

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Northern States Power Company** **Case No. PU-18-430**  
**Advance Prudence – 151.2 MW Dakota Range III Wind Facility**  
**Application**

**APPLICANT'S PROPOSED**

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

**JULY 29, 2019**

**Appearances**

Commissioners Brian Kroshus, Julie Fedorchak, and Randy Christmann.

Zeviel T. Simpser, Attorney, Dorsey & Whitney LLP, 50 South 6th Street, Suite 1500, Minneapolis, Minnesota 55402, and Matthew B. Harris, Principal Attorney, Xcel Energy Services Inc., 414 Nicollet Mall, Minneapolis, Minnesota 55401, on behalf of Northern States Power Company, a Minnesota corporation.

Mitchell D. Armstrong, Brian D. Schmidt, and Sarah E. Wall, Special Assistant Attorneys General, Smith Porsborg, 122 East Broadway Avenue, Bismarck, North Dakota 58501, on behalf of Public Service Commission Advocacy Staff.

Zachary E. Pelham, Attorney, Peace Durick PLLC, 314 East Thayer Avenue, Bismarck, North Dakota 58502, on behalf of Public Service Commission Advisory Staff.

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 December 27, 2018, Northern States Power Company (NSP), d/b/a 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 a power purchase agreement (PPA) between NSP and Dakota Range III, LLP, for new wind energy generation from a 151.2 megawatt (MW) facility (Dakota Range III).

On May 29, 2019, the Commission issued a Notice of Hearing, scheduling a public hearing for July 15, 2019 at 9:00 a.m. in the Commission Hearing room, 12th Floor, State Capitol, Bismarck, North Dakota. The Notice specified the issue to be considered was whether the proposed PPA resource addition is prudent.

On July 15, 2019, the public hearing was held as noticed.

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 for any proposed resource addition larger than 50 MW. In NSP Advance Prudence — Geronimo Wind Application, Case No. PU-12-59, NSP committed to file all advance determination of prudence applications within 14 days of seeking similar approvals in Minnesota.

3. NSP filed its petition seeking approval for the Dakota Range III PPA in Minnesota on December 13, 2018 (MPUC Docket No. E002/M-18-765).

4. Dakota Range III is a proposed 151.2 MW wind energy facility located in Grant and Roberts counties, South Dakota. NSP testified that Dakota Range III will be placed in-service in 2020.

5. NSP testified that it is procuring the Dakota Range III PPA to meet its obligations under an electric service agreement with Honeycrisp Power, LLC, a subsidiary of Google, LLC (Google), to provide electric service to Google's proposed data center to be located at NSP's Sherburne County Generation Station property in Becker, Minnesota (Google ESA).

6. The Minnesota Public Utilities Commission approved the Google ESA on May 14, 2019 (MPUC Docket No. E002/M-19-39).

7. NSP testified that the addition of Dakota Range III produces cost savings for North Dakota customers under all scenarios modeled, with or without the addition of the Google data center load to the NSP System, because the PPA provides power at below NSP's current fuel costs and thereby lowers NSP's average fuel and purchased power costs.

8. NSP testified that Dakota Range III produces \$22 million of savings on a present value of revenue requirements (PVRR) basis compared to its base case.

9. Advocacy Staff performed its own analysis and concurred with NSP that the addition of Dakota Range III will lower costs for customers in a range from \$31 million on a PVRR basis to \$48 million on a PVRR basis.

10. Advocacy Staff requested that NSP perform additional economic analysis to determine the cost impacts of adding Dakota Range III to the NSP System when the costs of the Google data center load were also added to the analysis.

11. NSP testified that when the addition of the Google data center load is included in its modeling, the cost savings produced by the Dakota Range III PPA increase for NSP customers system-wide on a PVRR basis. This value is Trade Secret information.

12. NSP testified that the addition of the Google load to the NSP System will produce additional savings for North Dakota customers due to the shifting of system costs from North Dakota to Minnesota under various cost allocators. The value of these savings is Trade Secret information.

13. In light of NSP's and Advocacy Staff's economic analyses, Advocacy Staff testified that it recommends the Commission approve the ADP for the Dakota Range III PPA, with two conditions: 1) a requirement that North Dakota customers receive financial compensation for their share of Renewable Energy Credits (RECs) associated with the project; and 2) a requirement that North Dakota customers be held harmless for any RECs that NSP may have to purchase to satisfy its commitments under the Google ESA.

14. NSP testified that it disagreed with Advocacy Staff's proposed conditions as inconsistent with the Dakota Range III PPA and unnecessary, and instead requests an ADP without conditions.

15. More specifically, NSP testified that Advisory Staff's proposed conditions would be construed as adverse precedent with respect to NSP's economic development activities. NSP testified that the Google data center was the first of what it hopes to be many economic development projects throughout the NSP System.

16. NSP further testified that conditioning the ADP on a requirement that North Dakota customers receive financial compensation for their share of Renewable Energy Credits (RECs) associated with the project would likely result in a similar condition being placed on the Company by other state regulatory commissions thereby reducing the attractiveness of NSP's economic development efforts in North Dakota.

17. NSP further testified that conditioning the ADP on a requirement that North Dakota customers be held harmless for any RECs that NSP may have to purchase to satisfy its commitments under the Google ESA is moot. NSP believes it can manage this commitment under the ESA with preexisting RECs which will not incur costs to any NSP System customers. Consequently, NSP argues that imposing this condition will set adverse precedent when such a condition is not needed to protect North Dakota customers.

### **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 Agreement in Case No. PU-07-776 and NSP's commitments in Case No. PU-12-59.
3. NSP has demonstrated the prudence of the 151.2MW Dakota Range III PPA.

From the foregoing Findings of Fact and Conclusions of Law, the Commission issues the following:

### **Order**

1. NSP's application for an advanced determination of prudence for its power purchase agreement with Dakota Range III, LLP is GRANTED without conditions.

### **PUBLIC SERVICE COMMISSION**

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**Julie Fedorchak**  
**Commissioner**

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**Brian Kroshus**  
**Chairman**

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**Randy Christmann**  
**Commissioner**