

Staff Briefing Papers

Meeting Date March 21, 2024

Agenda Item 4**

Company Northern States Power Company d/b/a Xcel Energy
(Xcel or the Company)

Docket No. E-002/CN-23-212

In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation

- Issues
- 1) Should the Commission find the proposals complete under the requirements outlined in the revised Attachment C-Appendix A as found in Xcel's November 13, 2023 compliance filing?
 - 2) Should the Commission refer the matter to the Office of Administrative Hearings (OAH) for contested case proceedings?

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Relevant Documents

Date

Commission, Order Approving Petition	November 3, 2023
Xcel, Compliance Filing	November 13, 2023
Xcel, Cover Letter	January 22, 2024
Xcel, Bison Generating Station Proposal Summary	January 22, 2024
Xcel, Bison Generating Station Proposal Appendices A-D and B1-B3	January 22, 2024

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

**Relevant Documents****Date**

Xcel, Lyon County Proposal Summary	January 22, 2024
Xcel, Lyon County Proposal Appendices A-D and Appendix B	January 22, 2024
Xcel, Sherco West Bess Proposal Summary	January 22, 2024
Xcel, Sherco West Bess Appendices A-C and B	January 22, 2024
Xcel, Black Start Attributes and Needs	January 22, 2024
Invenergy, Lake Wilson Storage Proposal	January 23, 2024
Invenergy, Cannon Falls Proposal	January 23, 2024
Invenergy, Lake Wilson Proposal Figures 1-6	January 23, 2024
National Grid Renewables, Renewables Cover Letter and Summary Parts 1-3	January 22, 2024
National Grid Renewables, Plum Creek Wind and Storage Parts 4-7	January 22, 2024
National Grid Renewables, Harmony Solar and Storage Parts 4-7	January 22, 2024
NextEra, Parts 1-10	January 22, 2024
DESRI, North Star Energy Bid Document	January 22, 2024
DESRI, Bid Intake Form	January 22, 2024
DESRI, Bid Narrative	January 22, 2024
DESRI, Layout	January 22, 2024
DESRI, Interconnection Agreement	January 22, 2024
DESRI, Single Line	January 22, 2024
DESRI, Attachments 1, 2A, 2B, 2C	January 22, 2024
Onward Energy, Attachments 1-4	January 22, 2024
Onward Energy, Base Proposal	February 2, 2024
Onward Energy, Proposal 2	February 2, 2024
Onward Energy, Proposal 3	February 2, 2024
Invenergy, Comments and Supplemental Information	February 16, 2024
Department, Comments	February 20, 2024
Clean Grid Alliance, Comments	February 20, 2024
Xcel, Comments	February 20, 2024
Rondo, Reply Comments	February 27, 2024



Relevant Documents

Date

Xcel, Reply Comments

February 27, 2024

Xcel, Reply Comments Attachment A Parts 2-4

February 27, 2024

Onward, Letter

February 28, 2024

Onward, Reply Comments

March 1, 2024

Issue Statement

During its March 21, 2024, agenda meeting, the Commission will consider the following:

- 1) Should the Commission find the proposals complete under the requirements outlined in the revised Attachment C – Appendix A as found in Xcel’s November 13, 2023 compliance filing?
- 2) Should the Commission refer the matter to the Office of Administrative Hearings (OAH) for contested case proceedings?

SUMMARY

I. IRP Order

Xcel Energy’s 2020–2034 Integrated Resource Plan¹ (IRP) began with a proposal to replace the retiring coal-fired Sherco Units 2 and 1 in 2023 and 2026, respectively. To replace the units, Xcel initially proposed an approximately 800 MW natural gas combined cycle facility (the Sherco CC). However, following comments from the intervening parties and members of the public, Xcel withdrew those plans, and in the Company’s June 25, 2021 reply comments, the Company proposed the “Alternate Plan.” This Alternate Plan consisted of, among other things:

- company-owned transmission lines at the Sherco and Allen S. King plant sites, plus renewable resources added on the lines;
- approximately 400 MW of natural gas combustion turbines (CTs) in Lyon County, Minnesota and 400 MW CTs in Fargo, North Dakota; and
- two specific blackstart additions in Minnesota and Wisconsin by 2026.

The Commission’s April 15, 2022 Order (IRP Order) approved the renewable resources Xcel proposed in the Alternate Plan. However, due to concerns regarding Xcel’s load forecast and the Company’s arguments that new nonrenewable resources were required for system reliability, the Commission found that “it is more likely than not that Xcel will need up to 800 MW of generic firm dispatchable resources between 2027 and 2029.”²

Ordering paragraph 3.A. defined “firm dispatchable” as “a resource or combination of resources that is able to provide capacity and energy,” and ordering paragraph 3.B. identified five other characteristics of a firm dispatchable resource that may be considered depending on a refreshed analysis of Xcel’s system:

- 1) energy availability to meet load for extended durations of energy in the context of the system as a whole,

¹ Docket No. E-002/RP-19-368

² Commission order, p. 14.

- 2) the value from production capabilities during potential system restoration events of unknown duration,
- 3) environmental impacts,
- 4) costs, and
- 5) the ability to foster integration of renewable resources.

Ordering paragraph 6 established Xcel's requirements for acquiring firm dispatchable resources. Specifically, the Commission required that Xcel use the Track 2 process originally established in Xcel's 2005 IRP.³ The Commission's April 15, 2022 IRP Order defined the "Xcel-Bid Contested Case/Track 2" resource acquisition process as follows:

Track 2, or the Xcel-Bid Contested Case process, is a competitive process that applies when Xcel does intend to offer its own proposals. Under Xcel-Bid Contested Case/Track 2, Xcel solicits proposals to fill all or part of an identified need. The bids are then sent to a contested case process, allowing parties to file testimony, followed by an evidentiary hearing, briefs, an administrative law judge's recommendation, and ultimately a Commission determination.⁴

As Staff will discuss later in these briefing papers, the Department recommends the Commission not refer this matter to the OAH for contested case proceedings, and Xcel generally supports the Department's position. Invenergy supports a contested case.

On May 24, 2023, Xcel filed a Notice Petition requesting permission to initiate a competitive resource acquisition process to acquire up to 800 MW of firm dispatchable resources. The Commission approved Xcel's Notice Petition, along with an evaluation framework and Xcel's Applicant Guide and Filing Requirements, on November 3, 2013.

To accomplish the process in a timely manner, the Commission ordered the following procedural schedule:

- 1) November 13, 2023: Xcel Compliance Filing Submitted
- 2) November 22, 2023: Xcel Notice Published
- 3) January 22, 2024: Xcel and Interested Competitors File Proposals to Meet the Need
- 4) March 28, 2024: Commission Determination of Completeness, referral to the Office of Administrative Hearings (OAH), if warranted
- 5) October 25, 2024: Administrative Law Judge's Report, if referred to OAH
- 6) December 19, 2024: Commission Decision on Competitive Process

At this stage of the proceeding, the Commission will address step (4).

³ Docket No. 04-1752.

⁴ Commission order, p. 5.

II. November 3, 2023 Order and Xcel's November 13, 2023 Compliance Filing

As mentioned above, the Commission's November 3, 2023 Order approved the following:

- The timeline in the previous subsection;
- Xcel's revised resource attributes matrix with additional modifications;
- Xcel's applicant guide and filing requirements;
- Xcel's evaluation process phases; and
- Xcel's notice with modifications.⁵

The Commission additionally required Xcel to file a compliance filing with the approved portions and required modifications. On November 13, 2023, Xcel submitted the compliance filing. Xcel noted that the Scoring Attribute Matrix in the Order placed the Environmental Justice Factors of the Candidate Portfolios in Phase 1, but the scoring in this phase is not made on a portfolio basis. As such, the Company added the Environmental Justice Factors to the filing requirements and stated they believe this "better captures the Commission's intent."⁶ Xcel made other minor changes to edit the applicant guide and notice for clarity and record alignment.

In its December 20, 2023 comments, the Department stated they agreed with the modification to the matrix described above and additionally noted there were three other metrics listed in phase 1 in the Order but included as phase 2 in the compliance filing:

1. Xcel ID No. 49; Commission ID No. 54—demonstrated capability to provide voltage control/support through registration in MISO Markets to provide Spinning or Regulating Reserves;
2. Xcel ID No. 50; Commission ID No. 55—demonstrated capability to provide frequency regulation through registration in MISO Markets to provide Spinning or Regulating Reserves; and
3. Xcel ID No. 51; Commission ID No. 56—demonstrated capability to provide spinning reserve through registration in MISO Operating Reserves Market.⁷

The Department contacted Xcel to discuss the discrepancies, and Xcel explained that the metrics had been moved from phase 1 to 2 in their August 25, 2023 reply comments in response to concerns from the Clean Energy Organizations. Xcel stated that while the metrics were listed in phase 1 in the Commission Order, the Order approved the metrics as found in the reply comments with additional modifications, meaning they should be in phase 2. The Department agreed with the modification. Staff also agrees the metrics should be in phase 2 and appreciate Xcel correcting the error as found in the Order's attachment.

⁵ Commission Order, November 3, 2023, Order Points 1, 2, 3, 4, 7, 8.

⁶ Xcel Compliance Filing, November 13, 2023, p. 2.

⁷ Department Comments, December 20, 2023, p. 1.

III. Bid Submissions

On January 22, 2024, the Company and six other parties filed various proposals to meet the identified need for 800 MW of firm dispatchable resources in the 2027-2029 timeframe. Table 1 summarizes the bids by type, size, and location. Additional information is included under the Project Bids section.

Table 1. Summary of Bids

Developer	Bid	Project Type	Size	Location
DESRI	North Star Solar BESS	4-hour battery	50 MW	Chisago County, Minnesota
DESRI	North Star Solar BESS	4-hour battery	80 MW	Chisago County, Minnesota
Invenergy	Lake Wilson Solar	Solar plus storage	170 MW	Murray County, Minnesota
Invenergy	Cannon Falls Thermal Energy Center	Natural gas CT	357 MW	Cannon Falls, Minnesota
NG Renewables	Harmony Solar Plus Storage	Solar plus storage	200 MW solar, 200MW storage	Cass County, North Dakota
NG Renewables	Plum Creek Wind Plus Storage	Wind plus storage	230 MW wind, 150 MW storage	Redwood, Murray, and Cottonwood Counties, Minnesota
NextEra	Solar plus storage	Solar plus storage	Trade Secret	Trade Secret
NextEra	Wind plus storage	Wind plus storage	Trade Secret	Trade Secret
NextEra	Surplus storage	Surplus storage	Trade Secret	Trade Secret
Onward	Trade Secret CT	Natural Gas CT	Trade Secret	Minnesota
Rondo	Sherco BESS	Long-duration thermal battery	Trade Secret, flexible	Sherburne County, Minnesota
Xcel	Bison CT	Natural gas CT	447 MW	North Dakota
Xcel	Lyon County CT	Natural gas CT	420 MW	Lyon County, Minnesota
Xcel	Sherco BESS	Long-duration battery	58 MW	Sherburne County, Minnesota

IV. Issues for the Commission

On January 26, 2024, the Commission issued a *Notice Seeking Comment* on two issues:

- 1) whether the Commission should find the proposals complete, and
- 2) whether the Commission should refer the matter to the OAH for contested case proceedings.

On the first issue, the Department was the only party to conduct a thorough completeness review. This was largely because the Department is the only party with access to trade secret

bid information; Xcel noted this fact and stated that the Department is best positioned to comment on completeness.

Regarding referral to the OAH, the Department and Xcel prefer the traditional comment process, not contested case proceedings. Staff notes that since the Commission's procedural schedule established under its November 3, 2023 Order contemplates an ALJ report, the Commission will have to set, or direct the Executive Secretary to set, comment periods.

PROJECT BIDS

As indicated by the table in the previous section, the following bidders filed proposals to compete with Xcel's bids:

- DESRI Renewable Energy Development, LLC, an affiliate of D. E. Shaw Renewable Investments (DESRI);
- Invenergy LLC (Invenergy);
- National Grid Renewables (NG Renewables);
- NextEra Energy Resources Development, LLC (NextEra);
- Onward Energy Holdings (Onward);
- Rondo Energy, Inc. (Rondo); and
- Xcel.

I. Xcel Energy

A. *Bison Project*

One of Xcel's proposals is to construct 2 x 210 MW natural gas combustion turbine (CT) generators and 3 x 9 MW Reciprocating Internal Combustion Engines (RICE), for a total of 447 MW. The CT generators would be designed to co-combust up to 30% hydrogen upon initial operation. The proposed facilities would be located adjacent to Xcel Energy's Bison substation in Cass County, North Dakota, with an in-service date of September 2028.

B. *Lyon County CT*

A second bid also consists of 2 x 210 MW natural gas CTs, and like Bison, would be designed to co-combust up to 30% hydrogen upon initial operation. The proposed facilities would be located in Lyon County, Minnesota, near the proposed Terminal Substation associated with the Minnesota Energy Connection project. The proposal has an in-service date of December 2027.

C. *Sherco BESS*

A third bid includes a 58 MW, long-duration battery energy storage system (BESS) adjacent to and interconnected with the Company's planned Sherco Solar Generating System in Sherburne County, Minnesota. The submittal also analyzes a 300 MW 4-hour BESS at the same location.

II. DESRI

DESRI proposes to add either a 50 MWac/200MWh or 80 MWac/320 MWh BESS to the North Star Solar Project in Chisago County. They are targeting a COD of January 2027. The project is being bid as a separate tolling agreement structure and would require an amendment to the existing North Star Solar PPA.⁸

III. Invenergy

A. Lake Wilson

Invenergy offers firm capacity from the Lake Wilson Solar Energy Center (Lake Wilson Solar), a solar-plus-storage facility located within Xcel's service territory in southwestern Minnesota. Lake Wilson Solar is a 150 MW PV facility with up to a 95 MW, 380-MWh battery, which together consists of up to 170 MW of firm dispatchable generation.

Lake Wilson Solar has a Generation Interconnection Agreement (GIA) with MISO for 150 MW for the Solar Facility and 20 MW for the BESS. An additional 75 MW is under consideration for the BESS under MISO's Surplus Interconnect process.

This solar-plus-energy project will be a new-build resource and is currently under review for a Certificate of Need and Site Permit.⁹ The proposed in-service date for the Project is December 31, 2027.

B. Cannon Falls

The Cannon Falls Thermal Energy Center is an existing gas-fired peaking capacity facility with a nameplate capacity of 357 MW located in Cannon Falls, Minnesota. The facility was commissioned in April 2008 and the energy generated from the facility is currently sold to Xcel. Invenergy Cannon Falls' existing PPA with Xcel expires May 31, 2028, so Invenergy Cannon Falls proposes extending the current contract.

The Cannon Falls Thermal Energy Center consists of two dual-fuel simple cycle CTs. The primary fuel is natural gas but can utilize low sulfur distillate fuel oil as a backup. This proposal is to extend the existing contract with Xcel Energy to continue to supply low-cost and reliable energy and capacity to Minnesotans from an existing asset, without the need to add more thermal capacity to the grid.

IV. NG Renewables

⁸ DESRI Bid narrative, January 22, 2024, p. 3.

⁹ Docket Nos. IP-7070/CN-21-791, GS-21-792

A. Harmony Solar Plus Storage Project

One of NG Renewable's proposals is for 200 MW of solar and a 200 MW/800MWh battery storage asset located in Cass County, North Dakota. The project has a potential COD of Q4 2027.¹⁰

B. Plum Creek Wind Plus Storage Project

NG Renewable's other proposed project is for 230 MW of wind and a 150 MW/600MWh battery storage asset located in Redwood, Murray, and Cottonwood Counties in Minnesota. The project has a potential COD of Q4 2027.¹¹

V. NextEra

NextEra proposes a solar plus storage project, a wind plus storage project, and a surplus storage project, for a total of three proposals. The sizes, locations, and CODs were listed as trade secret.¹²

VI. Onward Energy

Onward proposes an extension to an existing PPA with Xcel and marked the proposed generation unit as trade secret. Onward explained that this facility can operate on natural gas and liquid fuel and stated that they would work with Xcel to provide energy from a hydrogen-blended fuel source should hydrogen become available to the site.¹³

Onward additionally proposes two black start alternatives, for a total of three proposals. The second proposal contains all elements of the base proposal and also have diesel black start capability. The third proposal similarly builds on the base proposal by incorporating a BESS black start.

VII. Rondo Energy

Rondo proposes a thermal heat battery at the Sherco site. Rondo proposes a specific, trade-secret size, but stated that because their energy technology is modular, they could potentially size the project in accordance with Minnesota's system-wide needs.¹⁴ Rondo explained that their long-duration heat batteries charge over approximately 4-6 hours and can delivery energy over multiple days and have a 40+ year life. The COD is listed as trade secret.

10 NG Renewables Cover Letter, January 22, 2024, p. 1.

¹¹ *Id.*

¹² NextEra Part 5 Xcel Proposal, January 22, 2024, at 2.

¹³ Onward Base Proposal, February 2, 2024, pp. 1-2.

¹⁴ Rondo Proposal, January 22, 2024, pp. 1-2.

ISSUE #1: COMPLETENESS OF PROPOSALS

The first issue listed in the Notice is “The completeness of Xcel Energy’s and alternative bidders’ resource proposals under the requirements outlined in the revised Attachment C-Appendix A, filed as part of Xcel’s November 13, 2023, compliance filing.”

I. Department

The Department’s completeness comments do not reflect any views on the merits of the bids, but rather the presence or absence of required information.

The Department identified missing information in all of the proposals and asked that each bidder provide in reply comments the information identified as missing or note whether such information may not apply to the bids offered.

Staff’s understanding of the Department’s review is summarized in the table below. The table lists the number of items identified as missing in each bid, as well as whether the party supplemented their bid. As shown, not all parties filed reply comments with supplemental information, so the Commission will need to decide whether these proposals cannot advance or if a brief amount of time should be allowed for parties to supplement their bids.

Table 2. Department's Analysis of Completeness

Party	Missing Information	Did party supplement its proposal?
Invenergy	2 items for Cannon Falls, 2 items for Lake Wilson	Yes
Onward	7 items, incl. O&M and fuel info, climate change analysis, workforce and diverse supplier factors	Yes
Rondo Energy	6 items, incl. land and water use	Yes
Xcel	6 items, incl. forecasting and capacity descriptions	Yes
DESRI	13 items, incl. maintenance & min. load, climate change analysis, water use, energy justice factors	No
NG Renewables	- 10 items for Harmony, incl. O&M info, performance factors, scheduling provisions, climate change analysis, env. justice factors - 7 items for Plum Creek, incl. O&M info, scheduling provisions, climate change analysis, env. justice	No
NextEra	21 items for each of the 3 projects	No

II. Xcel

As mentioned above, Xcel believes the Department should be the party trusted to ensure completeness because they had access to Trade Secret information in each of the parties' initial filings."¹⁵ Further, Xcel noted:

Not all proposals included a completeness checklist, and several parties filed some (or all) of the information describing their respective proposals as Trade Secret information. While the Company is working with the parties to obtain access to the Trade Secret information, we do not have the necessary information at this time to fully assess completeness.¹⁶

III. Staff Comment

Staff defers to the Department's thorough completeness review for whether bids included all required information. Staff notes that the Department did not file a response confirming

¹⁵ Xcel comments, p. 3.

¹⁶ Xcel comments, p. 2.

whether bids supplemented in reply comments should now be considered complete. The lone exception is Invenergy's bids, which were supplemented prior to the Department's February 20, 2024 comments. Similar confirmation was not received for Xcel's, Rondo's, and Onward's bids.

Because DESRI, NG Renewables, NextEra did not respond to the Department's request for more information, the Commission could either:

- 1) Find those projects to be incomplete (and they would not advance for further evaluation), or
- 2) Allow parties additional time to file information identified by the Department as missing.

Decision Options 1.a.-1.g. list each developer and their bid(s) so the Commission can make completeness determinations by party. As noted above, Xcel, Invenergy, Onward, and Rondo Energy filed supplemental information, but DESRI, NG Renewables, and NextEra did not.

Decision Option 2 is a Staff option that would allow these bidders a short amount of time to supplement their bids:

2. Allow 7 days from the agenda meeting for parties to respond to the Department's request for additional information as found in the Department's February 20, 2024, comments.

ISSUE #2: REFERRAL TO OAH FOR CONTESTED CASE PROCEEDINGS

The second issue listed in the Notice is "Should the Commission refer the matter to the Office of Administrative Hearings (OAH) for contested case proceedings?" In short, Invenergy recommended that the Commission refer this matter to OAH, while the Department does not. Xcel indicated that it supports the Department's position but is prepared to move forward with contested case proceedings.

I. Party Comments

The Department does not request Commission referral for contested case proceedings:

At this time the Department does not have any contested issues of fact. Therefore, the Department does not request the Commission refer the matter to OAH for a contested case proceeding.¹⁷

¹⁷ Department comments, p. 12.

The Department also recommends that Xcel provide an initial evaluation of all proposals as comments or direct testimony, then parties can respond to Xcel's findings:

The Department also recommends the process be structured so that Xcel analyzes the bids deemed complete in comments or direct testimony and for other parties to then respond to Xcel's evaluation in a subsequent round of analysis.

Finally, the Department asked Xcel to indicate in reply comments how much time would be required for the Company to evaluate the proposals. Xcel responded that "it will be able to complete evaluations of the proposals and present its findings by August 30, 2024."¹⁸

Invenergy recommends the Commission refer the matter to the OAH:

Due to the competitiveness and complexity of these proposals, this matter should be referred to the Office of Administrative Hearings for contested case proceedings.¹⁹

Xcel recognized that the IRP Order "required use of the Xcel-Bid Contested Case/Track 2 process in this proceeding," but stated it would not oppose use of a different process so long as the Commission could make a final decision by December 2024. Xcel's reply comments supported the Department's recommendation to move forward under a typical comment period process, not contested case proceedings.

The Company also agreed with the Department that Xcel should "analyze portfolios of resources to meet the identified need under the process,"²⁰ and Xcel can present its final evaluations of the proposals by August 30, 2024.

II. Staff Comment

A. Track 2 vs. Modified Track 2

The IRP Order required Xcel to use the "Xcel-Bid Contested Case process" to acquire firm dispatchable resources, so it is unclear to Staff at this time if the Department's recommendation not to have a contested case aligns with the IRP Order. Pages 2-3 of Appendix A of the IRP Order list the steps of the Track 2 process. In the excerpt below, Staff lists Steps II.A. – II.F., with Step E. (contested case) in bold. In the italicized parentheses, Staff provides relevant dates for each step that have been taken thus far.

II. Xcel-Bid Contested Case/Track 2 Process

¹⁸ Xcel reply comments, p. 3

¹⁹ Invenergy initial comments and supplemental information, p. 2.

²⁰ Xcel reply comments, p. 4.

This is a competitive resource acquisition process with the framework of a Certificate of Need type process in which alternative proposals to Xcel's preferred option are considered. This process applies when Xcel proposes to build its own generating facility and for all baseload resource needs. The main steps of this track are as follows.

A. The Commission issues a resource plan order identifying the size, type, and timing of the resource needs. *(The IRP Order was issued on April 15, 2022.)*

B. The Commission sets the date to initiate the competitive process. *(The Commission's November 3, 2023 Order initiated the process.)*

C. On the date specified by the Commission, Xcel submits its detailed filing for approval of its preferred resource (such as through a Certificate of Need, a filing containing Certificate of Need quality information for an out-of-state resource, a petition for approval of a power purchase agreement for a baseload resource, or combinations of such filings.) *(The Commission's November 3, 2023 Order specified that Xcel and Interested Competitors shall file proposals by January 22, 2024.)*

D. On the same date as Xcel's submission described in Step C, interested competitors (or alternative projects) provide their proposals in similar Certificate of Need-like detail. *(See Step C.)*

E. A contested case (Certificate of Need-like proceeding) is conducted, returning findings and recommendations to the Commission.

F. The Commission considers the developed record and issues its decision. *(Per the Commission's November 3, 2023 Order, the Commission expects to issue a decision by December 19, 2024.²¹)*

It appears the Department and Xcel prefer a resource acquisition process akin to the Commission's Modified Track 2, which is an Xcel-led process that was developed in Xcel's 2015 IRP proceeding to expeditiously acquire wind and solar (due to expiring production tax credits, or PTCs). While the Department does not explicitly recommend using Modified Track 2, in support of its position not to refer the matter to OAH, the Department cites Xcel's recent solar RFP docket (Docket No. 22-403) and development transfer acquisition docket (Docket No. 23-342) – both of which followed Modified Track 2 – as “the standard process in recent RFPs.”²²

²¹ Ordering paragraph 6 delegates authority to the Executive Secretary to modify deadlines.

²² Department comments, p. 13, including footnote 18.

It is worth noting that Xcel requested in the IRP to use the Modified Track 2 process to acquire one of the nonrenewable projects bid into this docket,²³ but the Commission declined to do so. Regardless, because Xcel proposes nonrenewable resources to compete against alternative proposals of various fuel types and sizes, Staff believes that an appropriate model for this type of resource acquisition is the Track 2 contested case employed in 2013-14.²⁴ This proceeding culminated in the selection of Xcel's Black Dog 6 project, Calpine's Mankato 2 PPA, and Geronimo's Aurora Solar PPA. Staff notes that the matter was referred to the OAH on June 21, 2013, and Commission hearings on resource selection were held on March 25 and 27, 2014.

B. Rationale for the Comment Process

The Department's rationale for not using a contested case – in other words, the reason why the Commission should proceed with the typical comment process – stems from the Department having no contested issues of fact. However, while the Department may have no facts to contest, there were certainly issues in the IRP that were left unresolved and expected to be addressed by the current firm dispatchable docket. These include but are not limited to: Xcel's resource need, whether Xcel's system requires incremental firm dispatchable capacity (versus relying on the existing thermal fleet), and the reliability attributes of renewable resources paired with storage.

To be clear, Staff believes there are merits to using the typical comment process, and there is no requirement that CN applications for generating resources must go to a contested case. Moreover, the Commission is not precluded from making slight variations to its own Track 2 process; the Commission may prefer the comment process if it believes it can satisfactorily resolve all questions regarding the prudence of the various competitive proposals without a contested case.

Still, Staff believes there are important benefits to a contested case proceeding worth considering:

- An ALJ can evaluate the highly competitive nature of the bids and provide independent recommendations to ensure a level playing field. As Staff understands the Department's proposed structure, regardless of whether a contested case or comment process is used, Xcel would evaluate proposals and parties would respond to Xcel's analysis. However, Staff has concerns about Xcel gaining significant control over the quantitative analysis of proposed projects, including the Company's own proposals. Under the























²³ On page 28 of Xcel's June 25, 2021 reply comments, Xcel stated, "we request that the Commission approve the use of the Modified Track 2 process for the following acquisition proceedings: Solar and wind resources that utilize the transmission interconnection at Sherco; Solar resource that utilize the transmission interconnection at King; **Approximately 400 MWs of CTs in Lyon County to connect to the transmission interconnection at Sherco**; and Any wind or solar additions needed before the next resource plan."

²⁴ Docket No. 12-1240.

Modified Track 2 process, Xcel is required to use an independent auditor to check the Company's work and ensure fairness and transparency overall. By not referring this matter to a contested case, the record would be developed without an independent auditor or an ALJ overseeing the process.

- The Commission may benefit from expert testimony on highly technical, complex issues. It is already known from the IRP that Xcel believes thermal peaking generation, like CTs, are needed, while "variable and use-limited resources such as wind, solar and battery energy storage"²⁵ cannot provide essential reliability services and energy availability. For example, Xcel created the following figure in its IRP Supplement to illustrate its position, which was contested by the Clean Energy Organizations' reliability expert in the IRP (thus contributing to the Commission's decision to pursue Track 2).

Figure 1. Xcel's Resource Attributes Mapped to Resource Types

		Resource Types	Firm Traditional – Baseload	Firm Traditional – Intermediate or Peaking	Variable Renewables	Fast-Burst Balancing	Transmission Solutions
Resource Attributes	Response Duration & (Frequency of Need)	Examples	Coal, Nuclear, Biomass, Run-of-river Hydro	CC, CT	Standalone Wind, Solar	DR, Standalone Battery Storage	Synchronous condensers, HVDC, Static Var Compensators
Essential Reliability Services	Minutes – Milliseconds (Continuous)	Spinning reserve, inertial response, frequency regulation, voltage control	 				
Flexibility	Minutes – Hours (Daily)	Ramp rates, cycling, minimum runtime					
Energy Availability	Hourly - Multiday (Continuous)	Long duration availability, secure fuel supply					
Black Start	Minutes – Hours (Infrequent, emergency only)	Starts and runs on zero load, secure fuel supply	 				

In a contested case proceeding, other parties' technical experts may be able to provide greater scrutiny to Xcel's reliability analysis (and vice versa) than through a standard comment process.

²⁵ Docket No. 19-368, Xcel Supplement, Attachment A, p. 94.

- The ALJ can provide recommendations on contested legal issues. For example, since Xcel proposes two nonrenewable resources, in order for Xcel's bids to be approved, the Commission will have to determine that a renewable resource is not in the public interest.²⁶ Several other statutory and regulatory requirements for this proceeding will apply as well. An ALJ report could be helpful when making a public interest determination.

Xcel agrees with the Department that a different process might be preferable by emphasizing "moving forward in an expedient and efficient manner." Staff agrees with Xcel's preference for an efficient process, and it is possible that a comment process could be faster. However, Staff does not assume that this would necessarily be the case. One could argue that a contested case would be less vulnerable to extension requests and rounds of supplemental modeling often filed in IRP or IRP-like dockets. Moreover, if contested material facts arose during the comment process, the docket might nonetheless have to be referred to a contested case at a later date, causing delay.

Also, Staff notes that the Commission's November 3, 2023 Order required that an ALJ report be issued by October 25, 2024, so a Commission decision can be reached in December 2024. Xcel stated in reply comments that it cannot complete bid evaluations until August 30, 2024, and parties would file comments after.

If party comments do not begin until after Xcel's bid evaluation in August 2024, it does not seem realistic that a Commission decision can be reached sooner than December 2024. With no comment periods suggested at this point, it is difficult to assess how a contested case proceeding may be slower and less efficient than a comment process.

C. Comment Periods

The table below shows the procedural schedule established by the Commission's November 3, 2023 Order. Staff notes that the ALJ Report would be received by October 25, 2024, but if there is no referral to the OAH, no procedural requirements (e.g., comment periods) exist between March 28 and December 19, 2024.

²⁶ Minn. Stat. 216b.2422, subd. 4 states: "The commission shall not approve a new or refurbished nonrenewable energy facility in an integrated resource plan or a certificate of need, pursuant to section 216B.243, nor shall the commission allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy facility, unless the utility has demonstrated that a renewable energy facility is not in the public interest . . ."

Table 3. Schedule Set in November 3, 2023 Order

Date	Action
November 22, 2023	Notice Published
January 22, 2024	Proposals to Meet the Need filed in Docket
March 28, 2024	Commission Determination of Completeness, referral to the Office of Administrative Hearings, if warranted ²⁷
October 25, 2024	Administrative Law Judge Report, if referred
December 19, 2024	Commission decision on competitive process

The Department recommends that “Xcel analyzes the bids deemed complete in comments,” and parties can respond in subsequent analysis. To add specificity to this recommendation, the Commission may need to set comment periods, and to meet the previously-established December 19, 2024 decision on resource selection, Staff created Decision Option 4.

First, the Commission can consider **Decision Option 3**, which would refer this matter to the OAH for contested case proceedings, and under this option, the ALJ can set deadlines for testimony.

Alternatively, **Decision Options 4.a. – 4.c.** offer possible comment periods that work from two important dates: 1) the Commission’s decision by December 19, 2024, and 2) Xcel’s ability to complete an evaluation of bids by August 30, 2024. Because Xcel’s bid evaluation would be considered initial comments, Staff believes it would be appropriate to have two subsequent rounds of comment, so Decision Option 4 would read as follows:

4. Do not refer the matter to OAH for a contested case proceeding.
 - a. Require Xcel Energy to complete evaluations of the proposals and present its findings by August 30, 2024. *(Staff’s interpretation of Department’s recommendation)*
 - b. Set comment deadlines on Xcel’s evaluation of:
 - i. initial comments – September 30, 2024
 - ii. reply comments – October 31, 2024
 - iii. supplemental comments – November 15, 2024. *(Staff option)*

²⁷ While the November 3, 2023 scheduling order states “Refer to OAH, if applicable,” Staff interpreted “if applicable” to mean if there are no competing bids.

- c. Delegate authority to the Executive Secretary to modify comment periods.

Staff notes that under either scenario, the Department recommends initial comments/direct testimony be reserved for Xcel's proposal evaluation. The next section will discuss how the Commission could guide that evaluation.

D. Proposal Evaluation

If the process is to be structured such that Xcel evaluates the bids and parties subsequently respond, the Commission may wish to provide guidance to Xcel on how the projects will be evaluated. Generally speaking, Staff believes the evaluation should identify the least-cost package of proposals that also meets Xcel's need for firm dispatchable resources. However, it is unclear at this time if Xcel intends to compare its own bids specifically to each of the other bids, or if Xcel intends to examine multiple combinations of proposals from various bidders.

In the 2013-14 Track 2 proceeding, Xcel and the Department ran capacity expansion modeling considering combinations of bids to meet the Commission's identified need. For example, in direct testimony, Xcel provided a table ranking the top 20 combinations of bids that fit the size and timing identified in the referral order. For illustrative purposes only, Staff shows the top 5 in the excerpt below:

Table 5. Docket No. 12-1240, Xcel's Top 5 Proposal Combinations in Strategist

	Selected Bids	Total Long Term Capacity	2013-2050 PVSC \$millions	Difference From Plan 1
Plan 1	Inverenergy Cannon Falls - 2016 - 150MW Black Dog 6 - 2018 - 208MW	358 MW	\$45,366	
Plan 2	Calpine Mankato - 2017 - 278MW Black Dog 6 - 2019 - 208MW	486 MW	\$45,368	+ \$1.8
Plan 3	GRE Short Term - 2016 - 100MW Red River Valley 1 - 2018 - 208MW Black Dog 6 - 2019 - 208MW	416 MW	\$45,368	+ \$2.2
Plan 4	Inverenergy Cannon Falls - 2016 - 150MW GRE Short Term - 2016 - 100MW Black Dog 6 - 2019 - 208MW	358 MW	\$45,371	+ \$5.1
Plan 5	Black Dog 6 - 2017 - 208MW Red River Valley 1 - 2018 - 208MW	416 MW	\$45,375	+ \$9.0

There are currently no decision options requiring this kind of analysis, but the Commission may wish to outline how Xcel should present its findings.

OTHER ISSUES

The third issue in the Notice invited parties to offer "Any other completeness or initial

procedural issues that should be addressed before the review process and the evaluation of the merits begin.”

Clean Grid Alliance (CGA) proposed three additional options for consideration:

- Place a 50% self-build cap for Xcel;
- Require that Xcel cannot charge ratepayers for overage costs above their bid price; and
- Conduct cost prudence evaluation of a proposal before accepting.

CGA argued that Xcel’s proposal to meet the identified with company-owned, natural gas generation puts ratepayers in a position of excessive risk. CGA also noted that Xcel is required to provide its Minnesota customers with 100% carbon-free electricity by 2040. Therefore, CGA requests the Commission consider requiring that company-ownership be capped, and if Xcel is permitted to build and own new fossil fuel generation, ratepayers are not charged for overages above the bid price. Finally, CGA asks the Commission to ensure that proposals are evaluated for cost prudence before accepting them as complete.

In reply comments, Xcel opposed CGA’s recommendations for three main reasons:

- Adopting a cap on the number of self-build proposals that can be selected would unnecessarily restrict the proceeding and the Commission’s review of the proposals.
- Capping the costs of self-build projects is premature and would apply only to Xcel.
- It is unclear how the Commission would conduct a prudency evaluation before the projects are accepted. Prudency is typically reviewed after a project has been constructed and the utility has requested cost recovery.

The Commission also received four comments from members of the public. Public commenters generally support reusing the Sherco site, and two raised concerns about building transmission and generation in Lyon County.²⁸ There was also support for referring the matter to a contested case.²⁹

²⁸ Ethel Donnay Comments, February 13, 2024, at 2. Pat Schlanger Comments, February 12, 2024, at 1.

²⁹ Kelly Suggs, February 8, 2024, at 1. Erin Gutwasser, February 8, 2024, at 1.

DECISION OPTIONS

Issue #1: Completeness

1. Find the following projects complete:
 - a. DESRI Renewable Energy Development, LLC Investments (DESRI)
 - b. Invenergy
 - i. Cannon Falls
 - ii. Lake Wilson Solar
 - c. National Grid Renewables
 - i. Harmony solar plus storage
 - ii. Plum Creek wind plus storage
 - d. NextEra Energy Resources Development, LLC
 - i. solar plus battery hybrid project;
 - ii. wind plus battery hybrid project; and
 - iii. surplus storage project.
 - e. Onward Energy Holdings
 - f. Rondo Energy, Inc.
 - g. Xcel Energy
 - i. Bison
 - ii. Lyon County
 - iii. Sherco West BESS

Staff notes that Xcel, Onward, and Rondo each submitted reply comments with additional information in response to the Department's initial evaluation of completeness. The Department found Invenergy's proposal to be complete as of its February 16, 2024 comments. The Department recommended additional information from DESRI, National Grid, and NextEra, which has not been filed as of the submission of this paper. Decision Option 2 would give parties additional time to file completeness data.

2. Allow 7 days from the agenda meeting for parties to respond to the Department's request for additional information as found in the Department's February 20, 2024, comments before proceeding as outlined below. *(Staff option)*

Issue #2: Referral to OAH

3. Refer the matter to OAH for a contested case proceeding.
4. Do not refer the matter to OAH for a contested case proceeding. *(Staff note: Option 4 would require the Commission to set, or delegate authority to the Executive Secretary to set, comment periods.)*
 - a. Require Xcel Energy to complete evaluations of the proposals and present its findings by August 30, 2024. *(Staff's interpretation of Department's recommendation)*
 - b. Set comment deadlines on Xcel's evaluation of:
 - i. initial comments: September 30, 2024
 - ii. reply comments: October 31, 2024
 - iii. supplemental comments: November 15, 2024. *(Staff option)*
 - c. Delegate authority to the Executive Secretary to modify comment periods.

Other Issues: Clean Grid Alliance Recommendations

5. Place a 50% self-build cap for Xcel in this Request for Proposals.
6. Require that Xcel cannot charge ratepayers for overage costs above their bid price.
7. Conduct cost prudence evaluation of proposal before accepting.