

August 17, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Reply Comments of the Minnesota Department of Commerce,
Division of Energy Resources**
Docket No. E002/M-15-619

Dear Mr. Wolf:

On June 25, 2015, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) petitioned the Minnesota Public Utilities Commission (Commission) for approval of a Power Purchase Agreement (PPA) for solar power between Xcel and Best Power International, LLC (Seller or Best Power).

Following its review of the proposed PPA, the Division of Energy Resources of the Minnesota Department of Commerce (Department) filed comments (Comments) on July 21, 2015 recommending approval, with modifications, of portions of the Petition, and requested that Xcel complete the record in Reply Comments.

On August 6, 2015, Xcel filed reply comments (Reply Comments) responding to the Department's request to complete the record.

Based on the Department's review of the Reply Comments, the Department identified one outstanding issue.

The issue at hand relates to the Department's recommendation on page 10 of our July 21, 2015 comments:

The Department notes that section 4.1.g of the proposed PPA states:

No later than 60 days following the Effective Date of this Agreement, Seller shall conduct a Phase I environmental investigation of the Site and shall provide Company with a copy of the report summarizing the Phase I environmental investigation of the Site, together with any data or information generated pursuant to such investigation. The report shall include disclosure of any Environmental Contamination identified in the investigation and confirm that such Environmental Contamination has been remediated or is capable of being remediated and that the Site remains appropriate for its intended use by Seller. Seller shall promptly inform Company if due to any Environmental Contamination Seller is constrained in a way that will limit, reduce, interfere with or preclude Seller's ability to perform its obligations under this PPA, along with a statement of whether and to what extent this circumstance may limit or preclude Seller's ability to perform under this PPA. Seller shall provide Company with written

recommendations to overcome any such issue(s) that would allow Seller to fully perform under this PPA. Seller shall promptly disclose to Company the presence of any such Environmental Contamination or the existence of any to such alleged violation or alleged presence of Environmental Contamination.¹

The Department recommends that Xcel discuss in reply comments whether and to what extent there are circumstances that may limit or preclude Best Power's ability to perform under the proposed PPA...

In response, Xcel stated that it "does not believe that it is appropriate to speculate on the project's potential problems."² However, Xcel's response indicates that the Company misunderstood the Department's comments.

As explained in the Comments, the Department's recommendation was based on our review of Section 4.1(g) of the proposed PPA, quoted in our comments and above.

In an attempt to expedite the process, the Department sent Xcel an email on August 7, 2015 stating in part:

Please note that the Department was not asking Xcel to speculate on the project's potential problems. The Department's recommendation was based on our review of Section 4.1(g) of the proposed PPA.

As reproduced in the Department's July 21, 2015 comments at 9, Section 4.1(g) requires Best Power to provide by July 11, 2015 a copy of a report including "disclosure of any Environmental Contamination identified in the investigation and confirm that such Environmental Contamination has been remediated or is capable of being remediated and that the Site remains appropriate for its intended use by Seller. Seller shall promptly inform Company if due to any Environmental Contamination Seller is constrained in a way that will limit, reduce, interfere with or preclude Seller's ability to perform its obligations under this PPA, along with a statement of whether and to what extent this circumstance may limit or preclude Seller's ability to perform under this PPA. Seller shall provide Company with written recommendations to overcome any such issue(s) that would allow Seller to fully perform under this PPA..."

On August 14, 2015, Xcel responded:

Sorry for the delay in getting back to you and thank you for the clarification on what you were looking at. Best Power did provide an environmental assessment and the conclusion reached is as follows:

¹ Source: Proposed PPA at 12, included with Xcel's June 25, 2015 petition and available at: <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={454A5537-9968-4E46-A527-41BC40076A22}&documentTitle=20156-111763-01>

² Source: Xcel's August 6, 2015 reply comments at 3.

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This assessment has revealed no evidence of recognized environmental conditions in connection with the Site. So we believe that requirement of the PPA has been taken care of.

The Department notes that it is important for Xcel to be fully aware of, to monitor, and to communicate with the Department and the Commission about inherent risks in RDF PPAs, since those risks and costs are ultimately borne by ratepayers.

Based on the record to date, the Department recommends approval of the proposed PPA and recommends that the Commission remind Xcel to be more cognizant of its responsibilities with PPAs.

Consistent with Minn. Stat. §216B.1645, and past Commission practice, the Department recommends that the Commission authorize Xcel to recover the Best Power PPA's combined energy and capacity costs through the FCA.

The Department also recommends that the Commission require Xcel to offset its recovery of costs by any revenues Xcel receives from any and all sources as a result of this PPA. To this end, the Department recommends that the Commission require Xcel to report in its annual automatic adjustment reports on whether Xcel obtains any revenue from any source as a result of the PPA and to itemize any such revenues by source and amount.

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

Sincerely,

/s/ SAMIR OUANES
Public Utilities Rates Analyst

SO/lt
Attachment

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
Response Comments**

Docket No. E002/M-15-619

Dated this 17th day of August 2015

/s/Sharon Ferguson

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|-------------|-----------|---|------------------------------------|--|--------------------|-------------------|------------------------|
| Christopher | Anderson | canderson@allete.com | Minnesota Power | 30 W Superior St Duluth, MN 558022191 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Julia | Anderson | Julia.Anderson@ag.state.mn.us | Office of the Attorney General-DOC | 1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134 | Electronic Service | Yes | OFF_SL_15-619_M-15-619 |
| Alison C | Archer | alison.c.archer@xcelenergy.com | Xcel Energy | 414 Nicollet Mall FL 5 Minneapolis, MN 55401 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| James J. | Bertrand | james.bertrand@leonard.com | Leonard Street & Deinard | 150 South Fifth Street, Suite 2300 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Michael | Bradley | mike.bradley@lawmoss.com | Moss & Barnett | 150 S. 5th Street, #1200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Jeffrey A. | Daugherty | jeffrey.daugherty@centerpointenergy.com | CenterPoint Energy | 800 LaSalle Ave Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Ian | Dobson | ian.dobson@ag.state.mn.us | Office of the Attorney General-RUD | Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Sharon | Ferguson | sharon.ferguson@state.mn.us | Department of Commerce | 85 7th Place E Ste 500 Saint Paul, MN 551012198 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Michael | Hoppe | il23@mtn.org | Local Union 23, I.B.E.W. | 932 Payne Avenue St. Paul, MN 55130 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Alan | Jenkins | aj@jenkinsatlaw.com | Jenkins at Law | 2265 Roswell Road Suite 100 Marietta, GA 30062 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| | | | | | | | |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|-----------|------------------------------|---------------------------------------|--|--------------------|-------------------|------------------------|
| Richard | Johnson | Rick.Johnson@lawmoss.com | Moss & Barnett | 150 S. 5th Street Suite 1200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Mark J. | Kaufman | mkaufman@ibewlocal949.org | IBEW Local Union 949 | 12908 Nicollet Avenue South Burnsville, MN 55337 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Thomas | Koehler | TGK@IBEW160.org | Local Union #160, IBEW | 2909 Anthony Ln St Anthony Village, MN 55418-3238 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Michael | Krikava | mkrikava@briggs.com | Briggs And Morgan, P.A. | 2200 IDS Center 80 S 8th St Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Douglas | Larson | dlarson@dakotaelectric.com | Dakota Electric Association | 4300 220th St W Farmington, MN 55024 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| John | Lindell | agorud.ecf@ag.state.mn.us | Office of the Attorney General-RUD | 1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130 | Electronic Service | Yes | OFF_SL_15-619_M-15-619 |
| Pam | Marshall | pam@energycents.org | Energy CENTS Coalition | 823 7th St E St. Paul, MN 55106 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Andrew | Moratzka | apmoratzka@stoel.com | Stoel Rives LLP | 33 South Sixth Street Suite 4200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| David W. | Niles | david.niles@avantenergy.com | Minnesota Municipal Power Agency | Suite 300 200 South Sixth Street Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Richard | Savelkoul | rsavelkoul@martinsquires.com | Martin & Squires, P.A. | 332 Minnesota Street Ste W2750 St. Paul, MN 55101 | Electronic Service | No | OFF_SL_15-619_M-15-619 |

| 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_15-619_M-15-619 |
| Ron | Spangler, Jr. | rlspangler@otpc.com | Otter Tail Power Company | 215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Byron E. | Starns | byron.starns@leonard.com | Leonard Street and Deinard | 150 South 5th Street Suite 2300 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| James M. | Strommen | jstrommen@kennedy-graven.com | Kennedy & Graven, Chartered | 470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| Eric | Swanson | eswanson@winthrop.com | Winthrop Weinstine | 225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| SaGonna | Thompson | Regulatory.records@xcelenergy.com | Xcel Energy | 414 Nicollet Mall FL 7 Minneapolis, MN 554011993 | Electronic Service | No | OFF_SL_15-619_M-15-619 |
| 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_15-619_M-15-619 |
| Daniel P | Wolf | dan.wolf@state.mn.us | Public Utilities Commission | 121 7th Place East Suite 350 St. Paul, MN 551012147 | Electronic Service | Yes | OFF_SL_15-619_M-15-619 |