



2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402-2157
OFC 612-977-8400
FAX 612-977-8650

LoDo Towers
1331 17th Street, Suite 520
Denver, CO 80202-1566
OFC 720-778-5480
FAX 720-778-5479

June 19, 2018

Zeviel T. Simpser
(612) 977-8865

VIA EMAIL AND MAIL

zsimpser@briggs.com

Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
Department 408
600 East Boulevard
Bismarck, ND 58505-0480

**Re: Work Session Response Letter
Case Nos. PU-17-270, PU-17-271, and PU-17-322**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy (NSP or Xcel Energy or the Company), submits this letter to the North Dakota Public Service Commission (NDPSC) to assist in resolving the two questions remaining after the work session on June 11, 2018.

The work session addressed the Comment Letters of Red Willow Management LLC and the Associated Loggers & Truckers (ACLT) of Minnesota. There appears to be consensus that the vast majority of the issues raised by these entities are not relevant to the prudence determination in the Laurentian case, which was the only issue identified in the March 29, 2018 Notice of Opportunity for Consolidated Hearing. The Commission was uncertain whether two of the issues raised by the ACLT had been addressed: (1) will any of the \$34 million provided to the cities of Hibbing and Virginia from the Renewable Development Fund (RDF) come from past or future contributions of North Dakota Customers; and (2) did the Company account for and disclose to the Commission the \$10 million default clause in the Laurentian agreement?

With respect to the RDF, the record reflects that “North Dakota customers are not impacted by the RDF expenditure as they do not contribute to the fund.”¹ The

¹ Laurentian ADP Application p. 8 (Hearing Exhibit 8).

Darrell Nitschke
June 19, 2018
Page 2

Company further clarified that the “\$34 million in payments from the RDF have not been included in our analysis because North Dakota ratepayers do not contribute to the RDF and we will not seek to include these costs in our deferral or request their recovery from our North Dakota customers in a future cost recovery proceeding.”² Hence the \$34 million in RDF money provided to Hibbing and Virginia is not relevant to the Commission’s prudence determination for Laurentian because North Dakota customers neither contribute to, nor are affected by, the RDF.

The ACLT’s concerns regarding the “\$10 million dollar penalty” are misplaced because the Company provided the Laurentian agreement to Staff during discovery, the provision concerning the \$10 million would not have constituted a financial gain for NSP, and the prudence determination does not require an analysis as to whether, in hindsight, a slightly better deal might have been negotiated.

The only contractual reference to the \$10 million is in Appendix H to the Second Amended and Restated Power Purchase Agreement between NSP and Laurentian (Laurentian PPA). The Company provided a copy of the Laurentian PPA, including Appendix H, in response to Staff Data Request No. 8-3, and understands that Staff and its consultants reviewed this provision and incorporated any potential impact into its analysis and recommendation that the Commission find the early termination of the Laurentian PPA to be prudent.

In any event, the \$10 million provision is not relevant to the prudence determination. Appendix H sets forth required fuel reporting and certification to ensure compliance with the Minnesota biomass mandate in Minn. Stat. § 216B.2424. In the event that Laurentian could not meet the statutorily mandated percentages of biomass fuels, Section C of Appendix H would require Laurentian to provide NSP with a letter of credit for \$2 million if in contract years 7 to 15, \$5 million if in contract years 16 and 17, and \$10 million if in contract years 18 and 19.

As a primary matter, it is impossible to know whether Laurentian would have failed to meet the biomass mandate standards—making the whole analysis speculative at best. Additionally, the letter of credit was intended to offset any losses or penalties the Company may have had to pay due to any inability of Laurentian to meet

² Laurentian ADP Application p. 9 (Hearing Exhibit 8).



Darrell Nitschke
June 19, 2018
Page 3

Minnesota's biomass fuel requirements. As a result, the "\$10 million" letter of credit would not represent a windfall to NSP, as suggested by the ACLT, but rather would offset expenses or penalties paid by the Company. Thus, even if Laurentian had been required to provide a letter of credit, any draw on it by the Company would have been used to offset losses, making any application of Appendix H financially neutral.

Finally, as the Company stated in its Reply to Red Willow and the ACLT's Comments, the standard for granting an ADP is not speculating whether the Company could have negotiated a better deal or waited for Laurentian to default on the PPA. Rather, the standard is whether the transaction is prudent given all the known facts. All of the biomass terminations at issue lock in with certainty the cost savings for customers.

Please feel free to contact me or Mr. David Sederquist should the Commission have any additional questions or concerns.

Respectfully Submitted,

BRIGGS AND MORGAN, P.A.

/s/ Zeviel Simpser

Zeviel T. Simpser

**Attorney for Northern States Power
Company**

ZTS

cc: Jack Schuh
Victor Schock
Jerry Lien
Illona Jeffcoat-Sacco
Pat Fahn