

SENT VIA E_MAIL and US MAIL

May 4, 2018

Mr. Darrell Nitschke
Executive Director
North Dakota Public Services Commission
State Capitol
600 E. Blvd. Ave.
Bismark, ND 58505-0480

Re: In the Matter of Petitions for Authority for Deferred Accounting to defer recognition of the transactional, plant closing and other associated costs of transactions proposed for Benson AND Advance Determination of Prudence (ADP) for proposed transactions relating to Power Purchase Agreements for the Benson Power biomass plant.

Case No. PU-17-270, PU-17-271, and PU-17-322

Red Willow Management LLC acts as an advisor to 10 companies who provide biomass fuel and transportation services to Benson Power, LLC (the "Benson Biomass Suppliers and Haulers"); and who are affected by Xcel's proposal to terminate the PPA's with Benson Power LLC ("Benson") and Laurentian Energy Authority LLC (the "LEA").

Since the above group provides supply and transportation services for Benson Power LLC, they have an interest in this proceeding.

The Settlement Agreement filed on January 18, 2018 by NSP and Advocacy Staff, the NDPSC includes resolution of two matters that were not, specifically, included as part of Xcel Energy's original filings, on June 30, 2017, and August 12, 2017. Consequently, the North Dakota Public Service Commission have requested comments on those two matters.

The first of those matters, asks the question "IS NSP's proposal to terminate its power purchase agreement with Laurentian Energy Authority, LLC prudent?" is significant.

In public testimony (in front of the Minnesota legislature) Xcel representatives indicate that the impetus behind the negotiation with the Laurentian Energy Authority, LLC (that resulted in the agreement to terminate the power purchase agreement) was LEA's request to renegotiate the terms of the LEA power purchase agreement. The implication in that request, from the LEA (presumably, for terms that would be more favorable to the LEA), is that the LEA was in danger of defaulting on the terms of the existing power purchase agreement. This should raise questions on whether, or not, the LEA could have (or would have) continued to sell power to

Xcel Energy, and whether, Xcel Energy would have been able to exit the power purchase arrangement without making any payments to the LEA (or, even, whether the LEA may have owed penalties to Xcel for past delivery failures under the current PPA).

The second of the matters raised in January 18, 2018, Settlement Agreement has to do with the appropriateness of recovering the payments, associated with the termination of power purchase agreements (for facilities included in the original filings) in NSP's Automatic Adjustment Clause.

North Dakota Statutes Chapter 69-09-02-39 identifies the types of costs that may be included in NSP's Automatic Adjustment Clause. 69-09-02-39 4. c. excludes capacity or demand charges from recovery in the Automatic Adjustment Clause. Expenses associated with the termination of power purchase agreements should be considered akin to a, negative, capacity or demand charge; and, as such, should be excluded from recovery under Chapter 69-09-02-39.

It is in the interest of the North Dakota Public Service Commission, and North Dakota Ratepayers, to maintain a bright-line on this issue. Maintaining a bright-line test is preferred, as it will avoid further issues, and potential confusion, should NSP attempt to argue that other investments (say ones that improve efficiency and result in a lower fuel expense) be included in the Automatic Adjustment Clause (because of the impact on customer energy costs).

The Inclusion of these types of costs, which are more properly characterized as part of rate base, in the Automatic Adjustment Clause may be used by utilities to extend the time between rate cases. This runs the risk of frustrating the rate making process and reducing the Public Service Commission's ability to fulfil its role in protecting consumers.

Because the Settlement Agreement allows for deferred accounting treatment for these transactions; and since the Settlement Agreement allows NSP to earn a 5% rate of return on the unamortized portion of the regulatory asset, NSP is not damaged by these costs being treated as a rate base item.

The Benson Biomass Suppliers and Haulers, appreciate the opportunity to provide the above comments; and requests a hearing on the matters.

Respectfully,



Craig A Mataczynski
Red Willow Management LLC
(on behalf of the Benson Biomass Suppliers and Haulers)