

March 25, 2019

PUBLIC DOCUMENT

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/PA-18-777

Dear Mr. Wolf:

Attached are the **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Xcel Energy's Petition for Approval of the Acquisition of the Community Wind North Facilities, LLC and the Jeffers Wind Facility.

The Petition was filed on December 21, 2018 by:

Aakash H. Chandarana
Regional Vice President
Rates and Regulatory Affairs
Xcel Energy
414 Nicollet Mall
Minneapolis, Minnesota 55401

The Department recommends that the Commission **approve Xcel Energy's proposed amendments to the purchase power agreements** as discussed herein. The Department is available to answer any questions that the Minnesota Public Utilities Commission may have in this matter.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/ja
Attachment

Before the Minnesota Public Utilities Commission

Public Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/PA-18-777

I. BACKGROUND

On December 21, 2018 Xcel Energy (Xcel or the Company) filed a Petition for Approval of the Acquisition of the Community Wind North Facilities and the Jeffers Wind Facility (Petition) with the Minnesota Public Utilities Commission (Commission). The Petition is relatively complicated in that it includes a preferred request as well as a secondary request. Xcel's primary request is that the Commission approve Xcel's purchase of three existing wind generation facilities:

- The Jeffers Wind Farm – a 44 megawatt (MW) facility currently under contract through 2028;
- The North Community Turbines wind farm – a 13.2 MW facility currently under contract through 2031; and
- The North Wind Turbines wind farm – a second 13.2 MW facility also currently under contract through 2031.

All three facilities are located near Lake Benton, Minnesota. Xcel has negotiated a purchase price of **[TRADE SECRET HAS BEEN EXCISED]** for the Jeffers facility and **[TRADE SECRET HAS BEEN EXCISED]** for the combined North Community and North Wind facilities.¹ Thus, the Company requests approval to purchase the facilities, a total of 70.4 MW, for a total investment of **[TRADE SECRET HAS BEEN EXCISED]**. Xcel is still negotiating a purchase and sales agreements with Longroad Energy (the Owner).

II. SUMMARY OF PETITION

As noted above, Xcel's Petition includes a preferred request as well as a secondary request. Xcel's primary request is that the Commission approve the Company's exercise of an option to purchase (Option, OtP)² the facilities covered by the three exiting purchase power agreements

¹ Xcel refers to the combination of the North Community Turbines and North Wind Turbine facilities as the Community Wind North Facilities in its Petition.

² The Department discusses the Option document in Section III.D below.

(PPA's) or wind energy purchase agreements (REPA).^{3,4} Xcel also requests approval of the acquisition and operation of the facilities pursuant to the terms of a negotiated purchase agreement that is still under negotiation. The Company anticipates executing the purchase agreement [TRADE SECRET HAS BEEN EXCISED]. Xcel also stated that it will make a supplemental filing that contains the "final purchase and sales terms once finalized."⁵

The Company's second alternative consists of amending the three existing PPA's that would lower the price that Xcel pays the Owner for the energy purchased from the three facilities by approximately 5 percent (the REPA alternative). Those amendments are identified as the *Third Amendment of Jeffers Power Purchase Agreement* (Jeffers Amendment), which makes changes to the Jeffers PPA and the *First Amendments of North Community Turbines and North Wind Turbine PPAs*, respectively.

Xcel provided an economic analysis to support the two alternatives. The Company used its Strategist model to estimate the effects of the transaction on the Present Value of the Revenue Requirements (PVRR) and the Present Value of the Societal Costs (PVSC) of its system. Xcel noted that the effects of both alternatives as modeled provided financial benefits to ratepayers. Both the OtP and REPA alternatives would allow the Company to improve its long-term environmental performance as modeled. The estimated benefits to ratepayers associated with the REPA alternative are smaller than those resulting from Option alternative. Table 1 lists the results of two of several of the Strategist model runs the Company provided.

Table 1 – Incremental Changes in PVRR and PVSC Savings from Reference Cast (\$ millions) from 2018 through 2057*

Scenario	Option	REPA
PVRR (No CO2 costs)	(6.9)	(1.7)
PVSC – Low Externality Costs All Years	(14.7)	(2.4)
PVSC – High Externality Costs All Years	(31.8)	(5.3)

*Negative values represent reductions in costs and thus benefits to ratepayers.

³ On November 30, 2006 in Docket No. E002/M-06-1234 the Commission approved Xcel's petition for a PPA for Xcel to purchase energy from the Jeffers Wind 20, LLC 50-MW wind project (Original Jeffers PPA).

⁴ On August 26, 2010 in Docket No. E002/M-10-734 the Commission approved Xcel's petition for two PPAs for Xcel to purchase energy from with North Wind Turbines, LLC and North Community Turbines LLC, which together had a total of 30 MW name-plate capacity.

⁵ Petition at page 8.

The driver for the Petition is that the facilities' current owner, Longroad Energy, plans to refurbish the facilities covered by the North Wind Turbines, North Community Turbines and Jeffers Wind PPAs. Table 2 summarizes the Owner's proposal relative to nameplate capacity.

Table 2 – Current and Proposed Nameplate Capacity and Configuration by Contract

Description	Facility		
	North Wind	North Community	Jeffers
Current Capacity	15.0 MW	15.0 MW	50.0 MW
Proposed Capacity	13.2 MW	13.2 MW	44.0 MW
Difference	(1.8 MW)	(1.8 MW)	(6.0 MW)

Table 3 summarizes annual energy production and pricing information for the REPA alternative. The Department is including this information to provide some additional context as to the operating characteristics as well as the financial effects of the REPA proposal.

Table 3 – Current and Proposed Annual Energy Production and Price by Contract

Description	Facility		
	North Wind	North Community	Jeffers
Current Annual Committed Renewable Energy Volume (CREV)	Not applicable	Not applicable	184,000 MWh/yr
Average Annual Production 2012 -2018 (MWh/yr)	49,700	49,700	164,200
Price per MWh for Remaining Current Contract	[TRADE SECRET HAS BEEN EXCISED]		
Average Annual Revenue (\$/yr)			
Proposed CREV	50,000 MWh/yr	50,000 MWh/yr)	175,300 MWh/yr
Proposed Price per MWh	[TRADE SECRET HAS BEEN EXCISED]		
Forecasted Annual Revenue (\$/yr)			

Table 4 summarizes the information provided in Table 3 and provides numerical support for Xcel’s conclusion that the REPA alternative would benefit ratepayers financially.

Table 4 – Comparison of Average Historical and Forecasted Annual Revenue (\$/yr)

Description	Total Annual Revenue (\$/yr)	Average Annual Generation (MWh/yr)	Average Cost per MWh (\$/MWh)
Forecasted	\$12,195,140	275,300	\$44.29
Historical	\$12,405,920	263,600	\$47.06
Difference	(\$210,780)	11,700	(\$2.77)

Below are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) regarding the Petition.

III. DEPARTMENT ANALYSIS

The Department considered four different issues in its analysis:

- **Legal/Procedural issues** – We reviewed the filing to determine if it complied with the necessary filing requirements.
- **Accounting issues** – We reviewed the proposed journal entries for the Option to Purchase alternative specifically.
- **Financial issues** – We reviewed the Company’s analyses that compared the OtP and REPA alternatives and asked the Company to modify certain assumptions in the model.
- **Policy issues** – We reviewed Xcel’s preferred Option alternative from a policy perspective.

A. LEGAL/PROCEDURAL ISSUES

Minn. Stat. § 216B.50 pertains to the acquisition of plant by a public utility. It states: “No public utility shall sell, acquire, lease or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000 . . . without first being authorized to do so by the Commission.” The statute directs the Commission to determine whether “the proposed action is consistent with the public interest.”

As noted previously, Xcel requests approval of an option to purchase the facilities for an amount of **[TRADE SECRET HAS BEEN EXCISED]** in the Petition, and thus Minn. Stat. § 216B.50 applies. The Company makes no mention of this statute or this statutory requirement in the Petition.

Minnesota R. 7825.16 through 7825.18 delineate the requirements for a petition requesting the acquisition of property. Minnesota R. 7825.1800 (B) lists the requirements for petitions to acquire property.

b. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

c. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

Minnesota R. 7825.1400, items A to J includes the following:

- A. A descriptive title.
- B. A table of contents.
- C. The exact name of the petitioner and address of its principal business office.
- D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.
- E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.
- F. The purpose for which the securities are to be issued.
- G. Copies of the resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.
- H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.
- I. A signed copy of the opinion of counsel in respect to the legality of the issue or the assumption of liability;
- J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months ended . . .

Xcel did not provide the information required by Minnesota R. 7825.1400, items A to J, as to the Company's request for approval of its Option to purchase the facilities.

Xcel appears to have filed the Petition pursuant to Minnesota R. 7829.1300 and 7829.1400, which cover miscellaneous filings. The definition of a miscellaneous tariff filing under Minnesota Rules 7829.0100, subp. 11 is:

“Miscellaneous filing” means a request or notice that does not require determination of a utility's revenue requirement.

A miscellaneous filing includes a filing involving a new service offering, a change in a utility's rates, services, terms, or conditions of service; a change in a utility's corporate structure, assigned service area, or capital structure, when conducted separately from a general rate proceeding; filings made under the rules governing automatic adjustment of charges in chapter 7825; or any related matter.

Minnesota Rules part 7829.1300 contains the completeness requirements for miscellaneous tariff filings.

The Department reviewed the Petition for compliance with the completeness requirements of Minnesota Rules and Minnesota Statutes and concludes that the information regarding the REPA alternative identified in the Petition is complete.

B. ACCOUNTING ANALYSIS

We asked the Company to “provide an example of the proposed journal entries for each of the three transactions” in Department IR No. 23.^{6, 7}

Both of the proposed journal entries that Xcel provided for the acquisition of the Jeffers and Community Wind North projects contained significant acquisition adjustments. The Jeffers acquisition adjustment is listed as [TRADE SECRET HAS BEEN EXCISED]. The Community Wind North acquisition adjustment is listed as [TRADE SECRET HAS BEEN EXCISED]. The sum of these two acquisition adjustments is [TRADE SECRET HAS BEEN EXCISED]. That figure represents [TRADE SECRET HAS BEEN EXCISED] of the Company's requested purchase price for the assets.

The Department notes that traditionally, utility assets are recorded and recovered using the original cost of the asset and the related accumulated depreciation or resulting net book value

⁶ Xcel did not provide the proposed journal entries in the filing, unlike the Mankato Energy Center Petition (Docket No. E002/PA-18-702).

⁷ A copy of the Company's response to this information request is included as Attachment A.

of the asset. Acquisition adjustments are on top of the net book value and as a result require a significant finding of benefits to offset or justify any higher acquisition adjustment or premium before rate recovery could be allowed, especially for utility assets that were already being used for public service (like these wind facilities). Use of net book value in rate base is consistent with Federal Energy Regulatory Commission requirements and Minnesota requirements under 216B.16, subd. 6, which states:

SUBD. 6. FACTORS CONSIDERED, GENERALLY.

The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property. In determining the rate base upon which the utility is to be allowed to earn a fair rate of return, the commission shall give due consideration to evidence of the cost of the property when first devoted to public use, to prudent acquisition cost to the public utility less appropriate depreciation on each, to construction work in progress, to offsets in the nature of capital provided by sources other than the investors, and to other expenses of a capital nature. **For purposes of determining rate base, the commission shall consider the original cost of utility property included in the base and shall make no allowance for its estimated current replacement value.** If the commission orders a generating facility to terminate its operations before the end of the facility's physical life in order to comply with a specific state or federal energy statute or policy, the commission may allow the public utility to recover any positive net book value of the facility as determined by the commission.

As noted by Xcel, FERC requires acquisition adjustments to be recorded separate from FERC account 101, Electric Plant In-Service, in FERC account 114, Electric Plant Acquisition Adjustments.⁸ If the Company receives regulatory approval for the cost recovery of the acquisition adjustment, then the Company would be allowed to amortize the acquisition adjustment to account 425, Miscellaneous Amortization, over the life of the related plant.

The Department notes that competitive bidding would be a way to ensure that the acquisition adjustment or premium is reasonable. Unfortunately a competitive bid process was not used in this case. Additionally, FERC uniform system of accounts supports a net book valuation of utility plant, especially for plant that is already being used in public service. However, FERC uniform system of accounts does allow for the opportunity of an acquisition adjustment which would require approval from the rate regulator and a clear showing of benefits that justify or offset this higher acquisition adjustment cost.

C. FINANCIAL ANALYSIS

Xcel modeled both the OtP and REPA alternatives using the same long-term model it uses for its integrated resource planning exercise, Strategist. The Company described its modeling assumptions and results in detail in the Petition. As noted previously, Xcel identified a range of \$6.9 to \$31.8 million in benefits to ratepayers under the Option alternative and a range of \$1.7 million to \$5.3 million in ratepayer benefits for the REPA alternative.⁹

The Department asked several information requests in an attempt to understand better Xcel's modeling efforts. For example, Department Information Request No. 12 asked: "In the PVRR (No CO₂) scenario the Company's identifies an incremental benefit of \$6.9 million under the Acquisition alternative. What is the total PVRR for that combination of scenario and alternative?"¹⁰

Xcel responded:

The total present value of the revenue requirement (PVRR) for the base scenario is \$45,211. The PVRR under the proposed acquisition scenario alternative is \$45,204, resulting in a net savings of \$6.88 M.¹¹

⁸ See FERC Uniform System of Accounts – Electric Plant Instruction No. 5, Electric Plant Purchased or Sold and FERC Account 114, Electric Plant Acquisition Adjustments.

⁹ The Department also notes that these estimated benefits are calculated over a 40-year period (2018 through 2057).

¹⁰ Attachment B includes a copy of this information request.

¹¹ The \$45,211 and \$45,204 figures that the Company uses in its response are millions of dollars, so under standard notation, those figures would be \$45,211,000 and \$45,204,000, respectively. The benefit that the Company identified would be equal to \$6,880,000.

Given the complexity of the Strategist model and the lengthy time-period under consideration, along with the magnitude of the PVRR estimated, the Department notes that the relative benefits the Company identified in the Petition are very small.¹² Specifically, on a percentage basis, the \$6.88 million benefit that Xcel identified for the OtP alternative is equal to 0.0152% (0.000152) of the base scenario PVRR of \$45.2 billion.

The Department also asked several information requests to determine how sensitive the benefits identified were to changes in certain assumptions. For example, Xcel assumed that a useful life of the refurbished wind generation facilities for the OtP alternative that was 20 percent longer than the assumed useful life in the REPA alternative. The Department asked for reasoning that supports this assumption in DOC Information Request No. 14.¹³

Xcel responded:

The OEM (Original Equipment Manufacturer) of the repower equipment will deliver a “Letter of Conformity” that will confirm a minimum repowered turbine design life of 20 years, as certified by a third party (DNV/GL), (turbine life after decommissioning of the existing equipment, and installation of the new equipment). Additionally, with proper adherence to OEM operating procedures, and with a consistent maintenance protocol, we expect the turbines to operate beyond 20 years, having average lifespans of 25 years. The replacement turbine technology used on the repower project is similar to technology being utilized in our self-build portfolio of projects, and we anticipate being able to operate the turbines for that entire lifespan.

While the Department hopes that Xcel’s expectation that the turbines will last 25 years is correct, we asked the Company to lower its useful life assumption for turbine life under the OtP scenario from 25 to 20 years in Department Information Request No. 24.¹⁴ Table 5 recreates a table the Company provided in its response.

¹² The Department asked a similar question regarding the \$1.7 million benefit the Company identified under the REPA scenario in Department Information Request No. 13. The \$1.7 million benefit was equal to a 0.0038% change in the PVRR.

¹³ Attachment C contains a copy of this information request.

¹⁴ A copy of this information request is included in Attachment D.

Table 5 – Strategist Results Comparing Base, Own Both (25 year turbine life), Own Both (20 year turbine life)*

Financial Measure	Scenario	Net Present Value (\$2018) (\$M)	Delta from Base
PVRR	Base	45,211	
	Own Both (25 years)	45,204	(6.9)
	Own Both (20 years)	45,215	3.8
	Amended PPAs	45,209	(1.7)
PVSC	Base	55,500	
	Own Both (25 years)	55,468	(32)
	Own Both (20 years)	55,484	(16)
	Amended PPAs	55,495	(4.8)

*Negative values denote benefits to ratepayers.

Adjusting the model so that the turbines’ useful lives are consistent at 20 years in both acquisition scenarios flips the \$6.9 million in ratepayer benefits to \$3.8 million in additional **costs** using the present value of the revenue requirement as the point of reference. It also makes the REPA alternative more attractive to the OtP alternative since the former retains a \$1.7 million benefit relative to the Base scenario.

For the present value of the social costs (PVSC) scenario, assuming 20-year lives in both acquisition scenarios halves the PVSC benefits (\$32 million to \$16 million) that Xcel identified in its original 25-year turbine life ownership scenario. The PVSC for the REPA alternative is also a benefit, albeit smaller (\$4.8 million versus \$16 million) than the benefit identified under the “Own Both (20 years)” case. Thus, the assumed lives of the facilities, with the proposed acquisition adjustment, has a significant effect on the cost-effectiveness.

D. POLICY ANALYSIS

The Department identified the following policy-related issues associated with the Company’s Petition:

- Competitive Bidding for Generation Resources – Xcel’s proposal to own the facilities is essentially a request for an exemption from this long-standing policy. By contrast, the proposal to amend the existing PPAs would modify those contracts to benefit ratepayers.
- Resource Acquisition Adjustment – in its proposal to own the facilities, it appears that the Company is requesting that **[TRADE SECRET HAS BEEN EXCISED]** of the proposed

purchase price of **[TRADE SECRET HAS BEEN EXCISED]** identified in its response to Department IR No. 23 be allowed to be recovered from ratepayers.¹⁵

- Review of an Unexecuted Purchase and Sale Agreement – in its proposal to own the facilities, the Company requested approval of an option that does not yet exist to purchase the facilities.¹⁶ While Xcel’s document includes several important components of the combined transaction, such as the proposed purchase prices of each of the facilities and a discussion of the ownership of the Production Tax Credit (PTC), it is not a completed or executed purchase and sale agreement.

While the Department understands Xcel’s interest in receiving regulatory approval for the proposed purchases, the lack of completed agreements for the Jeffers and Community Wind North facilities respectively is concerning. Department Information Request No. 26 asked: “Please identify previous dockets in which the Commission has approved the purchase of existing generation facilities prior to the execution of a purchase agreement between Xcel and the vendor.”¹⁷

The Company responded:

The Jeffers Wind/Community Wind North petition is the first proposal the Company has submitted for Commission consideration regarding a transaction that provides options for ownership . . . We have not entered into any previous proceedings in which the Commission approved the purchase of existing wind facilities prior to the execution of a purchase agreement between the Company and the seller.

Thus, Xcel is asking the Commission to approve several admittedly important components of the two agreements to purchase facilities, but has not been able to complete those respective purchase and sales agreements since the Company made its filing in late 2018. Xcel has not explained how the Commission could approve Xcel’s proposal to purchase alternative based on an option that does not exist and allow the Company to receive approval for a purchase without the existence of an executed purchase and sale agreement.

Further, approving Xcel’s request for cost recovery for the purchases prior to the execution of the purchase agreements would remove some of Xcel’s incentive to negotiate as vigorously as possible on behalf of ratepayers’ interests. This concern is heightened in light of the analysis

¹⁵ The Department uses the phrase “appears that” given that Xcel has not yet executed a purchase and sale agreement for the wind generation facilities in question.

¹⁶ Included as Attachment A of the **TRADE SECRET** Petition, with no public version provided in the public filing.

¹⁷ Attachment E contains copy of this information request and Xcel’s complete response.

above showing that early failure of the facilities would result in higher costs being charged to ratepayers than simply allowing the C-BED contracts to continue under current contracts. The Department is concerned that the Company can use the pre-existing purchase prices to focus the negotiation of the remaining aspects of the contract to benefit shareholders at ratepayers' expense. Such a development could be detrimental to ratepayers, needlessly so, given that the REPA option appears to provide clear benefits to ratepayers compared to the current PPAs.

In summary, the benefits the Company has identified relative to its Option to Purchase alternative are not sufficient to:

- support exemption from the competitive generation process;
- justify the approval of significant resource acquisition adjustments included in the proposed purchase prices; or
- support Xcel's request that the Commission approve an option to purchase alternative.

However, Xcel has demonstrated that the REPA alternative amending the existing PPAs is reasonable.

IV. DEPARTMENT RECOMMENDATION

As explained in detail above, Xcel did not demonstrate that its proposal to purchase the Jeffers and Community Wind North facilities (the OtP alternative) is reasonable, but did demonstrate that the proposed amendments to the PPAs (the REPA alternative) is reasonable. Thus, the Department recommends that the Commission approve Xcel's proposed amendments to the existing PPAs.

/ja

PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public or Protected Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 23
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: January 18, 2019

Question:

Topic: Journal Entries

Please provide an example of the proposed journal entries for each of the three transactions.

Response:

Below are the proposed journal entries for the Company's acquisition of the facilities, with estimated dollar amounts assuming the purchase of the Jeffers facility and the Community Wind North facilities each occurs on November 30, 2019:

Proposed Journal Entries – Jeffers Facility
Estimated at Closing November 30, 2019

FERC	FERC Description	Debit	Credit
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[Protected Data Begins

Protected Data Ends]

PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED

Proposed Journal Entries – Community Wind North Facilities
Estimated at Closing November 30, 2019

FERC	FERC Description	Debit	Credit
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[Protected Data Begins

Protected Data Ends]

*Estimated amounts for *Electric Plant in Service* and *Accumulated Provision for Depreciation of Electric Utility Plant* for Jeffers 20, LLC and Community Wind North, LLC include estimated repowering expenditures of ***[Protected Data Begins*** ***Protected Data Ends]***, respectively, as well as cost estimates for the towers and other original assets using approximated original cost and depreciation through the forecast acquisition date, per FERC guidelines. Immediately upon the purchases of the membership interests, Jeffers 20, LLC and Community Wind North, LLC would each merge with and into NSP-Minnesota, which would be the sole surviving entity of the mergers.

If the Commission does not approve the Company’s acquisition of the facilities, and instead approves the amendments to the Wind Generation Purchase Agreements (REPAs) for the repowered facilities, this would result in continuing payments for wind energy recognized in FERC Account 555 *Purchased Power*. As set forth in the Company’s December 21, 2018 petition, the amended Jeffers Wind REPA would be expected to result in energy expenditures of approximately ***[Protected Data Begins*** ***Protected Data Ends]*** over the remaining term of the project.

Amended Community Wind North REPAs would be expected to result in energy expenditures of approximately ***[Protected Data Begins*** ***Protected Data Ends]*** over the remaining term of the project.

Portions of this response are marked as “Not-Public” as they contain sensitive pricing information we consider to be trade secret data as defined by Minn. Stat. §13.37(1)(b). The information derives an independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from its use. Based on its economic value, the Company maintains this information as trade secret.

PUBLIC DOCUMENT–NOT-PUBLIC OR PROTECTED DATA EXCISED

Preparer: Aaron Hansen
Title: Manager
Department: Capital Asset Accounting
Telephone: 612-330-6854
Date: March 14, 2019

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 12
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: January 18, 2019

Question:

Topic: Incremental PVRR Values – Table 1
Reference(s): Filing, page 14

In the PVRR (No CO₂) scenario the Company identifies an incremental benefit of \$6.9 million under the Acquisition alternative.

What is the total PVRR for that combination of scenario and alternative?

Response:

The total present value of revenue requirement (PVRR) for the base scenario is \$45,211. The PVRR under the proposed acquisition alternative is \$45,204, resulting in a net savings of \$6.88 M.

Base	45,211
Acquisition	45,204
Delta	(6.88)

Preparer: Jon Landrum
Title: Manager, Resource Planning Analytics
Department: Resource Planning
Telephone: 303-571-2765
Date: January 28, 2019

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 14
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: January 18, 2019

Question:

Topic: Useful Life
Reference(s): Filing, page 14

Under the Acquisition scenario, the Company assumes that the repowered wind resources operate for 25 years. What is the basis for this assumption?

Response:

The OEM (Original Equipment Manufacturer) of the repower equipment will deliver a 'Letter of Conformity' that will confirm a minimum repowered turbine design life of 20 years, as certified by a third party (DNV/GL), (turbine life after decommissioning of the existing equipment, and installation of the new equipment). Additionally, with proper adherence to OEM operating procedures, and with a consistent maintenance protocol, we expect the turbines to operate beyond 20 years, having average lifespans of 25 years. The replacement turbine technology used in the repower project is similar to technology being utilized in our self-build portfolio of projects, and we anticipate being able to operate the turbines for that entire lifespan.

Preparer: Bradley D. Morrison
Title: Manager, Projects E&C
Department: ES Plant Projects
Telephone: 612-330-6283
Date: January 28, 2019

- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Xcel Energy Information Request No. 24
 Docket No.: E002/PA-18-777
 Response To: MN Department of Commerce
 Requestor: John Kundert
 Date Received: February 11, 2019

Question:

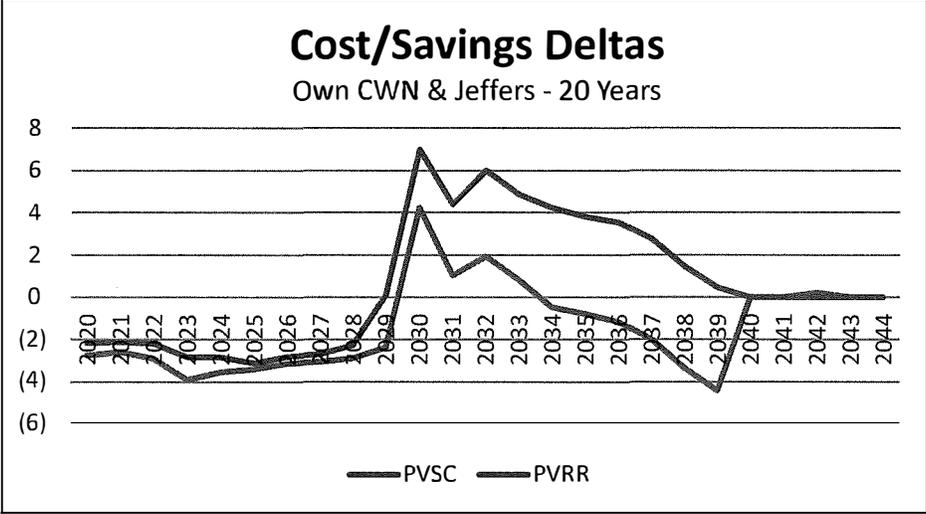
Please provide a re-calculation of the Petition’s Attachment G assuming that the useful life of the three facilities is 20 years, not 25 years.

Response:

The PVSC and PVRR results of the revised Strategist run to account for a 20-year useful life of the three facilities are summarized in the table below.

PVSC		NPV	Delta
		\$2018	from Base
Base	\$M	55,500	
Own Both (25 years)	\$M	55,468	(32)
Own Both (20 years)	\$M	55,484	(16)
PVRR		NPV	Delta
		\$2018	from Base
Base	\$M	45,211	
Own Both (25 years)	\$M	45,204	(6.9)
Own Both (20 years)	\$M	45,215	3.8

The chart below represents the annual costs/savings associated with the ownership of all three facilities over a 20-year useful life.



Preparer: Jon Landrum
Title: Manager, Resource Planning Analytics
Department: Resource Planning
Telephone: 303-571-2765
Date: February 19, 2019

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- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 26
Docket No.: E002/PA-18-777
Response To: MN Department of Commerce
Requestor: John Kundert
Date Received: February 11, 2019

Question:

Please identify previous dockets in which the Commission has approved the purchase of existing electric generation facilities prior to the execution of a purchase agreement between Xcel and the vendor.

Response:

The Jeffers Wind/Community Wind North petition is the first proposal the Company has submitted for Commission consideration regarding a transaction that provides options for ownership or a Power Purchase Agreement amendment, either of which will result in ratepayer benefits. We have not entered into any previous proceeding in which the Commission approved the purchase of existing wind facilities prior to the execution of a purchase agreement between the Company and the seller. As noted in the response to Department of Commerce Information Request No. 22, we are currently in negotiations to finalize a Purchase & Sale Agreement, and anticipate concluding negotiations by **[TRADE SECRET BEGINS** **TRADE SECRET ENDS]**.

This response is marked as “Not-Public,” as the inquiry contains information we consider to be trade secret data as defined by Minn. Stat. §13.37(1)(b). This information includes confidential contract terms and derives an independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from its use. Based on its economic value, the Company maintains this information as trade secret.

Preparer: John Valerius
Title: Corporate Development Manager
Department: Corporate Development
Telephone: 612-215-4572
Date: February 19, 2019

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Public Comments**

Docket No. E002/PA-18-777

Dated this 25th day of March 2019

/s/Sharon Ferguson

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