

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
Advance Prudence – 100 MW Aurora Solar, LLC
Application**

Case No. PU-15-95

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

September 16, 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, 5th 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.

Patrick J. Ward, Administrative Law Judge, Zuger Kirmis & Smith, P.O. Box 1695, Bismarck, ND 58502-1695.

Preliminary Statement

On February 13, 2015, Northern States Power Company (NSP), dba Xcel Energy, 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 up to 100 MW of solar generation to be added to the NSP system through a 20-year power purchase agreement (PPA) with Aurora Distributed Solar, LLC, an affiliate of Geronimo Energy, LLC (Geronimo Solar PPA). The capacity and energy to be acquired under the Geronimo Solar PPA would be provided by distributed solar generation facilities to be located at up to 24 sites in Minnesota that would interconnect to various Xcel Energy distribution substations.

On May 27, 2015, the Commission issued a Notice of Hearing, scheduling a public hearing to begin at 8:30 a.m. on July 21, 2015 in the Commission Hearing Room, 12th floor, State Capitol, Bismarck, North Dakota. The notice identified the issue to be

considered as whether NSP's solar power purchase agreement should receive an advance determination of prudence from the Commission.

On July 21st, 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. 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).
3. The proposed Geronimo Solar PPA was selected through the Minnesota Competitive Acquisition Process (CAP) Docket. Both North Dakota and Minnesota require pre-approval for resource additions to the NSP System.
4. NSP evaluated the resource options in Minnesota's CAP docket, which utilizes externality values required under Minnesota's resource evaluation process. The Geronimo Solar PPA was selected under the CAP process in combination with Black Dog Unit 6 and Calpine Project PPA.
5. The proposed Geronimo Solar PPA is comprised of up to 100 MW of nameplate capacity from distributed solar facilities, ranging in size from 2 MW to 10 MW and located at up to 24 sites in Minnesota that interconnect to various Xcel Energy distribution substations.
6. NSP's modeling indicates that the 100 MW Geronimo Solar PPA will increase NSP's overall system-wide cost of energy by \$62 million present value over the lives of the projects.
7. NSP previously proposed a 187 MW Solar Portfolio (PSC Case No. PU-14-810) with a total added system-wide cost of \$14 million present value. The Commission determined in that case that NSP did not show the 187 MW Solar Portfolio to be prudent.

8. 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.
9. NSP's ADP application states that the Geronimo Solar PPA will help meet an identified need of 150-500 MW in the 2017-2019 time period that was identified in its 2010 Resource Plan, and supports its long-term solar energy commitments as described in its January 5, 2015 Resource Plan filing in Case No. PU-15-19.
10. NSP testified that the capacity benefits of the project, as well as the ability to meet Minnesota's solar energy goals and NSP's goal to significantly reduce carbon dioxide and other fossil fuel emissions, makes the Geronimo Solar PPA an appropriate acquisition at this time. NSP also testified that Minnesota's renewable and solar requirements are higher than the other states it serves.
11. NSP testified that, when viewed under the totality of the circumstances, the Geronimo Solar PPA is a prudent resource addition.
12. Based on review of NSP's application and assumptions, inputs, and analysis, Advocacy Staff testified that the Geronimo Solar PPA is inconsistent with least-cost planning.
13. Advocacy Staff testified that the Geronimo Solar PPA was undertaken by NSP in response to the Minnesota solar energy standard and environmental regulations and is not a cost-effective resource addition.
14. Advocacy Staff testified that if NSP needs 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.
15. 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 Geronimo Solar PPA addition. This conclusion is supported by NSP's testimony.
16. Advocacy Staff testified that the capacity to be provided by the resource addition is in excess of what is necessary to ensure reliability and meet customer load, and therefore the Geronimo Solar PPA will cause increased costs to North Dakota customers without corresponding benefits.
17. Given that NSP entertains the Geronimo Solar PPA to meet Minnesota requirements, and it is not a least-cost project, Advocacy staff recommended the costs and benefits of the Geronimo Solar PPA should not be allocated to the North Dakota jurisdiction.
18. Advocacy Staff testified that the Geronimo Solar PPA is not a prudent resource addition.
19. The Commission finds NSP has not shown the Geronimo Solar PPA to be a prudent resource addition. Therefore, the Commission declines to grant an advanced determination that NSP's Geronimo Solar PPA 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 the Geronimo Solar PPA merits an advance determination of prudence under N.D.C.C. § 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 the Geronimo Solar PPA is denied.
2. NSP shall not recover costs associated with the Geronimo Solar PPA through its North Dakota Fuel Cost Rider without specific approval from the Commission.

PUBLIC SERVICE COMMISSION



Randy Christmann
Commissioner



Julie Fedorchak
Chairman



Brian P. Kalk
Commissioner