

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Northern States Power Company  
Advance Prudence - Four Repowered Wind Projects  
Application**

**Case No. PU-20-425**

**Northern States Power Company  
Advance Prudence – 120MW Northern Wind Facility  
Application**

**Case No. PU-21-93**

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

**February 2, 2022**

**Appearances**

Commissioners Julie Fedorchak, Randy Christmann, and Brian Kroshus.

Zeviel T. Simpser, Attorney, Dorsey & Whitney LLP, 50 South 6th Street, Suite 1500, Minneapolis, Minnesota 55402, on behalf of Northern States Power Company, a Minnesota corporation.

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

John M. Schuh, Advisory Counsel, 600 East Boulevard Avenue, Department 408, Bismarck, North Dakota 58505-0480, on behalf of Public Service Commission Advisory Staff.

Timothy J. Dawson, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503, as Administrative Law Judge.

**Preliminary Statement**

On October 13, 2020, in Case No. PU-20-425, Northern States Power Company (NSP), d/b/a Xcel Energy, filed with the North Dakota Public Service Commission (Commission) an application seeking an advance determination of prudence (ADP) under North Dakota Century Code (N.D.C.C.) section 49-05-16 for the repowering of four NSP-owned wind generation facilities: Border Winds, Grand Meadow, Nobles, and Pleasant Valley (collectively, the Four Wind Repowering Projects).

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On March 2, 2021, in Case No. PU-21-93, NSP filed with the Commission an application for an ADP to purchase the repowered and expanded 120 megawatt (MW) Northern Wind facility, located in Murray County, Minnesota (Northern Wind).

On May 5, 2021, the Commission consolidated Case Nos. PU-20-425 and PU-21-93 for hearing on September 30, 2021. The Notice specified the issue to be considered in both matters was whether NSP should be granted an advance determination that its proposed resource additions are prudent.

On September 23, 2021, NSP and Advocacy Staff of the Commission (Advocacy Staff) jointly filed a Settlement Agreement and Joint Stipulation of Capital Expenditure Costs, intended to resolve all issues in Case Nos. PU-20-425 and PU-21-93.

On September 30, 2021, 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. Pursuant to the Settlement Agreement in Case No. PU-07-776, NSP is required to file an application for an ADP for any proposed resource addition larger than 50 MW. Further, in Case No. PU-12-59, NSP committed to file all ADP applications within fourteen (14) days of seeking similar approvals in Minnesota.
3. Under N.D.C.C. § 49-05-16, there is a rebuttable presumption that a resource addition located in North Dakota is prudent.
4. NSP filed its petition seeking approval for the Four Wind Repowering Projects in Minnesota on September 29, 2020, and filed its petition in Minnesota seeking approval for Northern Wind on February 16, 2021 (MPUC Docket No. E002/M-20-620).
5. Border Winds is a 150 MW NSP-owned wind generation facility located in Rolette County, North Dakota. Grand Meadows is a 100.5 MW NSP-owned wind generation facility located in Mower County, Minnesota. Nobles is a 201 MW NSP-owned wind generation facility located in Mower County, Minnesota. Pleasant Valley is a 200 MW NSP-owned wind generation facility located in Mower County, Minnesota.
6. NSP testified that it would repower the full capacity of each of the Four Wind Repowering Projects by upgrading certain components at each Project. NSP testified that

the repowering of each of the Four Wind Repowering Projects will increase the net capacity factor and decrease the levelized cost of energy (LCOE) at each of the facilities. NSP further testified that the Four Wind Repowering Projects are expected to qualify for the federal renewable electricity Production Tax Credits (PTC) under current law.

7. NSP testified that, at the time of filing its ADP application in Case No. PU-20-425, it estimated that the Four Wind Repowering Projects, along with three additional, smaller repowering projects that were not included in the ADP application, would result in \$163 million in cost savings on a present value of revenue requirements (PVRR) basis over their life.

8. Advocacy Staff undertook an independent analysis of the Four Wind Repowering Projects and recommended that the Commission approve ADPs for the Grand Meadows Wind and Nobles Wind repowering projects, but deny approval for the Border Winds and Pleasant Valley Wind repowering projects.

9. In rebuttal testimony, NSP provided an updated economic analysis of the Border Winds and Pleasant Valley Wind projects in light of a decision to delay the commercial operation date (COD) of those two projects to the fourth quarter of 2025. NSP explained that this delayed COD will allow it to capture an additional year of PTCs from the projects prior to repowering them. NSP testified that its updated analysis showed \$224.6 million in savings generated by the Four Wind Repowering Projects on a PVRR basis. When the analysis was modified to assume market energy as the replacement resource for the Four Wind Repowering Projects rather than generic wind, NSP's analysis showed \$150.3 million in savings.

10. In Surrebuttal Testimony, Advocacy Staff updated its economic analysis of the Border Winds and Pleasant Valley projects based on NSP's revised COD. Based on this analysis, Advocacy Staff testified that the projects would reduce revenue requirements in both the near- and long-term and recommended the Commission approve NSP's ADP request for the Border Winds and Pleasant Valley Wind projects.

11. Northern Wind consists of two separate projects totaling 100 MW that are the subject of two power purchase agreements (PPAs), which are both due to expire in 2023. NSP testified that the current owner will repower the existing projects and carry out a 20 MW greenfield expansion, and NSP will then acquire the entire 120 MW Northern Wind project.

12. At the time of filing its Application in Case No. PU-21-93, NSP testified that the proposed acquisition of Northern Wind would generate estimated system-wide savings to customers of \$54 million on a PVRR basis over the life of the project.

13. NSP further testified that its analysis of the full portfolio of projects using the En-Compass capacity expansion modeling tool — including the Four Wind Repowering Projects and Northern Wind — found that the projects will result in net savings to customers of approximately \$189 million.

14. Advocacy Staff conducted its own independent analysis of the Northern Wind project and testified that NSP's cost of owning Northern Wind would be higher than if NSP purchased the same amount of energy in the market. Based on this analysis, Advocacy Staff recommended the Commission deny NSP's request for an ADP for Northern Wind.

15. Advocacy Staff recommended that, if the Commission approves any ADP, it should impose the following conditions: (1) limit total cost recovery to what NSP identified in its application; and (2) require NSP to provide North Dakota customers with the full realization of each facility's eligible PTCs.

16. The Settlement Agreement entered into by NSP and Advocacy Staff states that NSP's proposed Four Wind Repowering Projects are reasonable and prudent up to the capital expenditure amount for each project identified as the Budgeted Capital Expenditure Amount in the Joint Stipulation of Capital Expenditures, also entered into by NSP and Advocacy Staff on September 23, 2021.

17. The Settlement Agreement states that North Dakota customers will not be responsible for absorbing any material contract modifications for the Four Wind Repowering Projects without further Commission review, and that North Dakota customers will receive their full share of the PTCs and Renewable Energy Credits (RECs) associated with each of the Four Wind Repowering Projects, based on the then applicable allocation methods.

18. The Settlement Agreement states that NSP will not pursue an ADP for the Northern Wind project. The Settlement Agreement states that, unless the Commission grants full recovery of Northern Wind in a future proceeding, NSP will be entitled to recover the system average cost of fuel per kilowatt-hour (kWh) from North Dakota customers through the Fuel Cost Rider (FCR) for the generation provided by the Northern Wind project, consistent with the treatment for the Community Wind North and Jeffers Wind projects in NSP's most recent rate case (Case No. PU-20-441). NSP will be entitled to retain all wholesale revenues, PTCs, and RECs generated by the Northern Wind project.

19. NSP and Advocacy Staff testified that the Settlement Agreement will provide customer protections related to NSP's costs of repowering the Four Wind Repowering Projects and ensure North Dakota customers will obtain the cost savings described by NSP.

### **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. The Settlement Agreement provides for reasonable customer protections.

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

**Order**

1. The Settlement Agreement entered into by NSP and Advocacy Staff on September 23, 2021, attached to and made a part of this Order, is APPROVED.

2. NSP's application for an ADP for its repowering of the Four Wind Repowering Projects is GRANTED, subject to the conditions specified in the September 23, 2021, Settlement Agreement and Joint Stipulation of Capital Expenditures.

**PUBLIC SERVICE COMMISSION**

  
Randy Christmann  
Commissioner

  
Julie Fedorchak  
Chair

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**Vacant**

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

NORTHERN STATES POWER COMPANY  
ADVANCE DETERMINATION OF PRUDENCE –  
FOUR REPOWERED WIND PROJECTS

CASE NO. PU-20-425

NORTHERN STATES POWER COMPANY  
ADVANCE DETERMINATION OF PRUDENCE –  
120 MW NORTHERN WIND FACILITY

CASE NO. PU-20-93

**SETTLEMENT AGREEMENT**

This Settlement Agreement (Settlement Agreement) is entered into on this 23rd day of September, 2021, by and between Northern States Power Company, a Minnesota corporation, doing business as Xcel Energy (Xcel Energy or the Company) and the North Dakota Public Service Commission Advocacy Staff (Advocacy Staff, and each of Xcel Energy or Advocacy Staff a “Party” and together, the “Parties”). The Parties enter into this Settlement Agreement to resolve all issues in the above referenced Cases.

**BACKGROUND**

On May 5, 2021, the North Dakota Public Service Commission (Commission) consolidated for hearing the Four Repowered Wind Projects Application (Case No. PU-20-425) and the 120 MW Northern Wind Facility Application (Case No. PU-21-093) because the cases involve similar issues of law and fact. As a result, this Settlement Agreement applies to both of these Cases.

**A. Wind Repowering Projects**

On October 13, 2020, in Case No. PU-20-425, the Company filed its Application for an Advance Determination of Prudence (ADP) and supporting Direct Testimony for the repowering of four Company-owned wind generation facilities (each a Project and collectively the Wind Repowering Projects), as follows:

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Exhibit 18 - Settlement Agreement PU-20-425 & PU-21-93 (Public)  
Northern States Power Company

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Exhibit 18 - Settlement Agreement PU-20-425 & PU-21-93 (Public)  
Northern States Power Company

<b>Project Name</b>	<b>Net Capability (MW)</b>	<b>Location</b>
Border Winds	150	Rolette County, ND
Grand Meadows	100.5	Mower County, MN
Nobles	201	Nobles County, MN
Pleasant Valley	200	Mower County, MN

The Company's Application and supporting Direct Testimony explained that the Wind Repowering Projects were the result of a solicitation that the Company issued to explore repowering opportunities for existing Company-owned wind projects, as a means to generate long-term savings for customers and provide near-term economic stimulus in light of recessionary conditions resulting from the COVID-19 pandemic. At the time of filing, the Company estimated that the Wind Repowering Projects, along with three additional, smaller repowering projects that were not included in the ADP Application, would result in \$163 million in cost savings on a present value of revenue requirements (PVRR) basis over their life.

On August 9, 2021, Advocacy Staff filed the Direct Testimony of Mr. Charles E. Janecek. Mr. Janecek undertook his own independent analysis of the Wind Repowering Projects and recommended that the Commission approve ADPs for the Grand Meadows Wind and Nobles Wind repowering projects, but deny approval for the Border Winds and Pleasant Valley Wind repowering projects. Further, Mr. Janecek recommended that, should the Commission approve any ADP, the approval should be subject to certain conditions.

On August 10, 2021, the Company submitted Rebuttal Testimony of Company Witness Ms. Farah L. Mandich. Ms. Mandich responded to Mr. Janecek's Direct Testimony and provided an updated economic analysis of the Border Winds and Pleasant Valley Wind projects in light of the Company's decision to push back the Commercial Operation Date (COD) of those two projects to the fourth quarter of 2025. As Ms. Mandich explained, this delayed COD will allow the Company to capture an additional year of Production Tax Credits (PTCs) from the projects prior to repowering them. The Company's updated pro forma analysis showed \$224.6 million in savings generated by the Wind Repowering Projects on a PVRR basis. When the analysis was modified to assume market energy as the replacement resource for the Wind Repowering Projects, rather than generic wind, the Company's pro forma analysis showed \$150.3 million in savings.

On September 9, 2021, Advocacy Staff filed the Surrebuttal Testimony of Mr. Janecek, in which Mr. Janecek described his updated economic analysis of the Border Winds and Pleasant Valley projects based on the Company's revised COD. Mr. Janecek found that the projects would reduce revenue requirements in both the near- and long-term and, based on this analysis, he recommended the Commission approve the Company's ADP request for the Border Winds and Pleasant Valley Wind projects.

Mr. Janecek recommended that, if the Commission approves any ADP, it should impose the following conditions: (1) limit total cost recovery to how Xcel Energy identified it in its application—North Dakota customers should not be responsible for absorbing any cost modifications without further Commission review; and (2) require Xcel Energy to provide North Dakota customers with the full realization of each facility's eligible PTCs.

Mr. Janecek's proposed conditions are consistent with conditions that the Commission has imposed in prior proceedings. The Parties agree that the Wind Repowering Projects are prudent and on the implementation the conditions suggested by Mr. Janecek.

#### **B. 120 MW Northern Wind**

On March 2, 2021, in Case No. PU-21-93, the Company filed its Application for an ADP to purchase the repowered and expanded 120 MW Northern Wind facility, located in Murray County, Minnesota (Northern Wind). Currently, Northern Wind consists of two separate projects which together total 100 MW and are the subject of two power purchase agreements (PPAs), which are both due to expire in 2023. The current owner will repower the existing projects and carry out a 20 MW greenfield expansion; the Company will then acquire the entire 120 MW Northern Wind project. At the time of filing, the Company estimated the proposed acquisition of Northern Wind would generate system-wide savings to customers of \$54 million on a PVRP basis over the life of the project.

The Northern Wind repowering proposal was submitted to Xcel Energy in response to the same wind repowering solicitation that produced the Wind Repowering Projects described above. As a result, the Company submitted with its Application in Case No. PU-21-93 a motion to consolidate with Case No. PU-20-425. Advocacy Staff did not object to the Company's motion, and the Commission consolidated the Cases for hearing on May 5, 2021.

As discussed above, Advocacy Staff filed the Direct Testimony of Mr. Charles E. Janecek in the consolidated matter on August 9, 2021. Based on his independent

economic analysis, Mr. Janecek recommended that the Commission deny an ADP for the Northern Wind acquisition because he concluded that the Company's cost of owning Northern Wind would be higher than if the Company purchased the same amount of energy in the market.

In Ms. Mandich's Rebuttal Testimony, filed by the Company on August 10, 2021, the Company presented a pro forma analysis of the Northern Wind acquisition which showed that the Northern Wind acquisition would result in customer savings as compared to market price energy replacement after the current PPAs expire. Ms. Mandich also presented an updated EnCompass analysis which found that the full portfolio of projects—including the Wind Repowering Projects and Northern Wind—will result in net savings to customers of approximately \$189 million.

In light of the material agreement of the Parties regarding the Wind Repowering Projects, Xcel Energy and Advocacy Staff engaged in settlement discussions for the portfolio of Projects presented in the Wind Repowering and Northern Wind cases. This Settlement Agreement is the result of those discussions. Consequently, for the mutual promises made to each other, and for other good and valuable consideration, the parties agree as follows:

## **TERMS OF SETTLEMENT**

### **A. Advanced Determination of Prudence for Wind Repowering Projects**

The Parties agree that the Wind Repowering Projects, as described in the Application in Case No PU-20-425 and subsequent testimony, are reasonable and prudent resource additions to the integrated NSP System and therefore that they meet the criteria for an ADP. The Parties therefore agree that an ADP for each of Border Winds, Grand Meadow, Nobles, and Pleasant Valley Wind Projects be granted subject to the following conditions:

1. The Border Winds, Grand Meadow, Nobles, and Pleasant Valley Wind Projects are prudent up to the amount identified in Table 1 of the Joint Stipulation of Capital Expenditure Costs filed in the above referenced Cases (Joint Stipulation) (Wind Repowering Expenditure Amount), as may be adjusted due to the cancellation of a particular Wind Repowering Project through subtraction of the budgeted capital expenditure cost of the cancelled project as identified in the Joint Stipulation from the Wind Repowering Expenditure Amount. The foregoing finding of prudence up to the Wind Repowering Expenditure Amount does not imply that

any costs above the Wind Repowering Expenditure Amount are imprudent.

2. North Dakota customers will not be responsible for absorbing any material contract modifications for the Wind Repowering Projects without further Commission review.
3. North Dakota customers will receive their full share of the PTCs and Renewable Energy Credits (RECs) associated with each of the Wind Repowering Projects, based on the then applicable allocation methods.

#### **B. Northern Wind Acquisition**

The Parties disagree as to the prudence of the Company's proposed acquisition of the Northern Wind project and, for purposes of settlement, the Company agrees not to pursue an ADP for this project. This Settlement Agreement is made without prejudice to a future determination of prudence of the Northern Wind acquisition; the Company may seek to recover, on a prospective basis, the costs of the Northern Wind project in a future rate case. Unless and until the Commission grants full recovery of the Northern Wind project in some future proceeding, the Northern Wind project will receive the following treatment for ratemaking purposes in North Dakota:

1. The Company will be entitled to recover the system average cost of fuel/kWh from North Dakota customers through the Fuel Cost Rider (FCR) for the generation provided by the Northern Wind project, consistent with the treatment for Community Wind North and Jeffers Wind in the Company's most recent rate case (Case No. PU-20-441).
2. The Company will be entitled to retain all wholesale revenues, PTCs, and RECs generated by the Northern Wind project, consistent with the treatment for Community Wind North and Jeffers Wind in the Company's most recent rate case (Case No. PU-20-441). North Dakota customers will not receive any margins generated by sales from the Northern Wind project, or any PTCs or RECs generated by the project, or any associated revenue from REC sales.

#### **C. Reporting**

Xcel Energy agrees to provide the following reports:

1. The Company will provide quarterly construction progress reports indicating the development status of each Wind Repowering Project, until the last Project is in service.
2. On at least an annual basis, Xcel Energy shall file a letter with the Commission in these Cases advising whether the trade secret information must remain secret or if it may be made public.

**D. Other Terms and Conditions**

1. Basis of Settlement. This Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. This Settlement Agreement does not establish any principle or precedent for this or any future proceeding.
2. Support for Settlement. The Parties agree to affirmatively support and advocate for the Commission's adoption of this Settlement Agreement without modification. Notwithstanding any other provision of this Settlement Agreement, this Section D.2 shall be binding on the Parties as of the date first written above.
3. Effect of Settlement Negotiations. All offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in these Cases or otherwise, except as provided by law or by mutual agreement of the Parties. In the event the Commission does not adopt this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by a Party for any purposes in these Cases or in any other.
4. Applicability and Scope. This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not constitute an agreement, admission, or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in these Cases.
5. Effective Date. This Settlement Agreement shall be effective on the date of the Commission Order approving this Settlement Agreement.
6. Modification. If the Commission modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if either Party files

a letter with the Commission within three (3) business days of the date of such order stating that a condition or modification to this Settlement Agreement is unacceptable to such party.

7. Counterparts. This Settlement Agreement may be executed in counterparts by Xcel Energy and Advocacy Staff, each of which when so executed will be an original, but all of which together will constitute one and the same instrument.

### **CONCLUSION**

The Parties have agreed to the foregoing terms to resolve all outstanding issues in the above captioned proceedings. These terms are a result of negotiations between the Parties, are in the public interest, and will result in just and reasonable rates. For these reasons, the Parties urge the Commission to approve this Settlement Agreement.

**[SIGNATURE PAGE FOLLOWS]**

Authorized representatives of the Parties having caused this Settlement Agreement to be duly executed as of the date first set forth above.

Northern States Power Company,  
a Minnesota corporation

North Dakota Public Service Commission  
Advocacy Staff

By: **Greg Chamberlain**  
Digitally signed by Greg Chamberlain  
Date: 2021.09.23 12:45:24 -05'00'

By: 

Its: \_\_\_\_\_

Its: Counsel

**[SIGNATURE PAGE TO SETTLEMENT AGREEMENT  
CASE NOS. PU-20-425 AND PU-21-93]**