

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
Advance Prudence – 1,550 MW Wind Portfolio
Application**

Case No. PU-17-120

**Northern States Power Company
Advance Prudence – 302.4 MW Dakota Range
Wind Application**

Case No. PU-17-372

**APPLICANT'S PROPOSED
FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

October 25, 2018

Appearances

Commissioners Randy Christmann, Julie Fedorchak, and Brian Kroshus.

Zeviel Simpser, Attorney, Briggs and Morgan, P.A., 2220 IDS Center, 80 South 8th Street, Minneapolis, Minnesota 55402, and Ryan Long, Principal Attorney, Northern States Power, Company, 414 Nicollet Mall, 401-8, Minneapolis, Minnesota 55401, on behalf of Northern States Power Company, a Minnesota corporation.

Mitch Armstrong, Special Assistant Attorney General, Smith Porsborg, 122 East Broadway Avenue, Bismarck, North Dakota 58501, on behalf of Public Service Commission Advocacy Staff.

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

Patrick Ward, Administrative Law Judge, c/o Zuger Kirmis & Smith, P.O. Box 1695, Bismarck, North Dakota 58502-1695, as Procedural Hearing Officer.

Preliminary Statement

On March 29, 2017, Northern States Power Company (NSP), dba Xcel Energy, filed an application with the North Dakota Public Service Commission (Commission) seeking an advanced determination of prudence (ADP) under North Dakota Century Code (N.D.C.C.) section 49-05-16 for a portfolio of seven wind projects totaling 1,550 MW of nameplate capacity comprised of the following: (1) the Foxtail Wind Farm; (2) the Crowned Ridge Wind Farm; (3) the Lake Benton Wind Farm; (4) the Clean Energy #1 Wind Farm; (5) the Blazing Star 1 Wind Farm; (6) the Blazing Star II Wind Farm; (7) the Freeborn Wind Farm (collectively, the "Wind Portfolio").

On June 30, 2017, the Commission issued a Notice of Hearing, scheduling a public hearing for 8:30 a.m. on September 26, 2017 in the Commission Hearing Room, 12th floor, State Capitol, Bismarck, North Dakota. The notice identified the issue to be considered as whether NSP's proposed resource additions are prudent.

On September 22, 2017, NSP and Advocacy Staff filed the First Revised Settlement Agreement which purported to resolve all issues between the parties.

On September 26, 2017, the public hearing was held as noticed.

On October 10, 2017, in Case No. PU-17-372, NSP filed an application for an ADP to build, own, and operate the proposed 302.4 Dakota Range I and II wind projects near Watertown, South Dakota ("Dakota Range" and, each of Dakota Range and the projects comprising the Wind Portfolio a "Project" and collectively, the "Projects").

On March 19, 2018, the Company and Advocacy Staff jointly requested that the Commission postpone Case No. PU-17-120 and withdrew the parties' First Revised Settlement Agreement so that the Application could be updated to reflect the impacts of the 2017 Tax Cuts and Jobs Act (TCJA) along with other significant modifications to the Wind Portfolio. The Commission approved the joint request on April 11, 2018.

On March 23, 2018, the Company filed a Supplement to the Dakota Range ADP Application in Case No. PU-17-372 to update the Commission on the effects of the TCJA and other changes to the Project and provide updated economic data and modeling.

On May 18, 2018, Xcel Energy filed a Supplement to its Application for ADP in Case No. PU-17-120 to provide updated economic data and modeling reflecting the impacts of the TCJA and other changes to Wind Portfolio.

On July 9, 2018, the Commission consolidated for hearing the 1,550 MW Wind Portfolio (Case No. PU-17-120) and the 302.4 MW Dakota Range Wind (Case No. PU-17-372) ADP Application proceedings because the cases involve similar questions of law and fact. A hearing was scheduled for September 11, 2018 and later postponed to October 11, 2018.

On September 28, NSP and Advocacy Staff filed the Second Settlement Agreement (Settlement Agreement).

On October 11, 2018, the 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 Case Application, Case No. PU-07-776, NSP agreed to file an application for an advanced determination of prudence (ADP) 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 ADP applications in a timely manner.
3. The proposed Foxtail Wind Farm is a 150 MW wind project to be located in Dickey County, North Dakota which NSP proposes to develop itself (i.e. a “self-build” project).
4. The proposed Crowned Ridge Wind Farm is a 600 MW wind development to be located in Codington County, South Dakota for which 300 MW of the project NSP proposes to purchase on a “turnkey” basis through a transaction where NextEra Energy, Inc. (NextEra) will build and transfer the project to NSP for NSP’s ownership (a Build-Own-Transfer or BOT arrangement) and for which 300 MW will be acquired by NSP through a power purchase agreement (PPA) with NextEra.
5. The proposed Lake Benton Wind Farm is a 100 MW wind development to be located in Pipestone County, Minnesota which NSP will purchase from NextEra under a BOT arrangement.
6. The proposed Clean Energy #1 Wind Farm is a 100 MW wind development to be located in Mercer and Morton Counties, North Dakota the output of which NSP will purchase from ALLETE Clean Energy (ACE) under a PPA.
7. The proposed Blazing Star I Wind Farm is a 200 MW wind development to be located in Lincoln County, Minnesota that NSP proposes as a self-build project.
8. The proposed Blazing Star II Wind Farm is a 200 MW wind generation facility to be located in Lincoln County, Minnesota that NSP proposes as a self-build project.
9. The proposed Freeborn Wind Farm is a 200 MW wind generation facility to be located in Freeborn County, Minnesota and Worth and Mitchell Counties, Iowa that NSP proposes as a self-build project.
10. The proposed Dakota Range wind farm is a 302.4 MW wind generation facility to be located near Watertown, South Dakota that NSP proposes as a self-build project.
11. NSP testified that it undertook to develop at least 1,000 MW of wind generation consistent with the outcome of its 2016-2030 Upper Midwest Resource Plan as approved by the Minnesota Public Utilities Commission (MPUC).

12. NSP testified that it selected the Foxtail, Blazing Star I, Blazing Star II, and Freeborn Projects as self-build projects through a rigorous site selection process.
13. NSP testified that it selected the Crowned Ridge, Lake Benton, and Clean Energy #1 Projects through a request for proposal process that was independently audited.
14. NSP testified that it selected Dakota Range through a different process once transmission and price certainty was achieved.
15. NSP testified that the Wind Portfolio and Dakota Range, together, were selected as a group of projects to meet its requirement to develop at least 1,000 MW of wind and that the attractive pricing available prompted NSP to propose to develop 1,850 MW of wind generation.
16. NSP testified that reflecting the TCJA, its quantitative analysis demonstrated that it expects the Wind Portfolio to provide savings across the NSP System of approximately \$1.4 billion on a Present Value of Revenue Requirements (PVRR) basis, and approximately \$75 million to its North Dakota customers over the life of the Wind Portfolio.
17. NSP testified that reflecting the TCJA, its quantitative analysis demonstrated that it expects Dakota Range to provide savings across the NSP System of approximately \$167 million on a PVRR basis and \$9 million for North Dakota customers.
18. NSP testified that its economic analysis did not consider environmental externality costs.
19. NSP testified that the expected savings from the Wind Portfolio and Dakota Range would be realized through the displacement of other, higher-cost, generation and market purchases.
20. NSP testified that the Wind Portfolio and Dakota Range do not meet the Commission's need plus least cost planning paradigm but that the over-all cost savings to be realized by the Projects makes them prudent both individually and collectively.
21. Advocacy Staff testified that the Wind Portfolio would provide savings to North Dakota customers through the displacement of higher-cost generation and market purchases.
22. In light of the savings provided by the Wind Portfolio and Dakota Range, Advocacy Staff testified that the Projects were prudent resource additions.
23. Advocacy Staff testified that because the Wind Portfolio did not conform to the Commission's need plus least cost paradigm certain conditions should be applied to the ADPs for the Projects to ensure that the estimated savings were realized.

24. Advocacy Staff's proposed conditions included: (1) North Dakota ratepayers should not have to pay any additional costs if NSP fails to obtain the full PTC for any of the Projects; (2) recovery of construction, interconnection, and transmission costs for the four self-build Projects should be limited to no more than NSP's currently estimated costs; (3) construction costs for the two BOT Projects should be limited to no more than NSP's currently estimated costs; (4) the creation of a financial incentive whereby if the Projects are constructed and interconnected below budget, the savings should be shared between NSP and customers with 60 percent going to North Dakota ratepayers and 40 percent being retained by NSP; and (5) certain reporting requirements.

25. NSP testified that it agreed with all of Advocacy Staff's proposed conditions except for the financial incentive.

26. The Second Settlement Agreement filed in this proceeding on September 22, 2018 (Settlement Agreement) resolves all issues between NSP and Advocacy Staff in these Cases.

27. The Settlement Agreement provides that ADPs should be granted for the Projects subject to several conditions.

28. The Settlement Agreement provides that ADPs for the Foxtail, Blazing Star I, Blazing Star II, Freeborn Projects, and Dakota Range be granted up to an aggregate amount representing NSP's currently estimated costs of in-servicing those Projects.

29. The Settlement Agreement provides that ADPs for the Lake Benton and the non-PPA portion of the Crowned Ridge Project be granted up to an aggregate amount representing NSP's currently estimated cost of in-servicing those Projects.

30. The Settlement Agreement provides that ADPs for the Clean Energy #1 Project and the non-BOT portion of the Crowned Ridge Project be granted without conditions.

31. The Settlement Agreement provides that NSP must reflect in its rates capital additions for those Projects which it will own consistent with its actual costs for the Projects, up to the aggregate amounts provided for in the Settlement Agreement.

32. The Settlement Agreement provides that in the event NSP's actual costs for the Projects it will own exceed the aggregate amounts provided for in the Settlement Agreement, NSP may recover the additional amounts upon a showing to the Commission that the capital expenditures above the amounts provided for in the Settlement Agreement are reasonable and prudent.

33. The Settlement Agreement provides that North Dakota ratepayers will not have to pay any additional costs if NSP fails to obtain the full PTC for any of the Projects.

34. The Settlement Agreement provides for the following reporting requirements: (1) NSP will provide quarterly construction progress reports until the last Project is in service; (2) NSP will provide curtailment and negative pricing information at each of the

Projects and any known reasons for observed curtailment and negative pricing on a monthly basis.

35. The Settlement Agreement contains other customary terms for a Settlement Agreement of this type.

Conclusions of Law

1. The Commission has jurisdiction in this matter.
2. NSP has complied with the provisions of N.D.C.C. section 49-05-16 as well as the Settlement Agreements in Case Nos. PU-07-776 and PU-12-813 as well as NSP's commitments in Case No. PU-12-59.
3. NSP has demonstrated the prudence of each of the Projects.
4. The Settlement Agreement reasonably ensures that the expected savings from the resource additions will be realized.

Order

1. The Second Revised Settlement Agreement, a copy of which is attached to this Order and made a part of this Order, is APPROVED.
2. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Foxtail Project is GRANTED.
3. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Crowned Ridge Project is GRANTED.
4. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Lake Benton Project is GRANTED.
5. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Clean Energy #1 Project is GRANTED.
6. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Blazing Star I Project is GRANTED.
7. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Blazing Star II Project is GRANTED.
8. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for the Freeborn Project is GRANTED.
9. Subject to the terms of the Second Settlement Agreement, an Advanced Determination of Prudence for Dakota Range is GRANTED.

10. Consistent with the terms and conditions of this Order and the Second Settlement Agreement, NSP will provide quarterly construction progress reports until the last Project is in service, indicating the development status of each Project.

11. Consistent with the terms and conditions of this Order and the Second Settlement Agreement, NSP will, in conjunction with its monthly Fuel Cost Rider filings to the Commission, provide curtailment and negative pricing information at each of the Projects, and any known reason for observed curtailment and negative pricing.

12. Consistent with the terms and conditions of this Order and the Second Settlement Agreement, NSP will, on at least an annual basis and more frequently as may be advisable, file a letter with the Commission in this Case advising whether the trade secret information must remain trade secret or if it may be made public.

PUBLIC SERVICE COMMISSION

**Brain Kroshus
Commissioner**

**Randy Christmann
Chairman**

**Julie Fedorchak
Commissioner**