

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Northern States Power Company
Advance Prudence – 187 MW Solar Energy Portfolio
Application

Case No. PU-14-810

AFFIDAVIT OF SERVICE BY CERTIFIED & REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Amy Haugen deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **27th day of May, 2015**, she deposited in the United States Mail, at Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Advocacy Staff's Proposed Order

The envelope was addressed as follows:

Dave H. Sederquist
Senior Consultant, Regulation and Finance
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102
Cert. No. 7014 0150 0000 4831 4776

Amy Haugen further deposes and says that on the **27th day of May, 2015**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes by regular mail, with postage fully prepaid, securely sealed, containing a photocopy of the same.

The envelopes were addressed as follows:

Tiffany Hughes
Records Analyst
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401

Alison C Archer
Attorney
Xcel Energy
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401-1993

Zeviel T Simpser
Attorney
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2157

Affidavit of Service
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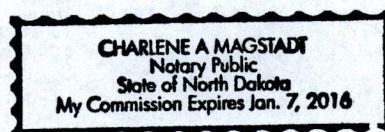
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **27th day of May, 2015.**

SEAL

Amy Haugh

Charlene A Magstadt
Notary Public



CHARLENE A. MADZANI
Notary Public
State of North Dakota
My Commission Expires Jan. 5, 2018

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
Advance Determination of Prudence - 187 MW Solar
Application**

Case No. PU-14-810

ADVOCACY STAFF'S PROPOSED ORDER

MAY 6, 2015

Appearances

Commissioners Julie Fedorchak, Randy Christmann, and Brian P. Kalk

Zeviel T. Simpser, Briggs and Morgan, P.A., 2200 IDS Center, 80 South Eighth Street, Minneapolis, MN 55402-2157, appearing on behalf of Northern States Power Company.

Alison C. Archer, Xcel Energy, 414 Nicollet Mall, 5th Floor, Minneapolis, MN 55401-1993, appearing on behalf of Northern States Power Company.

John M. Schuh, Public Service Commission, State Capitol, 600 E. Boulevard Av., Bismarck, North Dakota 58505, on behalf of the Public Service Commission Advocacy Staff.

Illona Jeffcoat-Sacco, General Counsel, Public Service Commission, State Capitol, 600 E. Boulevard Av., Bismarck, North Dakota 58505, on behalf of the Public Service Commission advisory staff.

Wade C. Mann, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503.

Preliminary Statement

On November 7, 2014, the Applicant Northern States Power Company (NSP or the Company) filed an application with the North Dakota Public Service Commission (Commission) seeking an advance determination of prudence (ADP) under North Dakota Century Code § 49-05-16 for a 187 MW solar energy portfolio (Solar Portfolio). The Solar Portfolio consists of Power Purchase Agreements (PPA) to purchase the output of the 62.25 MW Marshall Solar project, located near Marshall, Minnesota; the

24.75 MW MN Solar I project, located near Tracy, Minnesota; and the 100 MW North Star Solar project, located near North Branch, Minnesota.

On March 11, 2015, the Commission issued a Notice of Hearing for May 6, 2015. The Notice specified the issue to be considered was whether the NSP's solar power purchase agreements should receive an advanced determination of prudence from the Commission.

The Commission held the hearing as scheduled on May 6, 2015 in the Commission Hearing Room, 12th floor, State Capitol, Bismarck, North Dakota.

Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. NSP is an investor-owned electric utility headquartered in Minneapolis, Minnesota authorized to provide public utility service in North Dakota.
2. On April 22, 2014, NSP issued a request for proposal (RFP), seeking eligible projects as utility-scale solar resources to fulfill its obligation under the Minnesota Solar Energy Standard (SES) requirements under Minn. Stat. § 216B.1691, subd. 2f(a)-(c).
3. The RFP sought bids for solar photovoltaic resources of 5 MW or larger, which offered to sell to NSP all energy associated capacity, ancillary services, and all renewable energy certificates generated by the project.
4. After reviewing potential proposals on ability to interconnect with the transmission system, curtailment risk, and the ability to complete the proposed project by the end of 2016, NSP selected three bids totaling an additional 187 MW of solar generation to the NSP system.
5. The Solar Portfolio is comprised of three utility-scale solar generation projects. The three solar projects are:
 - a) Marshall Solar – a 62.25 MW project located near Marshall, Minnesota to be developed by NextEra;
 - b) MN Solar I – a 24.75 MW project located near Tracy, Minnesota to be developed by juwi solar, Inc.; and

c) North Star Solar – a 100 MW project located near North Branch, Minnesota to be developed by Community Energy Resources.

6. In NSP’s energy analysis, the projects were analyzed in comparison to other solar resources.

7. NSP’s load forecast shows a surplus capacity through 2023.

Advance Determination of Prudence

8. North Dakota Century Code § 49-05-16 provides that a public utility proposing to make a resource addition may file an application with the Public Service Commission for an advance determination that an electric resource addition is prudent.

9. “For facilities located or to be located in this state the commission . . . shall consider the benefits of having the resource addition located in this state. N.D.C.C. § 49-05-16(1)(d). If the resource addition is located in this state, there is a rebuttable presumption of prudence. N.D.C.C. § 49-05-16(7).

10. The Commission may issue an order approving the prudence of a proposed project if, in addition to other requirements under North Dakota Century Code § 49-05-16(1), “the commission determines that the resource addition is prudent.”

11. The Commission’s order is “binding for ratemaking purposes”, and the public utility may recover in its rates “the amounts the public utility reasonably incurred or obligated on a prudent resource addition . . . even though the resource addition may never be fully operational or used by the public utility to serve its customers.” N.D.C.C. § 49-05-16(4),49-05-16(6).

12. Furthermore, the commission may not “increase electric rates as a result of actions taken by other states requiring higher cost resources to be built, purchased, or otherwise acquired as a result of the application of quantified externality values . . . as part of any resource selection process. N.D.C.C. § 49-06-24.

I. NSP Prudence Analysis

13. NSP puts forward this application for purchasing energy and obtaining the associated capacity primarily to comply with the Minnesota SES.

14. NSP uses the Strategist modeling tool for its quantitative modeling efforts. The tool is widely used by both utilities and utility commissions in the United States.

15. NSP’s analysis indicate that the Solar Portfolio will increase the present value of their overall cost of energy by 14 million present value system-wide over the lives of the

projects. NSP believes that this is a reasonable cost for the 187 MW Solar Portfolio when weighed against qualitative benefits.

16. NSP believes that the Federal 30 percent Income Tax Credit represents a significant incentive to developers that results in attractive pricing for solar at this time.

17. NSP states that a number of qualitative benefits demonstrate the Project's prudence, including the emission free energy that can position the company for future environmental laws and regulations, a hedge against future natural gas prices, and the displacement of future energy purchases.

18. NSP believes that the PPA is a prudent resource addition.

II. Advocacy Staff Prudence Analysis

19. In its prudence analysis Advocacy Staff reviewed the Company's application and assessed its assumptions, inputs, and analysis. After review, Advocacy Staff believes that the Project is contrary to North Dakota energy policy, which prioritizes least cost planning.

20. The Solar Portfolio energy addition is in response to the Minnesota SES. Advocacy staff's review has determined that without the Minnesota jurisdictional mandate, the solar resource would not be a cost effective resource addition.

21. In the Company's energy pricing analysis, the Projects were analyzed in comparison to other solar resources. Advocacy Staff believes if additional energy resources are needed, there are lower cost energy resource additions available, including alternatives that provide a hedge against future environmental and natural gas prices.

22. Advocacy Staff compared NSP's most recent load forecasts to the capacity of its existing generation resources and, supported by NSP's testimony, NSP will have a surplus capacity above the reserve margin through 2023, even when excluding the proposed utility-scale solar generation.

23. Advocacy Staff further believes the capacity is in excess of what is necessary to ensure reliability and requirements of utility customers, and therefore the Solar Portfolio increases costs that do not benefit North Dakota customers.

24. Given that this project does not support the North Dakota's least-cost planning, the costs and benefits of the specialized solar mandated energy should be allocated to Minnesota ratepayers.

25. Advocacy Staff believes that the 187 MW Solar Portfolio is not a prudent resource addition.

From the foregoing Findings of Fact, the Commission makes the following:

Conclusions of Law

1. The Commission has jurisdiction in this matter.
2. In comparison to NSP's existing generation portfolio, the 187 MW Solar Portfolio is not a prudent resource addition.

From the foregoing Findings of Fact and Conclusions of Law, the Commission makes its:

Order

The Commission orders that the Applicant's request for an advance determination of prudence for its 187 MW Solar Portfolio hereby be denied.

26. PUBLIC SERVICE COMMISSION

Randy Christmann
Commissioner

Julie Fedorchak
Chairman

Brian Kalk
Commissioner