

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

May 1, 2017

**In the Matter of the Petition of Xcel Energy for
Approval of the Acquisition of Wind Energy**

Docket No. E002/M-16-777

**INITIAL COMMENTS OF
FRESH ENERGY, MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY,
SIERRA CLUB, AND WIND ON THE WIRES**

Fresh Energy, Minnesota Center for Environmental Advocacy, Sierra Club, and Wind on the Wires (together, the Clean Energy Organizations) submit these initial comments in response to the Commission's April 7, 2017 Notice of Comment Period.

**I. XCEL ENERGY'S PROPOSED WIND ADDITION IS CONSISTENT WITH THE
INTEGRATED RESOURCE PLANNING ORDER.**

The Clean Energy Organizations were parties to Xcel Energy's 2016 – 2030 Integrated Resource Plan (IRP) and supported Xcel's proposed wind additions in that process. As part of that process, the Commission ordered that:

It is reasonable [for Xcel Energy] to acquire at least 1000 MW of wind by 2019. Acquisition of greater than 1000 MW may be approved upon submission of evidence such as price, bidder qualifications, rate impact, transmission availability, and location.¹

The Commission also determined that "[t]he proper mix of purchased power and Company-owned resources shall be determined during the resource acquisition process."² The

¹ Order Approving Plan with Modifications and Establishing Requirements for Future Resource Plan Filings, Docket No. E-002/RP-15-21, January 11, 2017 at 10, ¶ 3.

² *Id.* at 11, ¶ 5.

proposed acquisition of 1,550 MegaWatts (MW) of new wind is consistent with these Order points. Xcel has provided the information such as price, bidder qualifications, rate impact, transmission availability, and location to support its proposal. Of the 1,550 MW, Xcel proposes that 750 MW will be “Self-Build” and that the remaining 800 MW will be acquired through combinations of build-own transfers and power purchase agreements. Xcel provided the supporting information necessary to demonstrate that this mix of ownership and purchased power is appropriate. The proposed addition is therefore consistent with the Commission’s Order from the IRP process, which was based on years of analysis and record development.

In addition to the modeling and analysis underpinning the resource planning proceeding and Commission Order, Xcel Energy performed additional economic analysis of the proposed addition of 1,550 MW. Its analysis demonstrates that “[u]nder either a PVSC or PVRR view, the proposed wind portfolio provides significant benefits. In fact, all projects provide significant cost savings to our customers, both individually and as a portfolio, even under the conservative sensitivity cases studied.”³ This will result in overall lower bills for customers soon after initial operation.⁴ Xcel’s proposal will result in net societal benefits of over \$2.3 billion and net customer bill savings of approximately \$1.6 billion.⁵ These customer benefits are possible because of the current low wind prices and the Commission should approve this proposal in order to take advantage of these “sale” prices and allow Xcel customers to benefit as a result.

The Clean Energy Organizations support Xcel’s proposed addition of new wind resources as consistent with the IRP proceeding and the analyses underlying both the IRP proceeding and as updated for this filing.

³ Supplement Wind Generation Acquisition, Docket No. E002/M-16-777, March 16, 2017 at 44.

⁴ *Id.* at 53.

⁵ *Id.* at 2.

II. PROJECT PRICES SUPPORT APPROVING AT LEAST 1,550 MW.

Xcel received bids totaling close to 10,000 MW of nameplate capacity wind. More than 30 responses were below \$22/MWh on a levelized cost of energy basis.⁶ Xcel successfully negotiated with three bidders for projects totaling 800 MW.⁷ Given the robust response to the Request for Proposals (RFP) and the historically low prices of wind, the Clean Energy Organizations support approval of the proposed 1,550 MW of wind as a *minimum* amount of wind that should be built as a result of this RFP. Moreover, the Clean Energy Organizations would encourage the Commission to consider including a finding that Xcel Energy could, within its discretion, petition the Commission for approval of additional projects from this RFP.

Xcel had projects drop out of the process after being placed on the shortlist, and Xcel was unable to successfully negotiate with one of the backup projects it identified.⁸ Xcel noted the truncated negotiation time in its Supplement petition due to one of the shortlist projects withdrawing at a relatively late date and its commitment to the timeline established in the RFP,⁹ which may have led to failure of or difficulty in negotiations. It is possible, however, that additional projects could provide benefits to Xcel's system and customers at these historically low prices. With additional time, it is possible that Xcel could bring additional projects to the Commission for approval. The IRP Order found *at least* 1,000 MW to be reasonable by 2019, and Xcel's modeling supported the addition of 1,800 MW to its system over the entire planning period.¹⁰ The Clean Energy Organizations therefore request that the Commission find that Xcel may petition for approval of additional projects.

⁶ *Id.* at 6.

⁷ *Id.* at 7.

⁸ *Id.* at 11.

⁹ *Id.*

¹⁰ Staff Briefing Papers, Docket No. E-002/RP-15-21, Sept. 29, 2016 at 11.

III. XCEL ENERGY SHOULD IDENTIFY ADDITIONAL BACKUP PROJECT(S) IN REPLY COMMENTS.

Two backup projects were identified by Xcel Energy in case the negotiations with the shortlisted projects were not successful. One of these backup projects, Clean Energy #1, was ultimately selected as is now included in the 750 MW that Xcel is asking the Commission to approve. The other backup project is not public, but in the event that the Commission is not inclined to approve all of the projects in Xcel's proposed portfolio, the Clean Energy Organizations request that Xcel indicate in Reply Comments whether it is prepared to go forward with the backup project that was not selected. Alternatively, or in addition, the Clean Energy Organizations request Xcel to identify additional project or projects that could take the place (assuming negotiations were successful) of one or more of the proposed projects should implementation fail.

With bids in hand for thousands of MW of potential projects that were not selected, and given the fact that 30 of those projects were bid for less than \$22/MWh, it seems likely that there are additional projects that could make it through the negotiation process. Identifying the most likely projects to be "next in line" as well as the current viability of those projects in Reply Comments will provide valuable information in considering whether additional projects should be considered either in addition or in lieu of the currently proposed projects.

IV. RECOMMENDATIONS.

Fresh Energy, Minnesota Center for Environmental Advocacy, Sierra Club, and Wind on the Wires recommend that the Commission:

- Approve the 1,550 MW portfolio of wind resource additions as proposed by Xcel Energy;
- Find that additional projects submitted as responses to Xcel Energy's RFP may be

- cost-effective additions to Xcel's system and allow Xcel to petition for Commission approval of additional projects within its discretion; and
- Require Xcel to notify the Commission if, for any reason, one or more of the projects in its proposed portfolio fall through. The notification shall identify a list of alternative projects that could replace the lost capacity.

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