

November 21, 2022

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/PA-22-489

Dear Mr. Seuffert:

Attached are the supplemental comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition for Approval to Sell 348 Acres of Land at Sherco

Bria Shea, Regional Vice President with Northern States Power Company d/b/a Xcel Energy filed the petition on September 1, 2022.

The Department recommends the Minnesota Public Utilities Commission (Commission):

- Approve the instant transaction according to the terms and conditions stated in the Option Agreement.
- 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.
- Approve the Company's request for a variance.
- Require Xcel to develop and employ a process whereby a significant majority of the future land parcels Xcel identifies as surplus at the Sherco Generating Station would be sold via a competitive bid and the net gain from those sales returned to the ratepayers as quickly as possible.

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

/s/ HOLLY SODERBECK
Financial Analyst

JK/ja
Attachment



Before the Minnesota Public Utilities Commission

Supplemental Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/PA-22-489

I. INTRODUCTION

On September 2, 2022, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition (Petition) for Minnesota Public Utilities Commission (Commission) approval of the sale of 348 acres surplus land at its Sherburne County Generation Facility (Sherco) in Becker, Minnesota. The Company requested the Commission approve the transaction under Minn. Stat. § 216B.50. In addition, Xcel requested the Commission specifically:

- Approve the instant transaction according to the terms and conditions stated in the Option Agreement.¹
- Approve the proposed accounting treatment of the forecasted sales revenue from the instant transaction so the gain can on the sale of the land can be passed on to ratepayers as a bill credit.
- Approve a variance to Minn. R. 7825.1800, subpart B as it relates to information required under Minn. R. 7825.1400 subparts F through J.
- Consider possibilities for streamlining the approval process for such sales in the future while ensuring the Commission and other stakeholders have the opportunity for a thorough review.

On October 31, 2022, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments containing its analysis of the Company's request. The Department:

- Recommended the Commission approve the approve the terms and conditions included in the Option Agreement and the proposed accounting treatment of the forecasted sales revenue from the potential transaction as a one-time bill credit.
- Requested additional information regarding the Company's request for a variance and the exact amount of land being sold.
- Recommended Xcel develop an alternative process whereby some percentage of the surplus land holdings it identified be sold relatively quickly on a competitive basis.

The Department recommended the competitive-bid land sale process for a portion of the surplus land sales as an innovative mechanism for lowering customer bills.

¹ The counterparty to the Option Agreement is Elk River Technology LLC.

On November 14, 2022, Xcel filed Reply Comments. The Company supported the Department's recommendations to approve the Option Agreement and the proposed accounting related to the gain on the sale of the asset. Xcel also:

- Provided additional information regarding the exact amount of land that will be sold.
- Clarified its request for a variance to Minn. R. 7825.1800 subpart B as it relates to information required under Minn. R. 7825.1400, subpart F through J.
- Requested the Commission exclude the Department's request for the development of an alternative competitive bidding land sale process for a portion of surplus land identified.

II. ANALYSIS

The Department appreciates the information the Company provided concerning the parcel affected by the Option Agreement as well as the clarification of Xcel's request for a variance. The additional information and clarification resolve the Department's concerns regarding those two issues.

As to the Company's request the Commission exclude the Department's recommendation to develop an alternative, competitive process for disposing of surplus land, Xcel explained its commitment to the City of Becker and Sherburne County. The Company also identified the potential benefits associated with its economic development efforts.

The Department is supportive of Xcel's efforts to foment economic development in Becker and Sherburne County. At the same time, the Company's process for selling this surplus land appears to be both slow and cumbersome from a ratepayer perspective. Xcel identified the 348-acre parcel at issue in this docket as surplus in 2019. Yet the Department notes:

- It has taken the Company about three years (September 2019 to July 2022) to identify a "qualified" buyer.
- The proposed agreement is only an option to buy. Ratepayers have no assurance they will receive the gain on the potential sale Xcel discussed in the Petition.
- If Elk River Technologies, the "qualified buyer," does not exercise the option for another 18 months, the process for securing a buyer will have taken approximately five years.
- If Elk River Technologies waits until the end of the option period and decides not to exercise its option, the Company will have failed to have successfully market the property for five years.

The Company's efforts in this regard do not occur in a vacuum. Over the three and one half years that will have elapsed while this parcel has been marketed, the tentative option agreement concluded, and potential regulatory approval achieved, the estimated winter heating costs for a residential ratepayer

using natural gas in the United States will have increased by approximately 72% or 18% annually.² The same figure for a residential customer using electric heating is 21% or slightly over 5% annually.³ Electric and natural gas rates and bills have increased substantially in the past couple of years and will apparently continue to increase in the future due to a number of factors. The Department believes this situation merits the development of alternative means for reducing customer's rates and bills and that the development of a competitive bidding process for surplus land sales may be one small piece of that effort.

III. RECOMMENDATIONS

The Department recommends the Commission:

- Approve the instant transaction according to the terms and conditions stated in the Option Agreement.
- 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.
- Approve the Company's request for a variance.
- Require Xcel to develop and employ a process whereby a significant majority of the future land parcels Xcel identifies as surplus at the Sherco Generating Station would be sold via a competitive bid and the net gain from those sales returned to the ratepayers as quickly as possible.

² Energy Hardship Report, presented at the National Association of State Utility Consumer Advocates Annual Conference, November 13, 2022. www.nasuca.org/wp-content/uploads/2022/05/Wolfe-NEADA-Energy-Hardship-Report_Final.pdf

³ *Id.*

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Supplemental Comments**

Docket No. E002/PA-22-489

Dated this **21st** day of **November 2022**

/s/Sharon Ferguson

[illegible]

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|------------------|----------------------------------|--------------------------------------|---|--------------------|-------------------|-------------------------|
| John | Farrell | jfarrell@ilsr.org | Institute for Local Self-Reliance | 2720 E. 22nd St Institute for Local Self-Reliance Minneapolis, MN 55406 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Sharon | Ferguson | sharon.ferguson@state.mn.us | Department of Commerce | 85 7th Place E Ste 280 Saint Paul, MN 551012198 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Edward | Garvey | edward.garvey@AESLconsulting.com | AESL Consulting | 32 Lawton St Saint Paul, MN 55102-2617 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Adam | Heinen | aheinen@dakotaelectric.com | Dakota Electric Association | 4300 220th St W Farmington, MN 55024 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Michael | Hoppe | lu23@ibew23.org | Local Union 23, I.B.E.W. | 445 Etna Street Ste. 61 St. Paul, MN 55106 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Alan | Jenkins | aj@jenkinsatlaw.com | Jenkins at Law | 2950 Yellowtail Ave. Marathon, FL 33050 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Richard | Johnson | Rick.Johnson@lawmoss.com | Moss & Barnett | 150 S. 5th Street Suite 1200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Sarah | Johnson Phillips | sarah.phillips@stoel.com | Stoel Rives LLP | 33 South Sixth Street Suite 4200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Peder | Larson | plarson@larkinhoffman.com | Larkin Hoffman Daly & Lindgren, Ltd. | 8300 Norman Center Drive Suite 1000 Bloomington, MN 55437 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Kavita | Maini | kmainsi@wi.rr.com | KM Energy Consulting, LLC | 961 N Lost Woods Rd Oconomowoc, WI 53066 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|----------------|--------------------------------|--------------------------------------|--------------------------------------|--|--------------------|-------------------|-------------------------|
| Stacy | Miller | stacy.miller@minneapolisn.gov | City of Minneapolis | 350 S. 5th Street Room M 301 Minneapolis, MN 55415 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| David | Moeller | dmoeller@allete.com | Minnesota Power | 30 W Superior St Duluth, MN 558022093 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Andrew | Moratzka | andrew.moratzka@stoel.com | Stoel Rives LLP | 33 South Sixth St Ste 4200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| David | Niles | david.niles@avantenergy.com | Minnesota Municipal Power Agency | 220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Carol A. | Overland | overland@legalelectric.org | Legaletric - Overland Law Office | 1110 West Avenue Red Wing, MN 55066 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Generic Notice | Residential Utilities Division | residential.utilities@ag.state.mn.us | Office of the Attorney General-RUD | 1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131 | Electronic Service | Yes | OFF_SL_22-489_PA-22-489 |
| Kevin | Reuther | kreuther@mncenter.org | MN Center for Environmental Advocacy | 26 E Exchange St, Ste 206 St. Paul, MN 551011667 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Richard | Savelkoul | rsavelkoul@martinsquires.com | Martin & Squires, P.A. | 332 Minnesota Street Ste W2750 St. Paul, MN 55101 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Christine | Schwartz | Regulatory.records@xcelenergy.com | Xcel Energy | 414 Nicollet Mall FL 7 Minneapolis, MN 554011993 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Will | Seuffert | Will.Seuffert@state.mn.us | Public Utilities Commission | 121 7th PI E Ste 350 Saint Paul, MN 55101 | Electronic Service | Yes | OFF_SL_22-489_PA-22-489 |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|-----------|------------------------------|--------------------------------|--|--------------------|-------------------|-------------------------|
| Ken | Smith | ken.smith@districtenergy.com | District Energy St. Paul Inc. | 76 W Kellogg Blvd St. Paul, MN 55102 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Byron E. | Starns | byron.starns@stinson.com | STINSON LLP | 50 S 6th St Ste 2600 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| James M | Strommen | jstrommen@kennedy-graven.com | Kennedy & Graven, Chartered | 150 S 5th St Ste 700 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Eric | Swanson | eswanson@winthrop.com | Winthrop & Weinstine | 225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Lisa | Veith | lisa.veith@ci.stpaul.mn.us | City of St. Paul | 400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Joseph | Windler | jwindler@winthrop.com | Winthrop & Weinstine | 225 South Sixth Street, Suite 3500 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Kurt | Zimmerman | kwz@ibew160.org | Local Union #160, IBEW | 2909 Anthony Ln St Anthony Village, MN 55418-3238 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |
| Patrick | Zomer | Pat.Zomer@lawmoss.com | Moss & Barnett PA | 150 S 5th St #1200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_22-489_PA-22-489 |