

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

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

**Case No. PU-14-810**

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

**JUNE 17, 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, and Alison C. Archer, Xcel Energy, 414 Nicollet Mall, 5<sup>th</sup> Floor, Minneapolis, MN 55401-1993, on behalf of Northern States Power Company.

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

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

**Preliminary Statement**

On November 7, 2014, Northern States Power Company (NSP) filed an application with the North Dakota Public Service Commission (Commission) seeking an advance determination of prudence (ADP) under North Dakota Century Code (N.D.C.C.) section 49-05-16 for a 187 MW solar energy portfolio (Solar Portfolio). The Solar Portfolio consists of power purchase agreements 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, scheduling a public hearing to begin at 8:30 a.m. on May 6, 2015 in the Commission Hearing Room, 12<sup>th</sup> floor, State Capitol, Bismarck, North Dakota. The Notice identified the issue to be considered as whether NSP's solar power purchase agreements should receive an advanced determination of prudence from the Commission.

On May 6, 2015 the public hearing was held as scheduled.

Having allowed all interested persons an opportunity to be heard and having heard 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 under the regulatory jurisdiction of the Commission.
2. On April 22, 2014, NSP issued a request for proposal (RFP), seeking eligible utility-scale solar resources to fulfill NSP's obligation under the Minnesota Solar Energy Standard (SES) requirements, Minn. Stat. section 216B.1691, subd. 2f(a)-(c).
3. NSP's 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 renewable energy certificates generated by the resource.
4. After reviewing proposals for ability to interconnect with the transmission system, curtailment risk, and the ability to complete the proposed project by the end of 2016, the deadline for qualifying for a 30% federal investment tax credit, NSP selected three bids totaling an additional 187 MW of solar generation to the NSP system. The projects represented by these three bids are collectively known as NSP's Solar Portfolio.
5. The three Solar Portfolio projects selected are:
  - a) Marshall Solar – a 62.25 MW project located near Marshall, Minnesota to be developed by NextEra Energy Resources;
  - 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 Electric Rate Increase Application, Case No PU-07-776, NSP agreed to file an application for an advance determination of prudence for any proposed resource addition larger than 50 MW. In NSP Advance Prudence – Geronimo Wind Application, Case No. PU-12-59, NSP agreed to file all advance determination of prudence applications in a timely manner. In NSP's most recent general electric rate application, Case No. PU-12-813, NSP agreed to obtain an advance determination of prudence for power purchase agreements greater than 50 MW before recovering the costs of associated energy through its Fuel Cost Rider (FCR).
7. NSP uses the Strategist modeling tool for its quantitative modeling efforts. The tool is widely used by utilities and utility regulatory commissions in the United States.

8. NSP's modeling indicates that the Solar Portfolio will increase NSP's overall system-wide cost of energy by \$14 million present value over the lives of the projects. NSP testified that this is a reasonable cost when weighed against qualitative benefits.
9. NSP testified that the federal 30 percent income tax credit is a significant incentive to developers, resulting in attractive pricing for solar at this time.
10. NSP states that a number of qualitative benefits of the Solar Project demonstrate the project's prudence, including the provision of emission free energy that can position the company for compliance with future environmental laws and regulations, the provision of a hedge against future natural gas prices, and the displacement of future energy purchases.
11. Based on review of NSP's application and assumptions, inputs, and analysis, Advocacy Staff testified that the Solar Project is inconsistent with least-cost planning.
12. Advocacy Staff testified that the Solar Portfolio resource additions were undertaken by NSP in response to the Minnesota SES and are not cost-effective resource additions.
13. Advocacy Staff testified that if NSP needed additional energy resources then lower cost energy resource additions are available to NSP, including alternatives that provide a hedge against future environmental regulations and natural gas prices.
14. Advocacy Staff compared NSP's most recent load and generating capacity forecasts, and testified that NSP expects to have sufficient generating capability to meet its reserve margin obligations through 2023 without the proposed Solar Portfolio addition. This conclusion is supported by NSP's testimony.
15. Advocacy Staff testified that the capacity to be provided by the resource additions is in excess of what is necessary to ensure reliability and meet customer load, and therefore the Solar Portfolio would cause increased costs to North Dakota customers without corresponding benefits.
16. Given that NSP entertained the Solar Project to meet Minnesota requirements, and not because it is a least-cost project, Advocacy staff recommended the costs and benefits of the Solar Project should not be allocated to the North Dakota jurisdiction.
17. Advocacy Staff testified that the 187 MW Solar Portfolio is not a prudent resource addition.
18. The Commission finds that NSP has not shown its proposed Solar Portfolio to be prudent. Therefore the Commission declines to grant an advanced determination that NSP's Solar Portfolio is prudent.

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

### **Conclusions of Law**

1. The Commission has jurisdiction in this matter.

2. NSP has not shown that its Solar Portfolio merits an advance determination of prudence under N.D.C.C. section 49-05-16.

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

**Order**

The Commission orders:

1. NSP's application for an advance determination of prudence for its 187 MW Solar Portfolio is denied.
2. NSP shall not recover costs associated with its 187 MW Solar Portfolio through its North Dakota Fuel Cost Rider without specific approval from the Commission.

**PUBLIC SERVICE COMMISSION**

		
<b>Randy Christmann</b> Commissioner	<b>Julie Fedorchak</b> Chairman	<b>Brian P. Kalk</b> Commissioner