

Staff Briefing Papers

Meeting Date	May 14, 2019	Agenda Item *2
Company	Xcel Energy (Xcel or the Company)	
Docket No.	E002/M-18-765	
	In the Matter of the Petition by Northern States Power Company, d.b.a. Xcel Energy, for Approval of a Power Purchase Agreement with Dakota Range III, LLC for 151.2 MW of Wind Generation	
Issues	Should the Commission approve a Power Purchase Agreement (PPA) between Xcel Energy and Dakota Range III, LLC for the 151.2 MW Dakota Range III wind facility?	
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Relevant Documents

Date

Xcel Energy, <i>Petition</i>	December 13, 2018
Department of Commerce, <i>Comments</i>	March 4, 2019
Xcel Energy, <i>Reply Comments</i>	March 14, 2019
Department of Commerce, <i>Response to Reply Comments</i>	April 23, 2019

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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.

I. Statement of the Issues

Should the Commission approve a Power Purchase Agreement (PPA) between Xcel Energy and Dakota Range III, LLC for the 151.2 MW Dakota Range III wind facility?

II. Background

A. Relationship to the Google Data Center Docket

References to “the C&I customer”

Xcel filed its Dakota Range III petition on December 13, 2018, about one month prior to the Company’s petition for approval of three agreements with Google for a proposed data center in Becker, Minnesota. This was also before Xcel could reveal that the wind resource was sought as part of an electric service contract with Google; therefore, the Dakota Range III petition refers to Google as “the C&I customer” and the Sherco site (where the data center is planned to be located) as “the C&I site.”

However, the record eventually affirms that Google is the C&I customer. In Xcel’s March 14, 2019 reply comments, for instance, Xcel noted:

The Dakota Range III PPA was acquired to meet the terms of the recently approved Retail Electric Service Agreement (ESA) with Google.¹

Similarly, the Department’s initial comments also refer to Google as “the C&I customer,” but in its April 23, 2019 supplemental comments, the Department refers to Google.

The “Renewable Sourcing Plan”

In the Google petition Xcel filed in Docket Nos. 19-39 and 19-60, the Company outlines its “renewable sourcing plan,” which refers to the clean capacity and energy obligations under the ten-year electric service agreement (ESA) with Google. Under the terms of the ESA, Xcel agreed to procure 300 MW of renewable energy, sufficient to produce Renewable Energy Credits (RECs) that, in aggregate, can be retired in amounts that are equal to or greater than the data center’s expected energy use for each annual period of the ten-year service agreement.

Notably, it was Xcel’s decision to procure an amount of 300 MW of incremental wind generation for its renewable sourcing plan. This amount aimed to balance Xcel’s long-term compliance with the ESA with its current access to low-cost wind that could capture the benefits of the wind Production Tax Credit (PTC). Importantly, the data center’s load is expected to grow over time as facilities on the data center campus are regularly upgraded and expanded. This means that the renewable sourcing plan is not targeted to the first year of the data center’s operation, but rather takes into account a range of load growth scenarios over the ten-year term of the ESA. Xcel noted in the Google petition, for instance:

¹ Xcel reply comments, at 3.

As our relationship with Google matures and we have a clearer understanding of the load and usage over time, we will be able to determine how best to meet the renewable sourcing requirements.²

Dakota Range III is the first of what could be several renewable resources that will be used to source the data center's electric consumption, and it is one of two approximately 150 MW, PTC-available wind projects that will comprise the initial, 300 MW renewable sourcing plan. (Xcel has not yet filed a petition for approval of a second 150 MW wind PPA.)

Of course, there is uncertainty with respect to Google's annual energy consumption, as well as the pace at which Google's demand will increase. However, even if the data center project does not come to fruition, or if Google does not require all of the generation from this wind facility, Xcel explained that Dakota Range III would still be advantageous for the NSP system:

[E]ven were the C&I Customer not to need all of the electricity produced by the Dakota Range III wind facility, this PPA still would benefit the Company's customers. As discussed below, the levelized cost of energy (LCOE) from this PPA will lower our overall fuel costs and result in significant benefits for our customers. Additionally, should the electricity generated by Dakota Range III (and the associated RECs) not be needed by the C&I Customer, the Company could use that electricity and associated RECs to further achieve its clean energy and carbon reduction goals, including through the popular Renewable*Connect Pilot program. Finally, the PPA is a pay-for-performance energy contract, so performance risk is minimized.³

B. Relationship to Other Dockets

In addition to the Google data center docket, other related Xcel dockets discussed in the record include:

- Docket No. 16-777 (the 1,550 MW wind acquisition portfolio), and
- Docket No. 17-694 (the 302.4 MW Dakota Range I and II wind facility).

Together, these dockets added approximately 1,850 MW of new wind approved in the 2017-18 timeframe.

The Commission might be aware that on April 10, 2019, Xcel issued a Request for Proposals (RFP) for 200 MW of additional wind resources. Proposals were due on May 1, 2019, which means Xcel will be reviewing bids by the time of the May 14, 2019 Commission meeting.

² Docket No. 19-39, *In the Matter of Xcel Energy's Petition for Approval of Contracts for Provision of Electric Service to Google's Data Center Project*, Petition, at 37.

³ Petition, at 6.

The 2019 Wind RFP seeks 100 MW from wind resources that will go into service in 2020, and an additional 100 MW that will go into service in 2021. Xcel filed a letter notifying the Commission of its Wind RFP in Docket No. 19-268.

Xcel's April 10 letter did not mention the docket(s) to which the wind projects will or could apply; however, given that Xcel indicates a non-IRP related need for more wind by 2020, the RFP could, at least in part, be seeking wind energy for the Google sourcing plan.

III. Petition

A. Project Overview

The 151.2 MW Dakota Range III wind facility is planned to be located in eastern South Dakota (in Grant and Roberts Counties). This is in the same general vicinity as Xcel's Dakota Range I and II wind facilities—a 302.4 MW self-build wind project—which the Commission approved on May 17, 2018.⁴

If Dakota Range III is approved, it would actually have an *earlier* expected in-service date than Dakota Range I and II, despite being an expansion project. (Dakota Range III has an expected in-service date of 2020, whereas the Dakota Range I and II project has an expected in-service date of 2021.) The 2020 in-service date also means that Dakota Range III qualifies for 100% of the PTC, whereas Dakota Range I and II qualified for 80% of the PTC. (The PTC begins to phase out in 2021, declining to 80%, then 60% in 2022, and so on.)

The quick development of Dakota Range III is not particularly surprising, in staff's view. Xcel specifically sought Dakota Range III due to the fact that it was "the lowest-cost project as well as the project with the best interconnection position,"⁵ and Xcel was seeking a project that could be in-service by the time the data center becomes operational. (While there is uncertainty in when the data center will become operational, Xcel assumes it is roughly 2021.)

One of the reasons why Xcel was able to move so expeditiously on this project was because several combinations of Dakota Range were already bid (by APEX) into Xcel's [2016 Wind RFP](#).⁶ The 2016 Wind RFP sought the acquisition of approximately 1,500 MW of new wind, and Xcel ultimately procured roughly 1,850 MW of new wind (including Dakota Range I and II). Xcel noted in the Dakota Range I and II docket that it had ongoing discussions with several RFP bidders to continue to evaluate potential wind projects.⁷ According to Xcel, "the pricing for APEX's bids for Dakota Range I-V and for Dakota Range III and IV was significantly less favorable than Dakota Range III's pricing is now."⁸

⁴ Docket No. E-002/M-17-694.

⁵ Xcel reply comments, at 3.

⁶ Docket No. E002/M-16-777 (January 4, 2017).

⁷ Docket No. E002/M-17-694, Xcel reply comments (December 14, 2017), at 3.

⁸ Xcel reply comments, at 4.

While Xcel did not follow the required resource acquisition process set forth in the Commission's Order in Xcel's 2015 Integrated Resource Plan (IRP) proceeding,⁹ Xcel noted the renewable sourcing plan in the ESA with Google created a unique situation:

Under the circumstances of this specific project, we believe our process for selecting the Dakota Range III PPA was reasonable. Although we did not issue an RFP, we followed a process that was as competitive as was practical, and that resulted in the Company signing a PPA with favorable terms for our customers.¹⁰

B. Project Schedule

Below is a schedule of key activities, which is shown in Exhibit B of the PPA, which is Attachment A of the Petition:¹¹

Construction Milestone	Outcome
11/1/2019	Seller and all required counterparties shall have executed such Construction Contracts as are needed to construct the Facility.
7/1/2019	Seller and the Transmission Authority shall have executed the Interconnection Agreement.
8/1/2019	Seller shall have achieved closing on financing for the Facility or provided Company with proof of financial capability to construct the Facility.
8/1/2020	Seller shall have laid the foundation for all Facility buildings, generating facilities and step-up transformation facilities.
9/1/2020	The Wind Turbines and step-up transformer shall have been delivered and installed at the Site.
8/1/2020	Seller's Interconnection Facilities shall have been constructed, and such facilities are capable of being energized.
10/1/2020	Start-up testing of the Facility commences.
11/1/2020	Seller shall make all applications and/or filings required by Applicable Law for REC accreditation and for the assignment of such RECs to Company.

The current targeted Commercial Operation Date (COD) is December 31, 2020. If the facility fails to achieve the targeted COD, Dakota Range III LLC is required to pay Xcel delay damages. The term of the PPA is for 12 years from the COD, which is a much shorter duration than many of Xcel's PPAs for projects of 150 MW or greater in size.

⁹ Docket No. 15-21.

¹⁰ Xcel reply comments, at 3.

¹¹ Petition, Attachment A - Page 69 of 98.

C. Economic Analysis

Xcel used the Strategist capacity expansion model to conduct its economic analysis. Xcel ran 11 scenarios, which is a typical number of scenarios for wind acquisition dockets. Xcel evaluated futures considering high/low load, high/low gas prices, high/low externalities, etc. Table 1 of the Petition, below, shows both the present value of societal costs (PVSC) and present value of revenue requirements (PVRR) savings relative to a Reference Case:

Table 1
Incremental PVSC and PVRR Savings from Reference Case
(\$millions)

PVSC (High Ext Costs thru 2024, High Reg Costs)	(78)
PVSC + Low Gas	(64)
PVSC + High Gas	(94)
PVSC + Low Load	(69)
PVSC + High Load	(87)
PVSC + Mkts Off, No Dump Credit	(65)
PVSC + Mkts Off, Dump Credit	(90)
PVSC - Low Ext Costs All Years	(32)
PVSC - High Ext Costs All Years	(89)
PVSC - Low Ext Costs thru 2024, Low Reg Costs	(32)
PVRR (No CO ₂)	(22)

As Table 1 shows, savings from Dakota Range III is in the range of \$22-\$94 million. Also, the incremental PVSC and PVRR demonstrates a net benefit under all scenarios, including the scenario without carbon costs.

IV. Department of Commerce Comments

The Department of Commerce – Division of Energy Resources (Department) was the only party to intervene in this case. Initially, the Department did not make a final recommendation to approve or deny the Petition, but it instead requested Xcel explain several matters in reply comments. Upon receiving Xcel’s reply comments, the Department filed a Response to Reply Comments in which it recommended the Commission approve the PPA.

The Department explained that, in order to determine whether the Dakota Range III PPA is in the best interest of Xcel’s ratepayers, the PPA must meet the following three requirements:

1. The purchase price to be paid by NSPM for the wind energy is reasonable;
2. NSPM’s ratepayers are appropriately protected from the financial and operational risks of the Dakota Range III projects; and
3. The PPA contains appropriate curtailment provisions.

A. Price

Table 1 of the Department’s initial comments compares the levelized cost of energy (LCOE) of Dakota Range III to eight other wind projects (the 1,850 MW portfolio) for which Xcel received approval. The LCOE values were designated as trade secret, but the publicly available Table 1 shows the group of wind projects the Department is referring to:

Table 1 LCOE’s of Recently Approved Wind Projects		
Project Name	Size	LCOE (\$/MWh)
<i>Dakota Range III</i>	151.2 MW	
Crowned Ridge	600 MW	
Lake Benton	100 MW	
Foxtail	150 MW	
Blazing Star I	200 MW	[TRADE SECRET DATA HAS BEEN EXCISED]
Blazing Star II	200 MW	
Freeborn	200 MW	
Clean Energy #1	100 MW	
Dakota Range I-II	300 MW	

According to the Department, “based on this comparison, the Department concludes that the proposed PPA price is reasonable.”¹²

B. PPA Risks

The Department’s review of PPA risks examined the financial and operational risks to ratepayers. According to the Department, for PPAs, there are two main financial risks that may have negative impacts on Xcel’s ratepayers:

- a seller default and termination of the PPA before the expiration of the contract period, and
- entitlement by a lender or other party, as a result of the seller’s failure to pay debt, to take over the project and terminate the PPA.

The Department reviewed the risk mitigation features of the PPA and concluded Xcel’s ratepayers will be reasonably protected from financial risks.

Operational risks include risks that the wind project will not be built and operated as expected, which could also include a complete or partial shutdown of the project due to technical problems. The PPA has specific features that reasonably protect both Xcel and its ratepayers from operational risks, such as a security fund and payments only for net energy actually

¹² Department comments, at 3.

delivered to the Company. Thus, the Department concluded the PPA will reasonably protect ratepayers from operational risks.

C. Curtailment Provisions

Section 8.3 of the PPA defines compensable and non-compensable curtailments. In principle, Xcel must pay for the curtailed energy (i.e. a curtailment is compensable) only if the curtailment is initiated by the Company and the seller is otherwise able to produce and deliver wind energy.

Examples of non-compensable curtailments include curtailments resulting from:

- a transmission-system emergency declared by MISO;
- output restrictions related to the facility's Interconnection Agreement;
- planned or unplanned maintenance outages on the transmission system; and
- a lack of ability to provide energy to the point of delivery.

After review, the Department concluded that the PPA's curtailment provisions are reasonable.

V. Staff Analysis

A. Need for the PPA

An important aspect of this proceeding is that the need for the Dakota Range III PPA results from Xcel's agreement with Google, not from Xcel's IRP, which has been the basis for all of the Company's recent wind acquisitions. In fact, staff believes the Company's IRP has little to no relevance in this case, although an argument could be made that Dakota Range III is consistent with the Commission's finding in its IRP Order that "it is reasonable to acquire at least 1,000 MW of wind by 2019."¹³ (However, this argument, in staff's view, would be stretching the Commission's finding, since the Order is now more than two years old, and Xcel has already acquired 1,850 MW of new wind.)

As the Department explained in its supplemental comments, "ultimately, the need for this PPA is driven by the proposed ESA with Google, not by a lack of generation resources sufficient to serve the Company's native load with the addition of Google, or by any potential cost savings the PPA offers on its own." The Department continued, "if the Commission does not approve the ESA, further evaluation will be necessary to establish the need for the PPA."¹⁴

Staff agrees with the Department's assessment, which is why staff believes it is important to emphasize that the ESA with Google establishes the basis of need. If not for the Google data

¹³ Docket No. 15-21, Commission order, at 7.

¹⁴ Department supplemental comments, at 4.

center, staff believes there would be justification to deny the Petition, particularly because Xcel did not follow the resource acquisition process required by the Commission's Order approving Xcel's 2015 IRP.

If the agreements with Google are denied, and given that Xcel has a new IRP scheduled to be filed in July 2019, staff believes it is probably more appropriate to go through a new IRP proceeding and, if necessary, a new formal bidding process to procure additional wind.

However, if the Commission approves Xcel's agreements with Google, then Xcel unquestionably has a need for Dakota Range III. Due to the terms of the ESA with Google, a wind project (or projects) up to 300 MW is needed to help meet Xcel's obligation to produce and retire RECs in amounts that match the expected annual energy use of the Becker data center. In fact, Section 1.1.38 of the ESA explicitly states that Xcel will acquire 300 MW of "Initial Clean Energy."

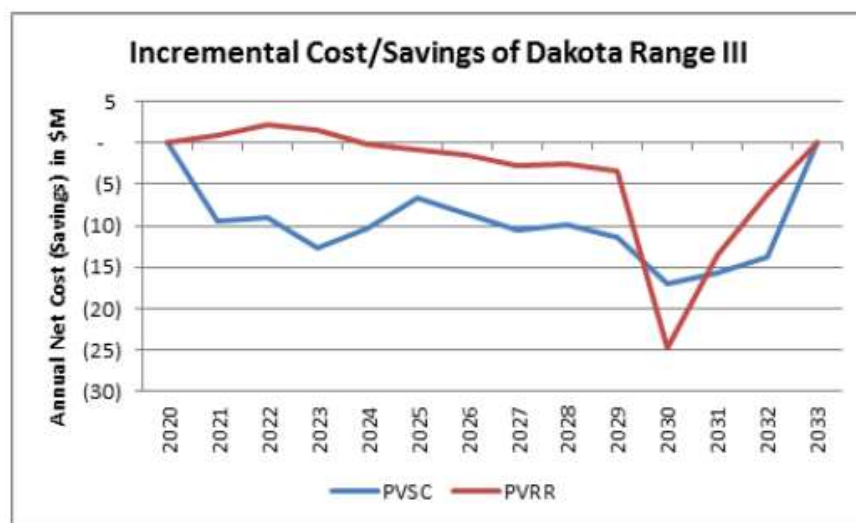
Staff also believes that, if the agreements with Google are approved, the Dakota Range III PPA is needed *and* reasonable because (1) Xcel's economic analysis estimated that Dakota Range III will provide a net benefit under all 11 scenarios it modeled and (2) the Department's examination of the PPA terms indicates that ratepayers are reasonably protected from risks.

B. Modeling Results

Estimates of the incremental PVSC and PVRR savings are shown in Table 1 of Xcel's Petition (also shown on page 5 of the briefing papers), and all of Xcel's scenarios showed that Dakota Range III will have a net benefit. In addition, Xcel provided the annualized impact of Dakota Range III in Figure 1 of its reply comments, shown below. (Note that the figure below is taken from Xcel's reply comments because it is a corrected version; Xcel clarified there were some errors in Figure 1 from the Petition.)

Figure 1 shows the annual costs/savings of Dakota Range III compared to the Reference Case, under both the PVSC and PVRR baseline assumptions. The PVSC case yields a significant net benefit in all years, while the PVRR has an annual net cost initially before producing a net benefit starting in 2024, and the annualized net benefit continues in all remaining years of the PPA term.

Figure 1 (Corrected)
Annual Costs (Savings) Compared to Reference Case



There are at least two notable results from Figure 1: The first is the (slight) net cost in the early-2020s, and the second is that the PVSC case (which includes carbon regulatory costs and environmental externalities) yields substantially greater savings than the PVRR case. Why these are notable is because, first, when viewed as a range, the scenarios together suggest a significant net benefit, and second, the net cost in the PVRR scenario is largely driven by certain modeling choices, not just taking the pollution costs into account.

To explain further, Xcel mentioned in its reply comments that the net cost in the early 2020s is due to the excess energy (i.e. dump energy, in Strategist terms) on Xcel's system. As one can imagine, given that Xcel will be adding 1,850 MW of new wind in the coming years, as well as several hundred megawatts of community solar gardens, Xcel's system will be energy-rich in the near-term. In the PVRR Reference Case, Xcel chose to place a limit on the amount of excess energy that could be sold into the market. Thus, a significant amount of output from Dakota Range III was assumed to have no financial benefit. This PVSC Reference Case, on the other hand, did not have the same limit on excess/dump energy.

As Xcel explained it, prior to the retirement of Sherco Unit 2 in 2023, "a significant amount of the incremental wind generation [from] Dakota Range III is 'dumped' and does not receive any value."^{15,16} Xcel chose to place "a conservative limit on sales volume," even though in practice, it is unlikely excess energy will have no value in the energy market. Xcel also acknowledged

¹⁵ Petition, at 12.

¹⁶ From a Strategist modeling perspective, excess energy and "dump energy" are essentially equivalent. Strategist reports the energy forced into the system when generation is greater than load as dump energy. Dump energy occurs in the modeling during low load periods where all must-run thermal units are already reduced to minimum load and non-dispatchable resources such as wind and/or solar are not considered as being able to reduce their generation to balance load. If this situation were to occur during real-world operations, system dispatchers would typically be able to make corrective actions such as curtailing specific wind or solar resources to balance generation to load. Thus, in practice, the actual dump energy is not likely to occur.

that this is unlikely because transmission projects will increase the export limit from the NSP system, meaning there can be more energy sold than the model assumes. In other words, the PVRR case is probably not capturing all potential, realistic ratepayer benefits.

In addition placing a limit on market sales in the PVRR Reference case but not the PVSC Reference Case, the PVRR Reference Case does not include a surplus capacity credit, whereas the PVSC Reference Case does.^{17,18} The effect of this modeling choice was that only in the PVSC scenario could Xcel receive an avoided capacity cost benefit. Because Xcel currently has a significant capacity surplus, the presence of a surplus capacity credit explains, in part, the widening gap in Figure 1 between the PVRR and PVSC in the early 2020s.

Modeling details aside, in staff's view, it is not particularly useful to consider only one boundary of a scenario analysis—that is, to focus on whether the PVSC or the PVRR contains the most reasonable assumptions. Rather, it is best to consider the full range of assumptions and results. The PVRR case is clearly more conservative, as it assumes no externality or CO₂ regulatory costs, places a limit on market sales, and assigns no value to surplus capacity. This does not make the PVRR a worthless scenario, however, since even under these conservative assumptions, Dakota Range III still has a net benefit over the lifetime of the project. The PVSC simply allows more types of financial benefits to accrue, and it incorporates pollution costs that will obviously improve the economics of carbon-free resources. Thus, when viewing the modeling results as a range, the modeling results clearly indicate that Dakota Range III will produce a net benefit to the NSP system.

In summary, according to the simulations run in Strategist, under a broad range of assumptions and sensitivities, the common result of adding Dakota Range III to the NSP system was that coal- and gas-fired resources are dispatched less often.¹⁹ Moreover, energy from Dakota Range III displaces market purchases, thus reducing ratepayer exposure to spot market risk.²⁰ Sensitivities tested a range of externality costs, high and low natural gas prices, high and low load, and two sensitivities restricted access to the wholesale market. In all cases Dakota Range III provided a net benefit.

C. Resource Acquisition Process

The Department raised a valid concern by asking Xcel to explain in reply comments why Dakota Range III was not selected in its 2016 RFP process, as well as what has changed since that time to make the facility a more attractive option. Again, if not for the fact that Xcel needs a low-priced wind project like Dakota Range III to meet its requirements under the Google ESA, staff might suggest the Commission consider denying the Petition and require Xcel to undergo a new competitive bidding process if additional wind is determined to be prudent in the Company's

¹⁷ Petition, at 9.

¹⁸ The surplus capacity credit assumptions are shown in Table 8 of Attachment C. The credit is applied for all 12 months of each year and is priced at the avoided capacity cost of a generic combustion turbine.

¹⁹ Petition, at 8.

²⁰ *Id.*

2019 IRP. However, as Xcel explained in its reply comments, the circumstances warranted a deviation from the typical resource acquisition process in order to accommodate its obligations under the ESA:

As negotiations with Google progressed, the customer's specific renewable energy requirements and needed in-service dates evolved. While those requirements were changing, it did not make sense for the Company to issue a request for proposals (RFP) for the required resources.²¹

Staff agrees with Xcel in this regard, as does the Department, who concluded in its supplemental comments that Xcel's explanation for forgoing a formal RFP process was reasonable. In Xcel's words, providing incremental renewable energy to Google presented a "singular situation,"²² and staff agrees with Xcel's characterization of the circumstances.

D. MISO Interconnection

As discussed previously, one of the main reasons Xcel selected Dakota Range III was its favorable transmission interconnection position in the MISO transmission queue.²³ Staff notes that MISO has designated Dakota Range III as Project No. J488 in its interconnection queue. As of May 1, 2019,²⁴ [MISO's Queue Project Information](#) shows that Dakota Range III (1) is part of the February 2016 Definitive Planning Phase (DPP) West study group; (2) has a completed Generator Interconnection Agreement (GIA); and (3) will be granted unconditional Energy Resource Interconnection Service (ERIS) upon completion of all network upgrades.

Additionally, Xcel noted it intends to request firm Network Integration Transmission Service (NITS) in combination with the unconditional ERIS if the Commission approves the Company's Petition. Thus, staff believes there are no MISO-related issues that need to be addressed at this time, which bolsters the case that Dakota Range III is needed and reasonable and further justifies Xcel's course of action for resource acquisition.

E. Compliance Filings

In Xcel's 1,550 MW wind acquisition docket, the Commission's September 1, 2017 Order required that Xcel file annual reports on the status of each project in the portfolio²⁵ and quarterly reports regarding any project failures:

f. Xcel must file a compliance filing in January 2018 that provides an update on the status of each approved project, and must file, annually thereafter, a compliance

²¹ Xcel reply comments, at 3.

²² Xcel reply comments, at 3.

²³ Xcel reply comments, at 3.

²⁴ Available at <https://cdn.misoenergy.org/DPP%20Decision%20Point%20Updates110679.pdf>

²⁵ The projects approved in the 1,550 MW portfolio are: Foxtail, Blazing Star I and II, Freeborn, Crowned Ridge, Lake Benton, and Clean Energy #1.

filing that includes the actual delivered energy and actual accredited capacity for each project.

g. Xcel must report quarterly, until the projects are in service, project failures along with the options available to the Commission to remedy the failure.

Similarly, in the Dakota Range I and II docket, the Commission's May 17, 2018 Order required essentially the same thing.

Staff has found Xcel's reports to be valuable and informative. Therefore, staff includes a decision option that would require Xcel to make compliance filings 6 months and 12 months from the date of the Order to provide a status report for Dakota Range III. Assuming the Order is issued in roughly the June/July 2019 timeframe, this would provide status reports for Dakota Range III in the winter of 2019 and summer of 2020, which would both be in advance of the targeted commercial operation date of December 2020. (In offering this suggestion, staff is not envisioning that Xcel would have to continue to file reports once the project is in-service.)

Also, the Department recommended the Commission require Xcel to report in its annual fuel clause true-up filings the amount of any curtailment payments, along with explanations for the curtailments. The Department explained:

As in past proceedings, the Department recommends that the Commission require NSPM to report in its annual automatic adjustment filings (AAA) the amount of any curtailment payments it is required to make pursuant to the PPA. The Department reviews those filings and reserves the right to make recommendations regarding the appropriateness of any curtailment payment beyond a reasonable level.²⁶

Staff supports the Department's recommendation.

²⁶ Department supplemental comments, at 5.

VI. Decision Options

1. Approve the Dakota Range III PPA. *(Xcel, Department, staff)*
2. Find that the Company may recover from Minnesota retail customers through the Company's Fuel Clause Rider (Minn. Stat. § 216B.1645) the Minnesota jurisdictional portion of the amounts incurred by the Company during the full term of the PPA. *(Xcel, Department staff)*
3. Require Xcel to report in its annual fuel clause true-up filings the amount of any curtailment payments, along with explanations for the curtailments. *(Department, staff)*
4. Require Xcel to make a compliance filing 6 months and 12 months from the date of the Commission's Order that provides an update on the status of Dakota Range III. *(Staff option)*