed 5–0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: October 26, 2016



Daniel P. Wolf, Executive Secretary