



414 Nicollet Mall  
Minneapolis, Minnesota 55401

— VIA ELECTRONIC FILING —

November 14, 2022

Mr. Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: REPLY COMMENTS  
PETITION FOR APPROVAL TO SELL 348 ACRES OF LAND AT SHERCO  
DOCKET NO. E002/PA-22-489

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission these Reply Comments.

Pursuant to Minn. Stat. § 216B.17, Xcel Energy has electronically filed these documents with the Minnesota Public Utilities Commission. If you have any questions or concerns regarding this matter, please contact Monsherra Blank at [monsherra.s.blank@xcelenergy.com](mailto:monsherra.s.blank@xcelenergy.com) or Carl Cronin at (612) 215-4669 or [carl.cronin@xcelenergy.com](mailto:carl.cronin@xcelenergy.com).

Sincerely,

/s/

MONSHERRA BLANK  
DIRECTOR REGULATORY POLICY

Enclosures  
cc: Service Lists

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Joseph K. Sullivan	Commissioner
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF THE PETITION FOR  
APPROVAL TO SELL 348 ACRES OF LAND  
AT SHERCO

DOCKET NO. E002/PA-22-489

**REPLY COMMENTS**

**INTRODUCTION**

Northern States Power Company, doing business as Xcel Energy, submits these Reply Comments to the Minnesota Public Utilities Commission (Commission) regarding our Petition for approval of the sale of approximately 348 acres of land located at our Sherburne County Generating Station in Becker, Minnesota to Elk River Technologies, LLC, (the Buyer) which was submitted to the Commission on September 1, 2022.

As noted in our Petition, the Company is committed to working in close coordination with the City of Becker (the City) and Sherburne County (the County) on attracting economic development opportunities. As demonstrated by the letters of support filed by the City and the County, this particular sale will benefit the local communities, as the anticipated data center development will bring additional jobs, capital investment, and tax base.

We appreciate the Minnesota Department of Commerce's (the Department) thorough review of the Company's Petition and recommendation to approve the transaction. Based on the Department's recommendation, we respectfully request that the Commission approve this transaction to ensure that the Buyer can proceed with development plans in a timely manner. However, we request that approval exclude the recommendation to conduct future land sales at Sherco through a competitive bidding process. While we understand the intent of the Department's recommendation, we believe that requiring a competitive bidding process for future land sales at Sherco

could significantly limit the benefits of potential future transactions for the City, the County, and our customers.

We respond to the Department's analysis and recommendations in the following sections.

## **REPLY COMMENTS**

### **A. Comments from the Minnesota Department of Commerce**

The Department was the only party to file comments about our Petition, and we appreciate their recommendation to the Minnesota Public Utilities Commission that the Commission 1) approve the instant transaction according to the terms and conditions stated in the Option Agreement, 2) approve the proposed accounting treatment of the sales revenue from the instant transaction so the gain can be passed on to customers as a one-time bill credit only for this transaction, and 3) grant a variance to Minn. R. 7825.1800, subpart B as it relates to information required under Minn. R. 7825.1400, subparts F through I.

We would like to take this opportunity to address an apparent discrepancy the Department noticed in the acreage of land being sold to Elk River Technologies, LLC; the unintentional omission of Minn. R. 7825.1400 subpart J; and the Department's recommendation that the Commission direct the Company to "develop a process whereby a significant majority of the future land parcels Xcel identifies would be sold via a competitive bid and the net gain from those sales returned to ratepayers as quickly as possible".

### **B. Apparent Discrepancy in Amount of Land Being Sold to Elk River Technologies, LLC at Sherco**

The gross area of the property is 348.30 acres. The 2019 and 2022 appraisals both reflect the correct gross area. There was a slight increase in the area encumbered by road right of way in the 2022 appraisal versus the 2019 appraisal, as the Company granted the City of Becker an additional easement for the construction of Energy Drive across the north side of the property in mid-September 2019. The property is part of a larger tax parcel with an area of approximately 472 acres. Attachment A contains further details.

### **C. Unintentional Omission of Minn. R. 7825.1400 subpart J**

In the Company's initial filing, we requested that the Commission grant a variance to Minn. R. 7825.1800, subpart B, as it relates to the information required under Minn. R. 7825.1400, subparts F through I. The Department's comments noted that we did not include subpart J in our variance request. We apologize for this oversight. We confirm we are requesting a variance to Minn. R. 7825.1800, subpart B as it relates to the information required under Minn. R. 7825.1400, subparts F through J.

#### **D. The Department's Recommendation to Develop a Competitive Bid Process for Future Land Parcels at Sherco**

The Department recommended that "the Commission direct the Company to develop a process whereby a significant majority of the future land parcels Xcel identifies would be sold via a competitive bid and the net gain from those sales returned to ratepayers as quickly as possible". We request that the Commission exclude this recommendation for several reasons.

First, the Company is committed to working in close coordination with the City of Becker and Sherburne County to attract economic development opportunities and ensure a just transition for local communities. We believe this is in line with the Commission's April 15, 2022 Order in Docket No. E002/RP-19-368, which requires the Company to work with stakeholders to mitigate harms to workers and to facilitate an equitable transition.<sup>1</sup> With a competitive bid process, there is the risk that the winning bid would not be from a buyer that the City, the County, neighboring businesses, the Company, or our customers would find desirable, because it does not fulfill the needs of the community in terms of economic development, job creation, or power use.

There is also the risk that the winning bidder could hold the land for speculative purposes, thereby leaving it vacant and unproductive for some period of time. If the land sits vacant and unproductive, this will result in forgone tax revenue for the City and the County, and lost job opportunities for local workers. With the impending closure of Sherco Generating Station Units 1 and 2 (in 2026 and 2023, respectively) and the projected closure of Unit 3 in 2030, the goal of the City and the County is to bring jobs, capital investment, and additional tax base to the area, so the community can remain strong and vibrant. Therefore, the Company believes it is critical for prospective buyers to be compatible with adjacent industries and operations, including the Company's environmental restrictions affecting the parcels. The benefit of the

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<sup>1</sup> DOCKET NO. E-002/RP-19-368, ORDER APPROVING PLAN WITH MODIFICATIONS AND ESTABLISHING REQUIREMENTS FOR FUTURE FILINGS, April 15, 2022.

Company's current approach to property sales is that the Company is able to partner with the City and the County to directly seek out businesses that meet all these needs, work with them through the due diligence process, and ensure that the land will be owned and operated by a business that is compatible with adjacent industries and operations.

Second, in addition to a prospective business meeting the needs of the City, the County, and the Company, it would be most beneficial for our customers if the new industry is a large power user. Having larger power users on the system naturally decreases bills for our residential customers due to cost-sharing. By engaging directly with prospective buyers, we are able to seek the best use for the land for our customers, in addition to meeting the needs of the community. Put differently, the value that our customers receive from these transactions is based on both the sale price we receive and the intended use of the land. For this reason, we want to have the continued flexibility to work with the City and the County in the pursuit of potential buyers that would use the land in ways that benefit our customers. We understand that we will continue to have the burden of demonstrating that the ultimate sale price is reasonable and prudent, which we have shown in this case with an appraisal.

Third, while competitive bidding for different assets generally results in a higher sale price, these sales at Sherco represent a unique situation where that may not, in fact, be true. This is because the land parcels the Company could sell are unique, and each transaction will likely be complex. As a result, potential buyers will need to conduct due diligence relating to the condition of the property, air quality, infrastructure, environmental issues, use restrictions, permits, governmental approvals, and other issues prior to determining what uses are possible. While a potential buyer could undertake some limited diligence prior to submitting a bid in a competitive process, it is unlikely that a buyer would complete the thorough analysis required to fully understand their risk; the diligence would be both time consuming and expensive, with no guaranty that the buyer would be successful in their bid. Therefore, we would expect that bids in a competitive process would actually be lower than what we could achieve working with a potential buyer, to reflect the risks relating to the potential use of the property. The benefit of the Company's current approach to the property sales is that the Company can directly seek out businesses that could use the property for the highest and best use, and work with them through the due diligence process to ensure that their intended use is possible so the buyer can support paying a higher price. Moreover, the Company understands that it will need to demonstrate that the sale price is reasonable with an appraisal or other evidence.

While the Company shares a common goal with the Department to sell the remaining land parcels as quickly as possible and for the highest value to the City, the County, and our customers, the drawbacks of a competitive bid process for land sales at Sherco, as noted above, far outweigh the stated benefits. Therefore, we respectfully request that the Commission exclude the recommendation to conduct future land sales at Sherco through a competitive bidding process. The Company is committed to proceeding with the sales as quickly as possible in a way that maximizes proceeds and benefits to the City, the County, and our customers.

### **CONCLUSION**

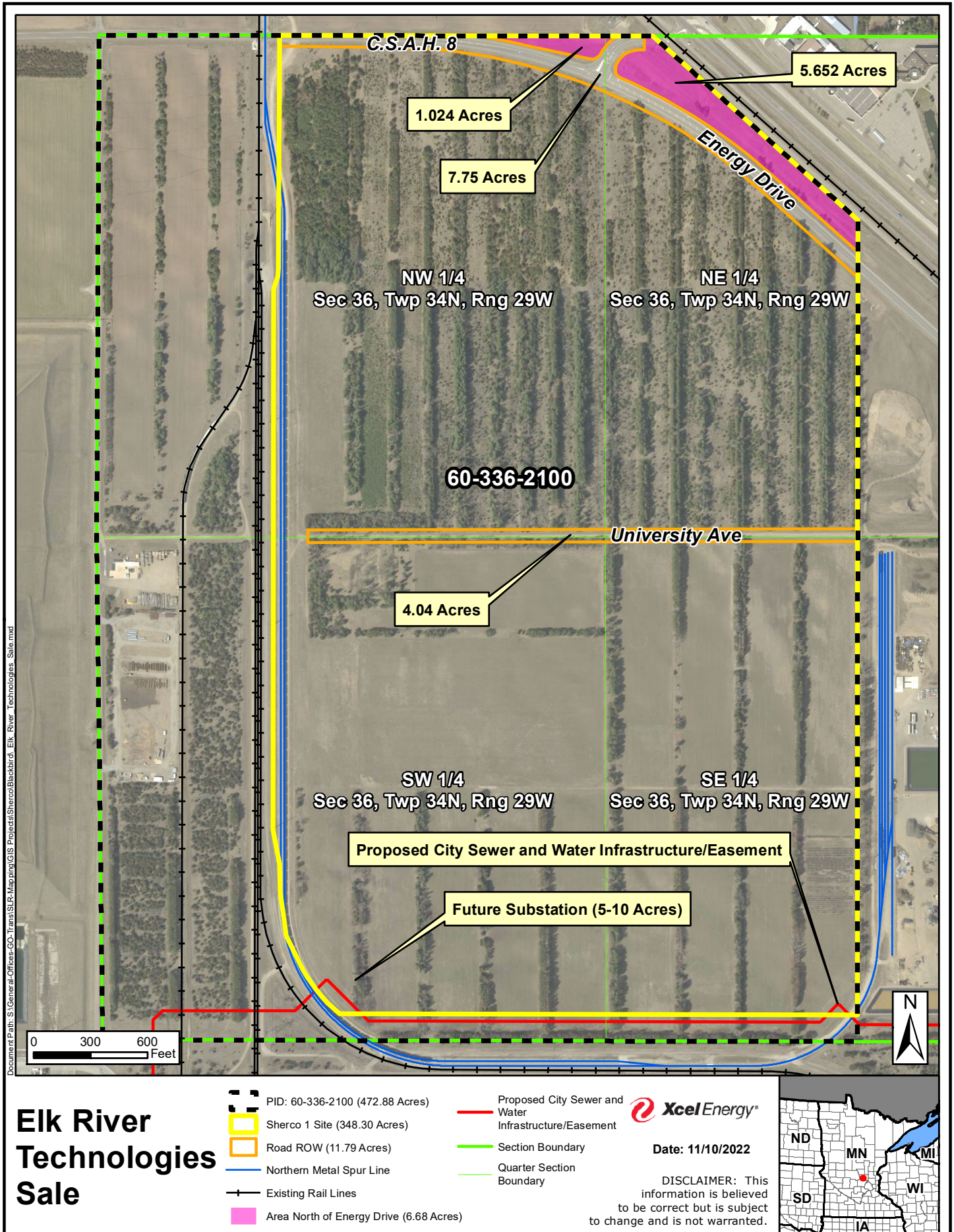
We appreciate the Department's thorough review and recommendations that the Commission 1) approve the instant transaction according to the terms and conditions stated in the Option Agreement, 2) approve the proposed accounting treatment of the sales revenue from the instant transaction so the gain can be passed on to customers as a one-time bill credit only for this transaction, and 3) grant a variance to Minn. R. 7825.1800, subpart B as it relates to information required under Minn. R. 7825.1400, subparts F through J. However, we request that the Commission not approve the Department's recommendation requiring the majority of future land sales at Sherco be subject to a competitive bidding process for the reasons we discussed above.

We respectfully request that the Commission approve this transaction to ensure that the Buyer can proceed with development plans in a timely manner.

Dated: November 14, 2022

Northern States Power Company





## CERTIFICATE OF SERVICE

I, Joshua DePauw, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped  
with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

**DOCKET No. E002/PA-22-489**

Dated this 14th day of November 2022

/s/

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Joshua DePauw



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