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March 4, 2019

—Via Electronic Filing—

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

RE: REPLY COMMENTS
CONTRACTS FOR PROVISION OF ELECTRIC SERVICE TO GOOGLE'S
MINNESOTA DATA CENTER PROJECT
DOCKET NOS. E002/M-19-39 AND E002/M-19-60

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the Comments of the Minnesota Department of Commerce - Division of Energy Resources, Fresh Energy, City of Minneapolis, City of Becker, and Sherburne County in the above-referenced docket.

Please note that certain portions of our Reply Comments have been designated as "Highly Confidential Trade Secret" as this information includes competitively sensitive Trade Secret Information.

Please contact me if you have any questions regarding this filing.

Sincerely,

/s/

AAKASH H. CHANDARANA
REGIONAL VICE PRESIDENT, RATES AND REGULATORY AFFAIRS

Enclosure
c: Service List

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STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF CONTRACTS FOR
PROVISION OF ELECTRIC SERVICE TO
GOOGLE'S MINNESOTA DATA CENTER
PROJECT

DOCKET No. E002/M-19-39
DOCKET No. E002/M-19-60

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company), appreciates the supportive comments submitted by the parties for this important economic development project and provides these Reply Comments in response to the comments submitted by the Department of Commerce (Department), Fresh Energy, and the City of Minneapolis.

The Company appreciates the Department's thorough review of the transaction documents and Petition, and we generally support the recommendations of the Department. That said, we want to emphasize that the Google transaction, at its foundation, is based on an all-in negotiated rate. Consequently, the Company believes that in implementing the Department's recommendations—and in particular, any future incremental cost tests—the Commission should continue to evaluate the transaction as a whole rather than in piecemeal fashion (*i.e.*, not on the basis of each individual portion of the rate that is to be allocated to different categories of the Company's overall rate structure). We appreciate that this will be a challenge as fuel costs, base rates and rider rates are generally addressed separately; with that being said, however, we reiterate our request that incremental cost tests, when conducted in any proceeding, consider the entire transaction not just its piece parts.

The Company also appreciates the opportunity to address the Department's comments on its sourcing plan. By doing so, we hope to establish an appropriate

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process by which the Commission can evaluate any further clean energy resources that the Company may add to its system to meet its sourcing obligations to Google. The remainder of these Reply Comments provides additional information regarding our sourcing plan for this transaction as well as responses to Fresh Energy and the City of Minneapolis.

I. Sourcing Plan

A significant part of the Google data center project focuses on carbon-free sourcing for the data center. Under the Retail Electric Service Agreement (ESA) with Google, we have committed to acquire “Incremental New”¹ renewable generation to match renewable energy credits (RECs) from that generation with the data center’s energy usage. As structured, we have significant flexibility to meet these obligations in ways that are consistent with Google’s sustainability goals.

The Company initially plans to meet its sourcing obligations by contracting for 300 MW (nameplate) of wind energy which we hope to acquire now to take advantage of the available pricing due to the remaining availability of production tax credits (PTCs). The first 150 MW of this plan is intended to come from the Dakota Range III project which is before the Commission in Docket No. E002/M-18-765. The Company is also preparing to issue a request for proposal (RFP) for the second 150 MW (nameplate) of wind, which it will also bring forward to the Commission for approval when it is ready. Together, this 300 MW of wind energy will be able to support at least 150 MW of load (assuming an approximately 50 percent capacity factor) and, under optimal load growth conditions, our analysis indicates that 300 MW of wind could support up to **[HIGHLY CONFIDENTIAL DATA BEGINS HIGHLY CONFIDENTIAL DATA ENDS]** data center load under the REC management flexibility provided to us under the ESA. These amounts of energy **[HIGHLY CONFIDENTIAL DATA BEGINS**

HIGHLY

CONFIDENTIAL DATA ENDS]. Consequently, **[HIGHLY CONFIDENTIAL DATA BEGINS**

HIGHLY CONFIDENTIAL DATA ENDS].

¹ Section 1.1.37 of the ESA defines “Incremental New Generation” as an electrical generating facility that is placed in service after the Regulatory Approval Date and is both (a) a new generating facility when placed in service; and (b) new to the generating fleet serving the Company’s Minnesota retail electric customers when placed in service. Incremental New Generation may also include, without limitation: (x) battery(ies), (y) Repowered Facilities, and (z) resources under contract for the purchase of power.

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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.

On pages 12 and 13 of their Comments, the Department identifies seven areas for additional information regarding the Company's sourcing plans for the Google data center project. Specifically, the Department requested the following information:

1. How the quantity of additional clean energy and/or clean capacity resources needed to serve obligations under the proposed ESA would be calculated;
2. How the size, type, and timing of the required additions would be determined;
3. What process would be used to find the specific projects available to fill the size, type, and timing identified by the Company;
4. What criteria would be used to evaluate the specific projects determined to be available;
5. 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-development and owned project;
6. What protections Xcel Energy would have in place to ensure that its other ratepayers are not harmed in such acquisitions; and
7. At what points in the process the Company would inform the Commission of actions taken and the role the Commission would have, if any.

We respond to each of these, below.

1. Identifying Resource Needs

Under the ESA, Google is required to provide us with load forecasts for the remaining term of the ESA annually and update those forecasts should they materially change. The Company intends to utilize those forecasts to inform its overall resource planning efforts. This includes load forecasting for overall system planning as well as energy forecasting to help ensure that there are sufficient resources and RECs available to meet our obligations under the ESA. Should the Company believe that there may be a REC shortfall during the term of the ESA, it will begin the process of identifying appropriate ways to address it.

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2. *Size, Type, and Timing*

The ESA provides us with twenty-four months to acquire additional resources to meet our sourcing obligations. Additionally, the ESA provides other requirements to address REC shortfalls, if any, during that twenty-four month period. Based on the REC needs identified through the use of load forecasts, as well as planned resource additions under our then-effective resource plan, we can develop a forecast of the REC needs under the ESA as well as other system needs to determine the most effective size, type, and timing of any new resource. Type will also be impacted by prevailing market prices as well as Commission approved resource plans. Because Incremental New Generation as defined under the ESA provides us with significant flexibility to identify which RECs will be retired to match the data center usage, we expect that we will find the most efficient way to meet our obligations as well as comply with the requirements of any effective resource plan. To the extent we can both meet our obligations under the ESA and implement any resource additions under a resource plan, we would hope to do so.

3. *Project Identification*

Depending on the timing of the need to meet additional REC obligations under the ESA, we would expect to probe the market for available projects. If the Company has relatively recent market data—such as that acquired through an RFP—we would expect that we would perform an informal review of available projects. If we had stale market data, it might be appropriate to issue an RFP to determine the state of the market and the available projects. Because the ESA requires that projects to meet the sourcing obligations need only be able to register with MRETS we would also expect that we may seek to expand our market analyses to areas where we do not traditionally acquire projects to further identify potential acquisitions. Given the tight twenty-four month window provided for under the ESA, we would seek to identify potential projects as quickly and efficiently as possible.

4. *Project Selection*

Once projects are identified, we would select projects to meet our ESA obligations similar to the way we select projects today. Issues such as cost, Interconnection Queue position, environmental considerations, project risks, and other project attributes would be analyzed to help ensure that the selected project could be successfully brought into service. We do not view the project selection process for Google to be significantly different than what we would do for any project acquisition process.

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5. *Risk Evaluation*

Similar to our process for selecting projects, we would evaluate project risks in much the same way as we do for any other Company resource acquisition. This would include an evaluation of risks associated with construction, tax status or qualification, transmission, environmental issues, and other operational risks. We would likewise seek to mitigate the most significant of these risks through contractual terms similar to those we have used in connection with recent resource acquisitions.

6. *Ratepayer Protections*

We would expect to identify the most advantageously priced projects to meet our obligations and comply with currently effective resource plans. By doing so, we believe we can adequately protect ratepayers. Additionally, to the extent any resource additions identified in our resource plans can be used to meet our obligations to Google, we can utilize those projects for both our resource planning needs as well as to utilize the RECs for ESA compliance. As noted in our analysis, our conservative resource pricing assumptions still allow for ratepayer benefits. Further, the identified benefits of the additional Google load that will necessitate additional resources should also be taken into account when ratepayer impacts are evaluated. Last, to the extent that any resource acquired to meet our obligations under the ESA is priced at or below our then-current FCA pricing, we believe that ratepayers will be adequately protected.

7. *Commission Evaluation*

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.

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II. Response to Fresh Energy and City of Minneapolis

Both Fresh Energy and the City of Minneapolis requested that the offering the Company is making to Google be expanded to allow for 100 percent renewable sourcing to be available not only for new, large, high-load factor customers but also for other specific customer profiles. The Company appreciates the interest in the creating of new renewable sourcing programs to meet our customers' needs and has been developing such offerings. For example, our Renewable*Connect program has been developed to provide 100 percent renewable sourcing for a variety of customers, and we have recently filed to expand to an offering tailored to high-load factor customers in Docket No. E002/M-19-33. We believe that discussions of these types of programs are more appropriate in different dockets, in particular our resource plan proceedings and, because they are not directly tied to the development of the Google data center, are not appropriate for discussion here. We encourage Fresh Energy and the City of Minneapolis to engage with our resource plan proceedings, and we look forward to working with them, and all of our stakeholders, to develop programs to meet their needs.

CONCLUSION

We appreciate the support for the Google data center project evidenced by the comments received to date. We look forward to working with interested parties and the Commission to continue to implement this important economic development project.

Dated: March 4, 2019

Northern States Power Company

CERTIFICATE OF SERVICE

I, Jim Erickson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

DOCKET No. E002/M-19-39

Dated this 4th day of March 2019

/s/

Jim Erickson
Regulatory Administrator

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