

March 11, 2019

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

**RE: Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources  
Docket Nos. E002/M-19-39 and E002/M-19-60**

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides these reply comments to address further information from Northern States Power Company, doing business as Xcel Energy (Xcel or Company) regarding a “negative check-off proposal” as to further acquisitions of renewable resources.

The Department concludes that Xcel’s proposed “negative check-off proposal” as modified, should provide reasonable ratepayer protections.

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve the Petition with the conditions specified herein and in the Department’s February 15, 2019 comments**. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ STEVE RAKOW  
Analyst Coordinator

SR/jl  
Attachment

On January 10, 2019 Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) filed the Company's Petition of Northern States Power Company for Approval of Contracts for Provision of Electric Service to Google's Minnesota Data Center Project (Petition). The Petition requests that the Minnesota Public Utilities Commission (Commission) approve:

- the Retail Electric Service Agreement (ESA) between Xcel and Honeycrisp Power LLC, an affiliate of Google LLC (Google);
- the Company's renewable sourcing plan;
- cost recovery through the relevant ratemaking mechanism of the costs and expenses associated with obtaining the renewable energy required by the renewable sourcing plan throughout the term of the ESA;
- the Competitive Rate Response Rider Agreement (CRR Agreement) between Xcel and Google;
- the requested ratemaking treatment for the difference between the negotiated rate under the ESA and CRR Agreement and the standard rate;
- amendments to the Competitive Rate Response Rider tariff (CRR Tariff);
- the Agreement for Retail Electric Service at Transmission Voltage (IA) between Xcel and Google; and
- the requested ratemaking treatment of Xcel's costs associated with the facilities used to provide retail service to Google's Becker data center at transmission voltage.

On January 25, 2019 the Commission issued its Notice of Comment Period (Notice) requesting comments by February 15, 2019, with reply comments due March 4, 2019.

On February 15, 2019, the Department filed comments recommending that the Commission approve the petition with modifications. For example, while the Department concluded that Xcel's proposal was generally in the public interest, an exception was the renewable sourcing plan for future additions. The Department noted the vague nature of Xcel's renewable sourcing plan as being insufficient and thus recommended that the Commission take no action on Xcel's request for a Commission pre-determination that the costs associated with future renewable sourcing would be recoverable in the future. The Department also recommended various conditions to protect Xcel's ratepayers.

The Department stated the following on pages 12 and 13 of our Comments:

In this case, the Company has not provided the support needed for the assurance of cost recovery requested. Specifically, Xcel should provide the following information regarding future resource acquisitions:

- how the quantity of additional clean energy and/or clean capacity resources needed to serve obligations under the proposed ESA would be calculated;
- how the size, type, and timing of the required additions would be determined;
- what process would be used to find the specific projects available to fill the size, type, and timing identified by the Company;
- what criteria would be used to evaluate the specific projects determined to be available;
- what criteria would be used to identify and evaluate the financial, operational, and other risks that are present in any resulting power purchase agreement, build-transfer agreement, or traditional Company-developed and owned project;
- what protections Xcel would have in place to ensure that its other ratepayers are not harmed in such acquisitions; and
- at what points in the process the Company would inform the Commission of actions taken and the role the Commission would have, if any.

On March 4, 2019, Xcel filed reply comments in response to these concerns. Overall on page 3, the Company stated:

Should we need to add additional resources during the initial term of the ESA, the Company intends to evaluate those needs in concert with its current resource plans and determine if projects already planned at the time of the need arising can conform to the terms of the ESA or if new projects need to be developed. In light of the flexibility provided under the ESA, we believe that each time new resources are needed to meet our obligations under the ESA they should be evaluated under the circumstances that are arising at that time.

Xcel also stated on page 4 that they “do not view the project selection process for Google to be significantly different than what [Xcel] would do for any project acquisition process.” The Company discussed various aspect of their resource acquisition process and proposed the following on page 5 of their comments:

Commission oversight of our resource acquisitions is necessary to help ensure that the Company is prudently meeting its obligations under the ESA. Because we require flexibility in our ability to meet our sourcing obligations under the ESA and time will be of the essence, we would propose a negative check-off Commission review, much like used to be in place for C-BED projects and currently in place for contract amendments with community solar garden developers. Under this procedure, the Company will file with the Commission its resource acquisition proposal after the resource has been selected and all contracts have been negotiated. If the Department or other parties wish to have further Commission review of the acquisition they can file comments requesting such additional review. However, if no

additional process is requested, the resource acquisition would be deemed approved by the Commission after thirty days.

The Department concludes that Xcel's proposed "negative check-off proposal" should provide reasonable ratepayer protections on condition that any negative check-off filing by Xcel contain information regarding:

- a Google-specific renewable energy credit forecast;
- how the size, type, and timing of the need were determined;
- the process (request for proposals, informal review, etc.) used for identifying the proposed project and how it was carried out; and
- Xcel's evaluation of the factors that differentiated the proposed project from others (such as cost, interconnection queue, environmental impact, risks, etc.).

Thus, the Department recommends that the Commission approve the Petition with the condition above and the conditions specified in the Department's February 15, 2019 comments, and provided here for ease of reference.

The Department recommends that the Commission:

- approve the proposed ESA with the condition that Xcel offer similar, renewable sourcing for other large, high load factor customers that commit to bringing new or expanded load of similar size to the Company's system,
- approve the proposed CRR Tariff language regarding changing the minimum demand threshold and changing the maximum duration,
- approve Xcel's IA on condition that Xcel offer similar interconnection pricing structures to other large, high load factor customers that commit to bringing new or expanded load to the system of similar size,
- require Xcel to provide an update of the rate case incremental cost and benefit analysis in future rate cases where the Company includes costs and revenues related to Google,
- approve Xcel's request to reflect the CRR value in the test year for future rate cases, with the accounting recommended in the Department's February 15, 2019 Comments,
- require Xcel to provide in future rate cases when Xcel is including costs and revenues related to Google an update to both the overall Incremental Cost and Benefit Analysis and the Rate Case Incremental Cost and Benefit Analysis as recommended in the Department's February 15, 2019 Comments,
- approve Xcel's proposed recovery of the interconnection costs and of Xcel's requested one-time waiver of Xcel's tariff provisions related to customer contributions for the interconnection of Google,

- require Xcel to make a compliance filing showing how other ratepayers would not be harmed and demonstrating that the change would not result in double recovery of costs,
- require Xcel to keep the Commission fully informed if the Company exercises options under the agreements,
- approve Xcel's proposed FCA recovery treatment for Google, with the protection that a net loss would require a review in the annual fuel clause review with a recovery determination made at that time,
- approve the proposed clean energy plan to use two wind PPAs, one with Dakota Range III, LLC and another to be announced, for purposes of Xcel's energy obligations to Google under the proposed ESA,
- approve the proposed clean capacity plan of not adding clean capacity at this time with future additions to be reviewed by the Commission,
- approve Xcel's request to "procure the additional renewable resources necessary to comply with its obligations under the ESA,"
- approve Xcel's proposed "negative check-off proposal" for future renewable resource acquisitions, on condition that any negative check-off filing by Xcel contain information regarding:
  - o a Google-specific renewable energy credit forecast;
  - o how the size, type, and timing of the need were determined;
  - o the process (request for proposals, informal review, etc.) used for identifying the proposed project and how it was carried out; and
  - o Xcel's evaluation of the factors that differentiated the proposed project from others (such as cost, interconnection queue, environmental impact, risks, etc.).

## **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  
Reply Comments**

**Docket No. E002/M-19-39 and E002/M-19-60**

**Dated this 11<sup>th</sup> day of March 2019**

**/s/Sharon Ferguson**

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