Laborers' International Union of North America

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**Tim Mackey**
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**Via Electronic Filing**

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
Saint Paul, MN 55101-2147

Re: Northern States Power Company d.b.a Xcel Energy Petition for Approval of the Acquisition of the Mankato Energy Center (MEC). Docket No IP 6949, E-002/PA-18-702, IP-6949/GS-15-620

Dear Mr. Wolf:

I am writing on behalf of the Laborers District Council of Minnesota and North Dakota ("LIUNA Minnesota & North Dakota") to provide supplemental comments in support of the proposed acquisition of the Mankato Energy Center (MEC) by Northern States Power d.b.a. Xcel Energy. LIUNA Minnesota and its affiliated Locals represent more than 12,000 unionized construction workers and public employees in Minnesota and North Dakota including many thousands of Xcel ratepayers and hundreds of members that live in Mankato and across Southern Minnesota.

We are writing to update our February 2019 comments in two respects. First, in May, LIUNA Minnesota & North Dakota entered into a settlement agreement with Xcel Energy and a group of clean energy organization in which the parties agreed to support Xcel's acquisition of MEC, early retirement of coal plants, new investments in energy efficiency and solar generation, and standards that will help to ensure that Minnesota's energy industry continues to create family-supporting careers as we transition toward clean energy.

It is no small thing for a democratic labor organization whose members have built and maintained Xcel Energy's coal-fired power plants for generations to enter into a settlement agreement that proposes early retirements. We did not take the decision lightly, and it was taken because we believe it provides a path forward that upholds Minnesota values and preserves the benefits and that our members and all Minnesotans rely upon: reliable, affordable electricity that is delivered by publicly-accountable investor-owned, cooperative, and municipal utilities, and that creates thousands of family-supporting jobs for Minnesota workers.

Xcel's proposed acquisition of MEC is central to our support for the agreement. Our members need to know that what their sacrifices support is a sustainable path toward clean energy that will not put the reliability and affordability of electricity or labor standards at risk. We believe that MEC is needed in the Xcel system to replace the baseload power delivered by Xcel's coal fleet, and we know that the acquisition will create high-quality union job opportunities for the plant's operations and maintenance workforces. The Commission is not, of course, bound by any aspect of the settlement agreement. But we ask the Commission to consider the value of the agreement and the path it creates for progress when assessing the overall benefits of the proposed acquisition.

Second, we have read and considered comments submitted by the Department of Commerce Division of Energy Review ("DER") and the Attorney General's Residential Utility and Antitrust Division ("RUD"), and while they raise important questions, we are not persuaded that the costs and risks of the transaction outweigh significant benefits. There should be no question that Minnesota needs additional firm generation resources to facilitate the early retirement of coal-fired plants and to supplement recently-approved and proposed renewable energy investments. The question is whether the proposed MEC transaction is the right way to meet that need.

DER and RUD argue that the acquisition of MEC moves risks associated with facility ownership of a facility from a third party under the existing Power Purchase Agreement to Xcel to ratepayers. We don't dispute there are theoretical risks associated with capital costs of maintenance, operational and problems, and the potential for assets to become stranded that are particular to utility-owned assets.

On the other hand, there are significant benefits to utility ownership of assets, including providing for greater public control and accountability, increased reliability, and the opportunity to capture the upside benefits of market changes that also pose downside risks. For the purposes of our members, utility ownership of assets also has very significant benefits in terms of the creation of high-quality jobs, the maintenance of safe workplaces, and respect for the rights and voice of workers on the job -- all of which are far more common at utility-owned than third party-owned facilities.

It is impossible to know whether circumstances will play toward the risks of utility ownership or the risks of third-party ownership, and here we would urge the Commission to consider how well the utility compact and utility ownership of generation has served the state over the years when deciding which direction to go today.

We also fundamentally disagree with the contention that rate recovery should be disallowed or arbitrarily limited for transaction costs, including both the purchase price premium compared to net book value and legal costs. When considering the acquisition price of an existing generation asset, net book value is a useful data point, but it does not necessarily represent the fair value of an asset either to the seller or to the buyer.

Anyone who has bought a used car knows that nearly every vehicle is worth either more or less than its book value. And anyone who has bought or sold a house or other piece of real estate knows that its value in the market can't necessarily be predicted based on its value 12 months ago much less its value at the time of construction. There are any number of reasons for the real value of MEC to exceed the book value, including recent tax law changes and the fact that the move toward retirement of coal plants within MISO drives demand for low-carbon baseload resources.

The real questions are not what a third-party generation plant cost to build, but whether its acquisition is likely to be more or less expensive than the alternatives, and whether the acquisition price seems reasonable based on the available information from similar transactions. If the Commission concludes that the value Xcel's proposed acquisition of MEC is likely to deliver enough value to ratepayers and to the state as a whole to justify the cost, the transaction should be approved at the agreed purchase price. If not, the proposal should be rejected. In either case, it is not particularly useful to spend energy second-guessing the proposed price based on a net book value that almost certainly does not represent the asset's value to any party.

We also believe that it is reasonable for the Commission to consider awarding rate recovery for reasonable legal expenses associated with the transaction, particularly if the transaction is approved. It does not serve Minnesota ratepayers to disincentivize utilities from considering and pursuing opportunistic transactions that offer net benefits for ratepayers.

We encourage the members of the PUC to support Xcel's request for approval and its balanced energy vision and thank you for your attention to this matter.

Sincerely,

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