STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY ADVANCE DETERMINATION OF PRUDENCE – FOUR REPOWERED WIND PROJECTS	CASE NO. PU-20-425 OAH FILE NO. 20200420
NORTHERN STATES POWER COMPANY ADVANCE DETERMINATION OF PRUDENCE – 120 MW NORTHERN WIND FACILITY	CASE NO. PU-20-093 OAH FILE NO. 20210118

LATE-FILED EXHIBIT NSP-23

At the consolidated Hearing held in the above-captioned cases on September 30, 2021, the North Dakota Public Service Commission (Commission) requested an analysis on the impact of the Commission not granting the Company's requested Advance Determinations of Prudence (ADP) for the four wind repowerings (Border Winds, Grand Meadows, Nobles, and Pleasant Valley) and one wind acquisition (Northern Wind) that were the subject of the Company's ADP applications in the above-captioned cases (together referred to herein as the "ADP Projects"). The Company has interpreted this request from the Commission to be asking for an analysis of the impacts to both customers and the Company if the ADPs for each of the ADP Projects were denied.

As noted by Company Witness Mr. Chris Shaw at the Hearing, the Company assumes that if the ADP were denied, the ADP Projects would be treated as "disputed resources" consistent with the treatment of the Community Wind North and Jeffers repowering projects under the Commission-approved Settlement Agreement in the Company's most recent electric rate case (Case No. PU-20-441). Namely, the Company would not recover the costs of the ADP Projects in ratebase, but the Company would be entitled to retain all wholesale revenues, production tax credits (PTCs) and renewable energy credits (RECs) generated by the projects since North Dakota would not be sharing the cost of the projects. However, rather than assuming North Dakota customers will pay the system average cost of fuel for the energy provided by the ADP Projects to North Dakota through the Fuel Clause Rider (FCR), in this analysis the Company assumes North Dakota customers would pay market price for the incremental new wind due to the fact that no revenues for the project would be returned to customers, resulting in the purchase of market energy to serve load. This ensures that North Dakota customers would be held harmless if the

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Northern States Power Company

ADPs are denied—there would be no ratebase recovery for the repowering (or Northern Wind acquisition) and customers would pay market price for the additional energy provided by the repowered facilities.

The attached Exhibit NSP-23 provides an analysis of the customer and Company impacts of treating each of the ADP Projects as a disputed resource as described above. Note that this analysis uses the same modeling inputs as the pro forma analysis included in the Company's Application. For each ADP Project in Exhibit NSP-23, lines 1-7 show the impacts to customers of granting the ADP, including the expected savings for customers on a system-wide basis on line 7. Note that for ease of comparison, that this exhibit uses a simple sum and not a net present valuation. This accounts for any discrepancies between filed information. The anticipated savings that would be allocated to North Dakota customers if an ADP is granted for each ADP Project are provided on line 28.

Lines 9-12 show the impacts to customers and the Company of an ADP denial. As shown on line 10 for each ADP Project, the impact to customers of denial of the ADP is zero by removing the project savings and benefits from customers. This reflects the discussion above that North Dakota customers would be held harmless if the ADPs are denied—the existing facilities would remain in base rates but North Dakota would not share in the incremental costs of the repowerings, or the acquisition of Northern Wind. For the incremental energy added to the NSP System by each repowering, North Dakota customers would pay market cost through the FCR, so there would be no additional energy costs for North Dakota customers associated with the ADP Projects. Line 12 shows the impact to the Company on a system-wide basis of each ADP Project not being included in ratebase. As an offset to this cost, lines 14-21 show the anticipated impacts of the Company retaining the PTCs, wholesale revenues, and RECs associated with each ADP Project. Line 22 shows the total anticipated Company-wide impact for each ADP Project if the ADP is denied, based on the Company's assumptions of the value of the PTCs, RECs, and the anticipated amount of wholesale revenue retained for each Project. The North Dakota percentage is provided on Line 30.

Exhibit NSP-23 shows the Company's forecasted revenues for each of the ADP Projects if the ADPs are denied. This reflects the fact that by denying ratebase recovery of the resources, the market risk of the facilities is placed on the Company. Due to its taking on the entirety of this market risk, the Company anticipates that it will receive a return reflecting this different risk profile, based on market price assumptions and the value of the PTCs and RECs. In contrast, if the ADPs are approved, the Company would place the ADP Projects in ratebase and would not receive this risk premium, and North Dakota customers would share in the anticipated market benefits of each Project.