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July 26, 2019

Sent in accordance with accompanying Certificate of Service

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

**Re: In the Matter of Xcel's Petition for Approval of the Acquisition of the MEC
Docket No. IP6949, E002/PA-18-702
Supplemental Comments of LSP – Cottage Grove, L.P.**

Dear Mr. Wolf:

LSP – Cottage Grove, L.P. (“LSPCG”) submits the following supplemental comments on the proposed acquisition of the Mankato Energy Center (“MEC”) by Petitioner Northern States Power Company d/b/a Xcel Energy (“Xcel”). For the reasons detailed below and in LSPCG’s initial public comments in this matter, LSCPG respectfully requests that the Commission reject Xcel’s Petition requesting approval to purchase the MEC.

A. Xcel has failed to show that purchasing the MEC is economically beneficial.

In its initial public comments, LSPCG objected to Xcel purchasing the MEC for \$650 million because Xcel had failed to consider lower-cost alternatives, including purchasing LSPCG’s Cottage Grove facility. That objection remains valid. The discovery responses submitted in this proceeding confirm that Xcel has made no effort to negotiate with LSPCG for the purchase of the Cottage Grove plant at a fraction of the cost of buying the MEC. The Cottage Grove facility is similarly-situated to the MEC in terms of plant technology, useful life, and existing PPA obligations, yet the per-kilowatt purchase price for the MEC is still over three times Xcel’s last formal offer for the Cottage Grove plant. Thus, it is not in the best interest of ratepayers for Xcel to be overpaying for the MEC without even engaging in good faith negotiations with LSPCG with respect to the comparable Cottage Grove facility.

B. The Cottage Grove facility meets the needs identified in Xcel’s recent IRP.

On July 1, 2019, Xcel submitted its Upper Midwest Integrated Resource Plan 2020–2034 (the “IRP”) to the Commission for consideration. Based on its initial review of Xcel’s IRP, LSPCG can play an important role in helping Xcel reach its goals and meet its future resource needs for

customers. For example, Xcel indicates that, even if it purchases the MEC now, Xcel will still need approximately 1,700MW of additional firm dispatchable capacity in the 2030 time frame. Xcel's existing PPA with LSPCG expires in 2027, but the useful life of the Cottage Grove plant will extend beyond that into the 2030s. Thus, if Xcel purchases the Cottage Grove facility now at a steep discount, then Xcel can use the facility in the 2030s to meet its projected firm dispatchable capacity needs at a significant cost reduction for ratepayers.

Additionally, Xcel states in its IRP that winter peaks in coming years will create reliability concerns for Xcel due to limited expected renewable production during the winter seasons. Again, the Cottage Grove plant and its dual-fuel capability can help address those concerns. As alluded to above, the Cottage Grove facility will have at least 10-15 years of remaining economic useful life upon expiration of the PPA between Xcel and LSPCG. Accordingly, purchasing and continuing to use the Cottage Grove facility into the 2030s will address Xcel's concerns for winter reliability and provide a dependable, dispatchable resource to serve as a bridge to Xcel's goal of 100% renewables. Indeed, the Cottage Grove facility has maintained reliability and annual availability factors above 95% for years and would continue to be a steady energy source for Xcel into the future.

Because Xcel just submitted its IRP less than one month ago, the Commission, the community, and other stakeholders are continuing to analyze its requirements. Thus, the proposed acquisition of the MEC remains premature in light of the many imminent discussions concerning the contents of the IRP and Xcel's ability to meet its goals. Thus, as noted in LSPCG's initial public comments, postponing any decision in this matter until after the IRP process is complete will serve the best interests of the public by allowing for a complete and accurate analysis of all existing and projected energy resources in Minnesota before permitting Xcel to spend \$650 million on the MEC.

C. Conclusion

For the reasons stated above and in LSPCG's initial public comments, LSPCG respectfully requests that the Commission reject Xcel's Petition in this matter. Thank you for your careful consideration of this letter, and please contact me if there are any further questions for LSPCG.

Very truly yours,

s/ Wallace G. Hilke

Wallace G. Hilke, Esq.
Kathryn E. Wendt, Esq.

CERTIFICATE OF SERVICE

I, Joan J. Diggs, hereby certify that I have this day, served a true and correct copy of the following document 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.

**LSP-COTTAGE GROVE, L.P.'S SUPPLEMENTAL COMMENTS ON THE
PROPOSED ACQUISITION OF THE MANKATO ENERGY CENTER BY
PETITIONER NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY**

Docket Number
IP-6949, E-002/PA-18-702

Dated this 26th day of July, 2019

/s/ Joan J. Diggs