

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350
St. Paul, MN 55101-2147

In the Matter of Northern States Power
Company's d.b.a. Xcel Energy Petition for
Approval of the Acquisition of the Mankato
Energy Center (MEC)

PUC Docket No. IP6949, E002/PA-18-702

XLI SUPPLEMENTAL COMMENT

INTRODUCTION

The Xcel Large Industrials ("XLI") submit these supplemental comments to urge the Minnesota Public Utilities Commission ("Commission") to reject Northern States Power Company's d.b.a. Xcel Energy ("Xcel") petition ("Petition") for approval of the acquisition of the Mankato Energy Center ("MEC")¹ and to defer consideration of the MEC purchase to Xcel's 2019 Integrated Resource Plan process ("2019 IRP"). Since the filing of XLI's initial comment in this docket on March 5, 2019, Xcel has submitted reply comments,² filed a Settlement Agreement ("Settlement Agreement"),³ made available its Preliminary Preferred Plan presented on May 20, 2019 ("PPP"),⁴ and filed its 2020-2034 Upper Midwest Integrated Resource Plan on July 1, 2019,⁵ all of which strongly suggest that its acquisition of MEC can only be considered in the context of the 2019 IRP. The Commission's past experience with *ad hoc* approaches to Xcel's resource needs, as well as the many assumptions baked into Xcel's analysis in this petition and reflected in the Settlement Agreement and IRP Filing, all confirm that the proposed MEC acquisition cannot be adequately considered outside of an IRP process and that the IRP process will be significantly influenced if the MEC acquisition is pre-determined.

¹ Petition (Nov. 27, 2018) (eDocket No. 201811-148065-01) ("Petition").

² Reply Comments by Xcel Energy (Mar. 29, 2019) (eDocket No. 20193-151527-01) ("Xcel Reply Comments").

³ Settlement Agreement (May 20, 2019) (eDocket No. 20195-153012-01) ("Settlement Agreement").

⁴ 2020-2034 Upper Midwest Resource Plan, MPUC Docket No. E002/RP-15-21, XCEL UPPER MIDWEST PRELIMINARY PREFERRED PLAN PRESENTATION (May 20, 2019) ("PPP Presentation").

⁵ 2020-2034 Upper Midwest Resource Plan, MPUC Docket No. E002/RP-19-368, XCEL UPPER MIDWEST INTEGRATED RESOURCE PLAN 2020-2034 (July 1, 2019) ("IRP Filing").

ANALYSIS

I. Considering the Proposed Acquisition Now, Instead of in the IRP, Is an Inefficient Use of Resources

Xcel's current Petition is the most recent proceeding in a string of Commission dockets considering its resource needs in a duplicative and *ad hoc* fashion, unnecessarily expending Commission and ratepayer advocate resources. Xcel's need for additional generation resources was analyzed multiple times in the last Integrated Resource Plan process⁶ and the Competitive Resource Acquisition docket.⁷ Now, again, its resource needs are being analyzed in multiple proceedings—this docket and the 2019 IRP docket. This duplication has and will continue to result in the Commission, ratepayer advocates, and other parties expending significant resources to consider Xcel's resource needs in multiple venues. To be clear, consumer advocates do not have unlimited resources to expend across multiple dockets to address the same or very similar issues. Furthermore, this duplicative and resource-intensive process is not necessary. The parties should analyze and the Commission should decide Xcel's resource needs once per IRP cycle—in the IRP proceeding. Xcel's past missteps and uncertainty with respect to its resource needs have demonstrated that the Commission should not invest significant resources considering a major investment outside of an IRP. Instead, the Commission should require a complete IRP process to determine the need for Xcel ownership of MEC in relation to all other aspects of Xcel's IRP.

II. The IRP Process Is Necessary Before Considering the Proposed Acquisition

Any analysis of Xcel's proposal to acquire MEC necessarily requires making multiple resource planning assumptions and is therefore best considered in an IRP process. Xcel's Petition specifically lists various resource planning assumptions used in its Strategist economic modeling, including retirement of nuclear units, coal retirements, the addition of a CC unit at Sherco, non-renewal of various PPAs, and assumptions regarding energy efficiency savings,

⁶ *In the Matter of Xcel Energy's 2016–2030 Integrated Resource Plan*, MPUC Docket No. E-002/RP-15-21.

⁷ *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Competitive Resource Acquisition Proposal and Certificate of Need*, MPUC Docket No. E-002/CN-12-1240, ORDER APPROVING POWER PURCHASE AGREEMENT WITH CALPINE, APPROVING POWER PURCHASE AGREEMENT WITH GERONIMO, AND APPROVING PRICE TERMS WITH XCEL at 1–3, 8 (Feb. 5, 2015) (summarizing procedural history and Xcel's changing assessment of its needs, and the Department of Commerce and Commission's attempts to analyze those assessments).

demand response, and distributed solar and storage additions.⁸ Furthermore, if any of these key resource planning assumptions are changed in the 2019 IRP, the benefits of the proposed MEC acquisition are thrown into question. Indeed, the reference case for the IRP files appears to be the same Strategist files submitted in this docket. But those Strategist files have not been tested, critiqued, or revised as they would be in the IRP docket. In short, a proper analysis of the proposed acquisition relies on resource planning assumptions and cannot take place without a full IRP process.

III. Approval Outside of and Prior to the IRP Would Undermine the IRP

Conversely, an approval of Xcel's MEC proposal outside of the IRP would necessarily predetermine many of the assumptions in its Petition and the positions set forth in the Settlement Agreement and PPP. The Settlement Agreement addresses virtually all of the major issues that are expected to be at play in Xcel's 2019 IRP, including coal plant retirements and treatment of the undepreciated balance of the plants, energy efficiency, and solar acquisitions and ownership.⁹ Indeed, the Settlement Agreement itself is titled "MEC/IRP Settlement Agreement," and specifically notes that the document is a "partial settlement of Docket No. E002/PA-18-702 and the Company's upcoming 2019 IRP"¹⁰ Furthermore, the Settlement Agreement binds the parties to take positions in the 2019 IRP that are consistent with the terms in the Settlement Agreement.¹¹

As a result, the Company's IRP Filing bakes in the assumptions set forth in the Petition and the terms of the Settlement Agreement.¹² If ownership of MEC and continuation of the facilities beyond the expiration dates of their PPAs is pre-determined, the IRP's options for other generation resources, energy efficiency, and demand response will necessarily be constrained. As the IRP Filing—which assumes utility ownership of MEC and Sherco—demonstrates, those alternatives, such as demand response or non-utility owned solar, may be shut out of the planning process due to the ramifications of Xcel ownership of MEC.

⁸ Petition at 21–22.

⁹ See Settlement Agreement.

¹⁰ *Id.*

¹¹ *Id.* at ¶ 12.

¹² See IRP Filing at 1–2 (describing the Settlement Agreement as resolving "fundamental building blocks of our plan").

The Commission should not allow Xcel to force a significant resource planning decision with broad implications to be made outside of and prior to the IRP—particularly where, as here, Xcel had the opportunity to inform the Commission of its proposal far earlier but instead said nothing and delayed its IRP.¹³ Other parties should have the opportunity to propose alternative options and the Commission should have the opportunity to engage in a holistic analysis of all available resources to determine the least-cost option for ratepayers.

IV. There Is Significant Evidence That the Proposed Acquisition, Considered in the Context of an IRP, Would Not Be Selected

Finally, there are multiple indications that a MEC acquisition option, when compared with alternative resource options in an IRP, would not be the least-cost option for ratepayers or meet Xcel’s renewables goals. The Commission’s approval of Xcel’s petition to own MEC, and the resource planning implications that will necessarily follow any such approval, could have significant negative impacts on ratepayers. The assumptions, settlement, and preliminary plan all assume Xcel ownership of natural gas generation, but there has been no analysis to demonstrate that utility ownership is in the best interest of ratepayers or the least-cost option. And the MEC purchase itself will not result in any benefit to ratepayers for decades, and possibly will never produce such benefits if the units are retired early to achieve Xcel’s clean energy goals.

Specifically, the OAG’s analysis in their comments indicate that the revenue impacts of the MEC purchase will not produce net benefits for ratepayers until 2037—over 10 years after the MEC I PPA is set to expire and only a few years before the MEC II PPA would expire.¹⁴ Xcel’s own reply comments state that the cost of the MEC acquisition will not be offset until after 2040.¹⁵ But, as the OAG points out in their comments, if Xcel is still operating MEC I and II, King, Sherco 3, and a CC at the Sherco site in 2030, it will be nearly impossible for it to achieve its emissions reduction goals.¹⁶ Therefore, if early retirement of MEC I and II are

¹³ Comment by the OAG at 3-5 (Mar. 5, 2019) (eDocket No. 20193-150872-02) (“OAG Comments”).

¹⁴ See OAG Comments at 6.

¹⁵ See Xcel Reply Comments at 25 (“The results above show that the cost of the MEC acquisition are largely offset by 2040 allowing for flexibility in determining whether an early retirement of MEC is in the public interest as technology evolves.”).

¹⁶ OAG Comments at 11–12.

approved to meet emission reduction goals, there may be no benefit to ratepayers from the acquisition.

Further, early retirement of MEC or any of these other assets to meet Xcel's climate goals would lead to stranded costs that ratepayers will likely be required to cover, which are notably not included in Xcel's modeling.¹⁷ And, as discussed above, accepting these resources may mean shutting out other options, such as demand response and non-utility owned distributed generation, which could have lower costs to ratepayers. In short, the MEC petition, the settlement, and the PPP are all designed to benefit Xcel through significant rate base additions, but do not necessarily lead to ratepayer benefits or the carbon reduction goals Xcel has put forth.

CONCLUSION

XLI therefore respectfully requests that the Commission deny Xcel's petition without prejudice and require the Company to defer the proposed MEC acquisition to its 2019 IRP process.

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/s/ Andrew P. Moratzka

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¹⁷ See OAG Comment at 23 (citing OAG IR 11, Exh. 5).