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March 5, 2019

**VIA E-FILING**

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

**Re: In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Acquisition of the Mankato Energy Center (MEC)  
Docket No. IP6949, E002/PA-18-702**

Dear Mr. Wolf:

The Xcel Large Industrials (“XLI”)<sup>1</sup> submit this brief letter to articulate the group’s concerns with the petition filed by Northern States Power d/b/a Xcel Energy (“Xcel” or the “Company”) for approval of the acquisition of Mankato Energy Center (MEC I and MEC II, collectively, “MEC”) from Southern Power Company (“Southern”) in Minnesota Public Utilities Commission (“Commission”) Docket No. E-002/PA-18-702 (the “Petition”). XLI is troubled by the Petition and what could be viewed, which Xcel concedes on page 4 of the Petition, as inappropriate timing in light of the Company’s impending 2019 Integrated Resource Plan (“IRP”) filing.

The Petition fails to demonstrate that the transaction contemplated therein is consistent with the public interest. Xcel claims that timing needs from Southern’s perspective, as well as the fact that the MEC assets are already under a PPA, support the rushed nature of the Petition.<sup>2</sup> And as a backstop for resource planning, Xcel refers the Commission and the parties to the Company’s 2015 IRP.<sup>3</sup> XLI respectfully disagrees with Xcel’s arguments.

As a threshold matter, XLI notes that the purchase price premium over the existing power purchase agreement (“PPA”) is significant. Xcel boldly asserts that the \$650 million purchase price for the MEC facilities from Southern “is *only* about \$100 million more than the present value of our capacity payment obligations under the PPAs.”<sup>4</sup> It is unclear whether Xcel views a

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<sup>1</sup> For your reference XLI is comprised of the following companies: Covia Holdings Corporation; Flint Hills Resources Pine Bend, LLC; Gerdau Ameristeel US Inc.; Marathon Petroleum Company LP; and USG Interiors, Inc.

<sup>2</sup> Petition at pg. 4-5 (Nov. 27, 2018) (eDocket No. 201811-148065-02) (“*The Petition*”).

<sup>3</sup> *Id.* at 5.

<sup>4</sup> *Id.* at 16.

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roughly 18% price premium over existing capacity payment obligations as insignificant, how Xcel arrived at that 18% price premium, and whether, once fuel costs, O&M costs, and rate of return are considered, the 18% price premium is understated. XLI is very concerned that the price premium and impact on ratepayers could be far greater than “only about \$100 million.”

Furthermore, XLI is disappointed by the implication in the Petition that Southern’s timing needs outweigh the standard practice of utilizing an IRP. An IRP process allows the Commission, the Company, and other stakeholders to analyze resources holistically, not in a vacuum. A fair assessment of Xcel’s ownership of MEC can therefore only be performed when the resource is analyzed within the context of Xcel’s complete resource mix and compared to reasonable alternatives. This IRP process should not be expedited to appease Southern at the cost of Xcel’s customers.

Nor is an IRP process that is over four years old somehow relevant to the current proceeding. Nearly every aspect of Xcel’s 2015 IRP filing is obsolete in the year 2019. Contrary to Xcel’s assertions in the Petition,<sup>5</sup> analysis and sensitivities from that proceeding should therefore carry little weight in this proceeding. Additionally, the concept of a PPA and ownership are distinct and should not be conflated. Approval of either require a separate and distinct set of ratepayer-impact analyses. If MEC is part of Xcel’s rate base, ratepayers will likely be forced to bear additional costs associated with owning such a facility; such costs may include but not be limited to: rate of return, depreciation, maintenance, early retirement, etc. XLI and other ratepayers on Xcel’s system should be afforded the adequate protections provided by the IRP process to review these additional costs and compare reasonable alternatives for meeting future needs under revised energy and capacity forecasts for the Company.

XLI therefore respectfully requests that the Commission deny Xcel’s request without prejudice and require the Company to include MEC acquisition in its next IRP filing. By copy of this letter all parties have been served. A Certificate of Service is also attached.

Very truly yours,

STOEL RIVES LLP

/s/ Andrew P. Moratzka

Andrew P. Moratzka

APM:cal

Enclosures

cc: Service List

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<sup>5</sup> See *The Petition*, pg. 5, 22-34.

## **CERTIFICATE OF SERVICE**

I, Kathy Prestidge, hereby certify that I have this day, served a true and correct copy of the following document(s) to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States Mail at Minneapolis, Minnesota.

### **LETTER COMMENT ON BEHALF OF XCEL LARGE INDUSTRIALS**

In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Acquisition of the Mankato Energy Center (MEC)  
Docket No. IP6949, E-002/PA-18-702

Dated this 5th day of March, 2019

/s/ Kathy Prestidge  
Kathy Prestidge

[illegible]

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