

June 29, 2015

PUBLIC DOCUMENT

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/M-15-515

Dear Mr. Wolf,

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

Northern States Power Company d/b/a Xcel Energy's Request for Approval to Share Proceeds from the Sale of Renewable Energy Credits with Customers.

The request was filed on May 28, 2015 by:

Paul J. Lehman
Manager, Compliance and Filings
Xcel Energy
414 Nicollet Mall
Minneapolis, Minnesota 55401

The Department recommends approval with modifications and is available to answer any questions the Commission may have.

Sincerely,

/s/ SUSAN L. PEIRCE
Rates Analyst

SLP/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E002/M-15-515

I. BACKGROUND INFORMATION

On May 8, 2001, the Minnesota Public Utilities Commission (Commission) issued its *Order Approving Biomass Power Purchase Agreement and Requiring Annual Reporting* (Docket No. E002/M-00-1169) in which the Commission approved Xcel's Power Purchase Agreement (PPA) with FibroMinn L.L.C. The PPA was entered into to satisfy Minn. Stat. §216B.2424 [Biomass Mandate] requiring Xcel to obtain generation from 125 MW of biomass facilities.

On October 15, 2012, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition seeking Commission approval of a proposal to sell renewable energy credits (RECs) and split the proceeds with ratepayers. (Docket No. E002/M-12-1132, referred to herein as Docket 12-1132). In Docket 12-1132, the Company requested approval to sell excess RECs and share the proceeds from the sale on an 85/15 percent split between ratepayers and the Company.

On May 17, 2013, the Commission issued its *Order Setting Procedures for Future Proposals* in Docket 12-1132. The Commission ordered Xcel to return 100 percent of the proceeds from REC sales to ratepayers through the Company's RES Rider unless the Commission makes a specific determination to allow the proceeds to be shared between the Company and ratepayers. The Commission permitted Xcel to request sharing of any REC sale proceeds in a future filing, and set forth the filing requirements.

On May 28, 2015, Xcel filed its current request for approval to share the proceeds of its sale of FibroMinn RECs with 85 percent of the proceeds returned to ratepayers through the RES Rider, and the remaining 15 percent retained by the Company.

II. SUMMARY OF THE FILING

FibroMinn is a 55 MW biomass facility located near Benson, Minnesota that generates electricity by burning poultry litter. North Carolina's renewable energy standard requires that a portion of electricity be produced using poultry litter. On March 30, 2015, Xcel sold 20,000 RECs to a North Carolina utility for the utility's use in meeting its North Carolina RES requirement. Xcel stated that the sale price was [TRADE SECRET DATA HAS BEEN EXCISED] for total proceeds of [TRADE SECRET DATA HAS BEEN EXCISED]. The transfer fee assessed by the Midwest Renewable Energy Tracking System (M-RETS) for the transaction was \$100.

Xcel proposed to share 85 percent of the net proceeds of the sale with ratepayers through the RES Rider, and retain 15 percent for the Company. The Company stated that the REC sale has no impact on its ability to meet its RES requirement in the future, and consequently, Xcel has no need to replace the RECs.

According to Xcel, an 85/15 sharing is consistent with other states. South Dakota permits the Company to retain 10 percent of the revenue generated from REC sales, while Colorado allows between 10 and 20 percent depending on the type of REC deal. Consequently, the Company maintained that its request to retain 15 percent of the proceeds from the REC sale is reasonable.

III. DEPARTMENT ANALYSIS

Minn. Stat. §216B.1691, Subd. 4(e) prohibits Xcel from selling RECs to an electric utility subject to the Minnesota RES until 2021. In this instance, the Company sold RECs to a North Carolina utility for use in meeting the North Carolina RES requirements. Consequently, Xcel's sale of the FibroMinn RECs complies with Minnesota statutes.

The Department opposes Xcel's request to keep a portion of the proceeds of its sale of FibroMinn RECs for the benefit of the Company and its shareholders. In past dockets, the Commission has required that utilities return the proceeds from any REC sales to ratepayers. In Docket 12-1132, the Commission stated that it "concurs with the Department that any proceeds from REC trading presumptively belong to the ratepayers who paid for the credits in the first place." Because ratepayers have borne all the costs for renewable energy, ratepayers should receive the all of the proceeds from the REC sale associated with that renewable energy.

Ratepayers have borne the cost of paying for FibroMinn since 2001, and should receive the benefit of the sale of RECs from that facility. Moreover, the cost of energy from the FibroMinn PPA is significant in comparison to other renewable energy alternatives. According to Xcel's most recent compliance filing in Docket No. E002/M-00-1169 (Trade Secret Attachment A), Xcel customers pay [TRADE SECRET DATA HAS BEEN EXCISED] for energy from the FibroMinn facility.

The Department's analysis in Xcel's recent IRP indicates that the Company has sufficient RECs to meet its RES requirement through 2030. Consequently, the Department does not expect Xcel will need to replace the sold FibroMinn RECs. While the Department appreciates Xcel's efforts to undertake the REC sale, the high sale price for the RECs is a reflection of North Carolina's requirement for RECs from poultry litter generation and the small supply of such RECs. Given the price ratepayers have paid since 2001 for this generation, the Department recommends that ratepayers receive 100 percent of the benefit from the REC sale.

IV. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission require Xcel to return 100 percent of the net proceeds from the sale of FibroMinn RECs to ratepayers through its RES Rider.

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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
Public Comments**

Docket No. E002/M-15-515

Dated this 29th day of June 2015

/s/Sharon Ferguson

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