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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

NORTHERN STATES POWER COMPANY ADVANCE DETERMINATION OF PRUDENCE – HEARTLAND DIVIDE WIND II	CASE NO. PU-20-______

APPLICATION FOR ADVANCE DETERMINATION OF PRUDENCE

I. INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel Energy, or NSP, or the Company), submits to the North Dakota Public Service Commission (Commission) this Application for an Advance Determination of Prudence (ADP) for a power purchase agreement (PPA) between the Company and Heartland Divide Wind II, LLC (Seller) for new wind energy generation from a 200 megawatt (MW) wind energy facility (Heartland Divide II) located in Audubon County, Iowa.

The Company proposes to use this resource in support of our Retail Electric Service Agreement with Honeycrisp LLC (an affiliate of Google LLC) for a potential data center in Becker, Minnesota (Honeycrisp LLC ESA). In December 2019, the Commission approved an ADP for the Dakota Range III PPA (Case No. PU-18-430), which will provide the first 150 MW of energy needed for the data center. As noted in our ADP application in that Case, the Company plans to procure 300 MW of wind energy before the data center's commercial operation date, in order to capture federal production tax credit (PTC) pricing and cover anticipated initial future load growth. To that end, the PPA with Heartland Divide II (Heartland Divide II PPA) will provide the remaining 150 MW of wind energy needed to initially serve the data center load.

The remaining 50 MW provided under the Heartland Divide II PPA will be assigned to the "Renewable*Connect" program in Minnesota, which offers Minnesota customers the option to voluntarily purchase blocks of renewable energy. As such, the energy costs will be borne directly by participants in that program. The Company has a fully-subscribed waiting list for Renewable*Connect, and as a result intends to assign 50 MW of this 200 MW PPA to support an expansion of that program. Because the Renewable*Connect program is Minnesota-based, and energy from this 50 MW of

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Exhibit 1 - Application (Public), October 2020
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Heartland Divide will not be allocated to our North Dakota customers, we are not seeking an ADP for this portion of the project pursuant to the Settlement Agreement in Case No. PU-07-776.[1]

The purchase of new wind generation from Heartland Divide II likely represents one of the last opportunities for incremental wind generation we can pursue in the near future, in order to serve the planned data center. As the Company has discussed in other proceedings before the Commission,[2] the Midcontinent Independent System Operator's (MISO's) generator interconnection queue study process continues to be oversubscribed and behind schedule. Studies are often not completed on time due in part to study coordination required by the seam with Southwest Power Pool (SPP). Further, when studies are completed, new wind generation resources are often assigned high transmission upgrade costs and, as a result, they may withdraw from the queue entirely.

Given these ongoing challenges, and the need to bring additional renewable energy onto our system to meet our obligations under the Honeycrisp LLC ESA, the Company conducted a targeted solicitation of resource options available in MISO Local Resource Zones 1 and 3 that had – or that we thought could soon have – transmission interconnection cost certainty. We identified two projects that we believed could meet these requirements, and of those, Heartland Divide II – located in central Iowa – provided a bid and engaged in negotiations with the Company for a PPA. The result of these negotiations is the Heartland Divide II PPA, presented to the Commission in this Application.

Our economic analysis of the Heartland Divide II PPA indicates that it is an economically-beneficial option to meet our obligations under the Honeycrisp LLC ESA. Consistent with the approach we used to evaluate the Dakota Range III PPA in Case No. PU-18-430, we modeled the Heartland Divide II PPA's economic costs and benefits in the context of our full system – consistent with our most recent Integrated Resource Plan. This modeling shows that the entire 200 MW Project results in

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[1] *N. States Power Co. Elec. Rate Increase Application*, Case No. PU-07-776, ORDER ADOPTING SETTLEMENT AGREEMENT at 6 of attached Settlement Agreement (Dec. 31, 2008) (noting that the Company will file for an ADP for any resource addition of at least 50 MW if the Company proposes to allocate all or part of the costs to North Dakota).

[2] *See* Case No. PU-19-310, In the Matter of the Application of Northern States Power Company for an Advanced Determination of Prudence for the 98.9 MW Mower County Wind Facility, Direct Testimony of P.J. Martin at 11 (August 30, 2019).

customer benefits on a system-wide basis of $97.4 million, on a present value of revenue requirements (PVRR) basis.

Notwithstanding the need for this PPA to support the planned data center, the Company is requesting approval of the Heartland Divide II PPA as a *system* energy resource, because the attractive price of energy under the PPA will lower NSP's overall fuel costs and result in significant benefits for the Company's customers. Thus, the PPA will generate savings for customers even if the data center load does not materialize or use all 300 MW of the renewable energy procured to serve it.

Although the data center load will be based in Minnesota, North Dakota customers will benefit from the impact that the increased Minnesota load has on the allocation of NSP System costs. Specifically, the additional load will result in the reduction of the percentage of overall system costs paid for by North Dakota customers under both the 12-month coincident peak (12CP) demand allocator and the energy allocator. Given the PVRR savings described above and the further savings for North Dakota customers generated by this jurisdictional shift in system costs, the proposed Heartland Divide II PPA is prudent, as it represents an opportunity to lower customers' fuel costs while facilitating the addition of the data center load to the NSP System. The Company therefore respectfully requests that the Commission grant the requested ADP for the Heartland Divide II PPA.

In support of the Company's Application, Xcel Energy provides the following Direct Testimony:

- Policy Testimony – Mr. Christopher J. Shaw
- Resource Planning Testimony – Ms. Farah L. Mandich

The remainder of this Application addresses the following:

- Description of Applicant;
- Communication and Service;
- Standard of Review;
- Authority for Relief Requested;
- Description and Purpose of Filing;
- Economic Analysis;
- Prudence of the Heartland Divide II PPA; and
- Conclusion.

II. COMPLIANCE MATTERS

A. Description of Applicant

Xcel Energy is a Minnesota corporation duly authorized to conduct business in the State of North Dakota as a foreign corporation. The Company conducts business in the State of North Dakota as a public utility subject to the jurisdiction and regulation of the Commission pursuant to Title 49 of the North Dakota Century Code (N.D.C.C.). The name and address of Xcel Energy is:

Northern States Power Company, a Minnesota corporation
414 Nicollet Mall
Minneapolis, Minnesota 55401

Xcel Energy also operates in North Dakota from the following address:

Northern States Power Company
2302 Great Northern Drive
Fargo, North Dakota 58102

The Company's Certificate of Incorporation with amendments and Certificate of Authority were filed with the Commission on September 30, 2009, and October 12, 2009, respectively, in Case No. PU-09-664. Current Certificates of Good Standing issued by the North Dakota and Minnesota Secretaries of State were filed in the same case on January 9, 2020, and are incorporated herein by reference.

Xcel Energy has service territory in five upper Midwest states including North Dakota. The Company presently serves approximately 95,000 retail electric customers in and around Fargo, Grand Forks, and Minot, North Dakota, and owns approximately 1,450 conductor miles of transmission and 3,810 conductor miles of electric distribution lines in North Dakota.

B. Communication and Service

The Company respectfully requests that the following persons be placed on the Commission's official service list for all official communications in this case:

David H. Sederquist	Regulatory Records
Sr. Consultant, Regulation & Finance	Records Specialist
Xcel Energy	Xcel Energy

2302 Great Northern Drive	414 Nicollet Mall
Fargo, North Dakota 58102	Minneapolis, Minnesota 55401
dave.sederquist@xcelenergy.com	regulatory.records@xcelenergy.com

C. Standard of Review

North Dakota Century Code section 49-05-16(1)(d) authorizes the Commission to issue an ADP if it "determines that the resource addition is prudent." This standard is similar to the "honestly and prudently invested" standard that the Commission uses for ratemaking.[3] The general prudence standard calls for determining whether the utility action was reasonable at the time it was taken under all relevant circumstances.[4] Under Section 49-05-16(1), the Commission may issue an order approving the prudence of a proposed project if four conditions are met:

a. The public utility files with its application a projection of costs to the date of the anticipated commercial operation of the resource addition;

b. The public utility files with its application a fee in the amount of one hundred seventy-five thousand dollars . . . .;

c. The commission provides notice and holds a hearing, if appropriate, in accordance with section 49-02-02; and

d. The commission determines that the resource addition is prudent. For facilities located or to be located in this state the commission, in determining whether the resource addition is prudent, shall consider the benefits of having the resource addition located in this state.

D. Authority for Relief Requested

North Dakota Century Code section 49-05-16 allows for a public utility to seek an ADP from the Commission at the utility's discretion. Pursuant to the Settlement Agreement in Case No. PU-07-776, the Company is obligated to file an application for an ADP for its acquisition of generating resources above 50 MW.[5] Xcel Energy has committed to

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[3] *See* N.D.C.C. § 49-06-02.
[4] *See* Charles F. Philips, Jr., *The Regulation of Public Utilities – Theory and Practice* at 292 (Public Utility Reports 1988); *see also* David J. Muchow & William A. Mogel, *Energy Law and Transactions* at § 4.02[3][b] (2009).
[5] *N. States Power Co. Elec. Rate Increase Application*, Case No. PU-07-776, ORDER ADOPTING SETTLEMENT AGREEMENT at 6 of attached Settlement Agreement (Dec. 31, 2008).

filing its ADP applications within fourteen days of seeking similar approvals in Minnesota.[6] Further, pursuant to the Commission's February 26, 2014 Order Adopting Settlement in Case No. PU-12-813, the Company has committed not include renewable energy resources or purchases over 50 MW in the Fuel Cost Recovery (FCR) rider unless and until the Commission grants an ADP for the resource.[7]

With this Application, the Company has met its filing obligations. This Application complies with the requirements of N.D.C.C. § 49-05-16 and the Settlement Agreements in Case Nos. PU-07-776 and PU-12-813. Additionally, the Company is submitting this Application on the same day that it files a similar application for approval of the Heartland Divide II PPA in Minnesota.

III. DESCRIPTION AND PURPOSE OF FILING

A. Project Background and Need

The Heartland Divide Wind II Project will be a 200 MW wind facility located in Audubon County, Iowa with a targeted Commercial Operation Date (COD) of December 31, 2021 and a PPA term of 25 years. The Project will interconnect to the MISO system at MidAmerican Energy's Fallow Avenue 345 kV substation, located in Adair County, Iowa. This area is in MISO's Local Resource Zone 3. The Project will consist of **[TRADE SECRET BEGINS . . .**

. . . TRADE SECRET ENDS]. Permitting for the project's transmission tie-line is currently under review by the Iowa Utilities Board.[8]

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[6] *N. States Power Co. Advance Prudence – Geronimo Wind Application*, Case No. PU-12-59, LETTER OF COMMITMENT (Nov. 5, 2012).

[7] *N. States Power Co. Elec. Rate Increase Application*, Case No. PU-12-813, ORDER ADOPTING SETTLEMENT at 10 of attached Second Amended Comprehensive Settlement Agreement (Feb. 26, 2014).

[8] On September 15, 2020, Heartland Divide Wind II filed a "Petition for Electric Transmission Line Franchise" with the Iowa Utilities Board (IUB) pursuant to Iowa Code Chapter 478 and 199 IAC Chapter 11. The Petition is being reviewed in IUB Docket No. E-22432. This Project is not currently subject to a Certificate of Public Convenience and Necessity requirement before the IUB.

B. Need for the Project

As noted above, the Company pursued the Heartland Divide II PPA to fulfill its obligations under the Honeycrisp LLC ESA, and will use the additional 50 MW of the PPA to support an expansion of the Renewable*Connect program in Minnesota.

1. *Honeycrisp LLC ESA*

In 2019, the Company announced it had reached an agreement with Honeycrisp LLC (an affiliate of Google LLC) to develop a data center campus at the Company's Sherco generating plant site in Sherburne County, Minnesota. To support this economic development project, the Company and Honeycrisp executed a Retail Electric Service Agreement to serve the planned data center. As presented by the Company in Case No. PU-18-430, a critical piece of the Honeycrisp LLC ESA is the procurement of enough incremental renewable generation to match the data center site's expected annual energy use. Practically, this will be demonstrated by retiring Renewable Energy Credits (RECs) in amounts equal to the site's annual energy use. Prior to this new load being realized on our system, the Company can "bank" RECs for the electricity generated, with the opportunity to later use the banked RECs to offset future energy use at the data center.

We estimated, at the time we signed the Honeycrisp LLC ESA, that the Company would need to procure an initial 300 MW of incremental wind generation fulfill its ESA obligations. The Commission previously approved the Dakota Range III PPA (Case No. PU-18-430) to fill approximately half of this commitment, and the Heartland Divide II Project is envisioned to fulfill the remaining portion.

The Heartland Divide II PPA is necessary for supporting the data center, which itself should provide significant cost-sharing benefits to all NSP customers, including North Dakota customers. But even if the data center were to not need all of the electricity produced by the Heartland Divide II wind facility, this PPA would still benefit customers as a system resource, because the fixed energy pricing from this PPA will lower the Company's overall fuel costs and result in lower costs for customers.

2. *Renewable*Connect*

The Company plans to use the remaining 50 MW of the Heartland Divide II Project to fill out the portfolio of resources needed for a customer-driven expansion of our Renewable*Connect program in Minnesota. The Company began offering the

Renewable*Connect pilot in 2017 to meet customer demand for a voluntary green tariff, consistent with Minnesota's Renewable and High-Efficiency Rate Options statute (Minn. Stat. § 216B.169). There are currently over 2,500 customers on the waiting list for the Renewable*Connect program, and the Heartland Divide II Project represents the final piece of our sourcing plan to serve these prospective customers. As noted above, the Company is not seeking an ADP for the 50 MW of the Heartland Divide II PPA directed to the Renewable*Connect program because the costs and energy from this portion of the Project will not be allocated to our North Dakota customers.

C. Project Selection Process

The Company and Seller agreed upon the Heartland Divide II PPA after a solicitation and contract negotiation process that was initiated by the Company in 2019 to meet our obligations under the Honeycrisp LLC ESA. As previously noted, we encountered significant challenges in identifying and negotiating PPAs for potential new projects identified through this solicitation, in part due to the state of the MISO generator interconnection queue and Definitive Planning Process (DPP) studies. MISO completes DPP Studies in order to identify interconnection upgrades required for a project to interconnect, along with the estimated costs.

As projects continue to withdraw from the interconnection queue, we continue to anticipate challenges in our ability to procure greenfield projects in the near term, particularly in the timeframe required for us to fulfill our specific customer program needs. There are two key reasons for this: 1) DPP studies are routinely delayed, and 2) projects are often assigned such high interconnection upgrade costs that they are unable to execute and deliver on PPAs with renewable energy buyers, like the Company.

As a result of these transmission cost issues, many potential projects that were first identified in the 2019 wind solicitation dropped out or declined to provide bids. At the end of the process, we concluded that the Heartland Divide II proposal was the only option that had achieved transmission certainty and remained available for procurement. While it is located in Iowa – outside our service area and in a different MISO Zone – we determined it aligned with our customers' interests in light of the current market constraints. We note the project displayed favorable economics and – when compared to other projects bid into our initial 2019 solicitation – scored favorably on all qualitative factors by which we evaluated bids, such as PPA conformity and transmission certainty metrics. For these reasons, we subsequently moved forward with negotiations that culminated in the PPA contemplated in this Application.

D. Key PPA Terms

1. Purchase Price

In the Heartland Divide II PPA, Xcel Energy agrees to purchase energy from the Project, estimated to be approximately **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]** at a price **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**. The estimated levelized cost of the contract is **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**. The Company will purchase Test Energy prior to COD at **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**.

2. Commercial Operation Date and Term

The current target COD is December 31, 2021. The Company is not obligated to accept a COD prior to **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**. If Seller fails to achieve the target COD, it is required to pay the Company Liquidated Delay Damages of **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]** per day in lieu of actual damages.

The term of the PPA is twenty-five (25) years ending at the end of the month of the twenty-fifth anniversary of COD.

3. Project Attributes

Although priced as an energy contract, the Company will be assigned all energy, capacity, and RECs associated with the Project. The Company will pay for all energy produced by this project up to 200 MW of net instantaneous output. Pursuant to the Honeycrsip LLC ESA, we will retire the appropriate share of RECs associated with the Project coincident with Honeycrisp's load.

Because the RECs are needed to meet our obligations under the Honeycrisp LLC ESA, the Company will not allocate the RECs generated by the project to each retail jurisdiction. If the data center load does not match our growth projections and the

Company is released from its obligation to retire RECs on behalf of Honeycrisp LLC, the Company will allocate the excess Heartland Divide II RECs to all NSP System customers consistent with past practice. If the data center load exceeds our growth projections, the Company plans to retire RECs already in the Company's possession, meaning there would be no additional cost to customers for these additional RECs.

4. *Security*

The security amount for the PPA is **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**. The security must be initially posted within 30 days of the PPA's execution and may be in the form of U.S. currency, a Letter of Credit, or a Guaranty.

5. *Curtailment*

The Company will be the Market Participant for this Project; we will schedule the Project into MISO and initiate – or respond to – MISO direction for curtailments. The PPA has no compensable curtailment provisions and neither Seller nor Company may curtail the Project for economic reasons. Seller may incur penalties if curtailments are caused by Seller's failure to perform.

6. *Minimum Performance Provisions*

The PPA includes minimum performance provisions which protect the Company and our customers in the event of Project non-performance. Seller is required to guarantee availability at levels greater or equal to **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]**. If the Project fails to achieve this guarantee, Seller must pay the Company damages of up to **[TRADE SECRET BEGINS . . . . . . TRADE SECRET ENDS]** pursuant to a specified formula. If the Project exhibits ongoing non-performance and Seller does not cure in the agreed upon manner and timeframe, the Company can terminate the PPA.

7. *Other Terms and Conditions*

The PPA contains numerous other terms and conditions typical in a PPA that involves construction of a new resource. These include representations by each party about their ability to enter the transaction, force majeure provisions, dispute resolution, listing of responsibilities, milestones, provisions relating to defaults, and similar issues. The PPA includes terms under which the Company may assume control and operate the facility as a result of certain Seller defaults. It also includes provisions under which we may pursue purchase of the Heartland Divide II Project, under specific, limited circumstances.

IV. ECONOMIC ANALYSIS

A. Overview

The Company used the EnCompass resource planning model to evaluate the impact of the proposed Heartland Divide II PPA on customers. EnCompass is a capacity expansion and production cost modeling tool that allows the Company to optimize resource expansion plans based on a set of assumptions. Like Strategist, our previously-used resource planning model, EnCompass simulates the operation of the NSP System and estimates the total cost of energy over the life of the project on a present value basis. However, one of the primary differences between EnCompass and Strategist is that EnCompass evaluates resource needs and cost on a chronological hourly basis, which better accounts for hourly variations on our system. The Company has largely shifted to using the EnCompass tool rather than Strategist to perform resource planning modeling because, as we add more variable resources to our system, it becomes increasingly important to ensure we are appropriately considering resource needs on an hourly basis.

The Company used EnCompass to test results under a range of input assumptions. Overall, the EnCompass results found that the Heartland Divide II PPA provides economic benefits to all customers under all sensitivity tests conducted when evaluated as a system resource.

B. EnCompass Analysis

As the majority of the Heartland Divide II Project will be used to fulfill our obligations under the Honeycrisp LLC ESA, we evaluated the Project's economic impact to our system using as the Base Case the plan presented in our most recent Integrated Resource Plan Supplement, filed with the Commission on June 30, 2020.[9] While only 150 MW of the Project will be used as a system resource, we modeled the impact of the full 200 MW so that we could appropriately examine its overall effect on our total system costs. Even though the costs and energy of the remaining 50 MW of the PPA

[9] *See* Case No. PU-19-220. XCEL ENERGY 2020-2034 UPPER MIDWEST INTEGRATED RESOURCE PLAN SUPPLEMENT (June 30, 2020).

are allocated to Minnesota, the Company must still serve the load of customers participating in the Renewable*Connect program, so it is important that the model capture the energy and capacity value of the entire 200 MW resource. Removing 50 MW from the model would distort the results by artificially underestimating the impact of the resource addition at a system-wide level.

Our analysis shows that adding the full output of the Heartland Divide II project as a system resource would benefit customers on a net present value basis by contributing additional low-cost wind energy to the Company's overall energy mix. Our modeling shows that the PPA results in approximately $97.4 million of benefit on a PVRR basis, as compared to the Base Case. We note that our model includes the addition of the Mower County Wind resource following the Commission's approval of that resource in Case No. PU-19-310. Our modeling assumptions are provided as Schedule 2 to the Direct Testimony of Company witness Ms. Farah Mandich.

We also used EnCompass to model high and low gas prices sensitivities, which demonstrate that the PPA results in net benefits under a range of future assumed fuel prices. In short, we expect that adding the Heartland Divide II PPA to our system results in real customer savings, relative to a future where it is not included.

Table 1: Incremental PVRR Savings from the Heartland Divide II PPA

Present Value Measure	Costs/(Savings) (M)
PVRR (No CO_2 Costs)	($97.4)
Sensitivities	
Low Gas, Coal, and Market Prices	($62.5)
High Gas, Coal, and Market Prices	($141.1)

As shown in Table 1, the results of our EnCompass analysis show that we expect the Heartland Divide II PPA to result in significant net benefits to our customers over the analysis period (2020-2045) under a variety of future market conditions. Additionally, we note that these savings are exclusive of the demand allocator impacts of the data center discussed above and in the testimony of Company witness Mr. Christopher Shaw.

C. Annual Impacts

To understand how the potential costs or savings of the Heartland Divide II PPA change over time, Figure 1 below portrays the annual (undiscounted) system cost impacts of the Base Case compared to a scenario in which the Heartland Divide II PPA is added to our system. Given these results, we expect that all customers will experience benefits from the Heartland Divide II resource in nearly every year of the PPA on a PVRR basis. More closely examining the PPA's effect on system costs in the change case, relative to the Base Case, shows several important factors contributing to these customer benefits.

Figure 1: Annual Net Costs/(Savings) vs. the Base Case

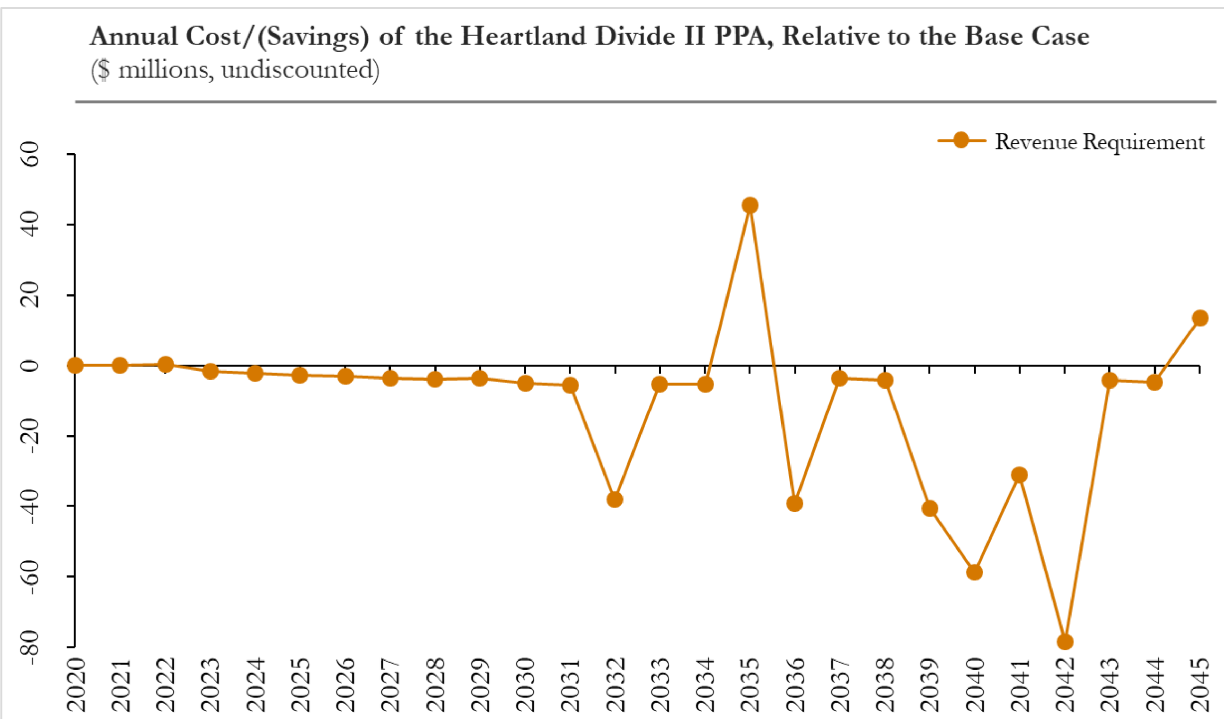
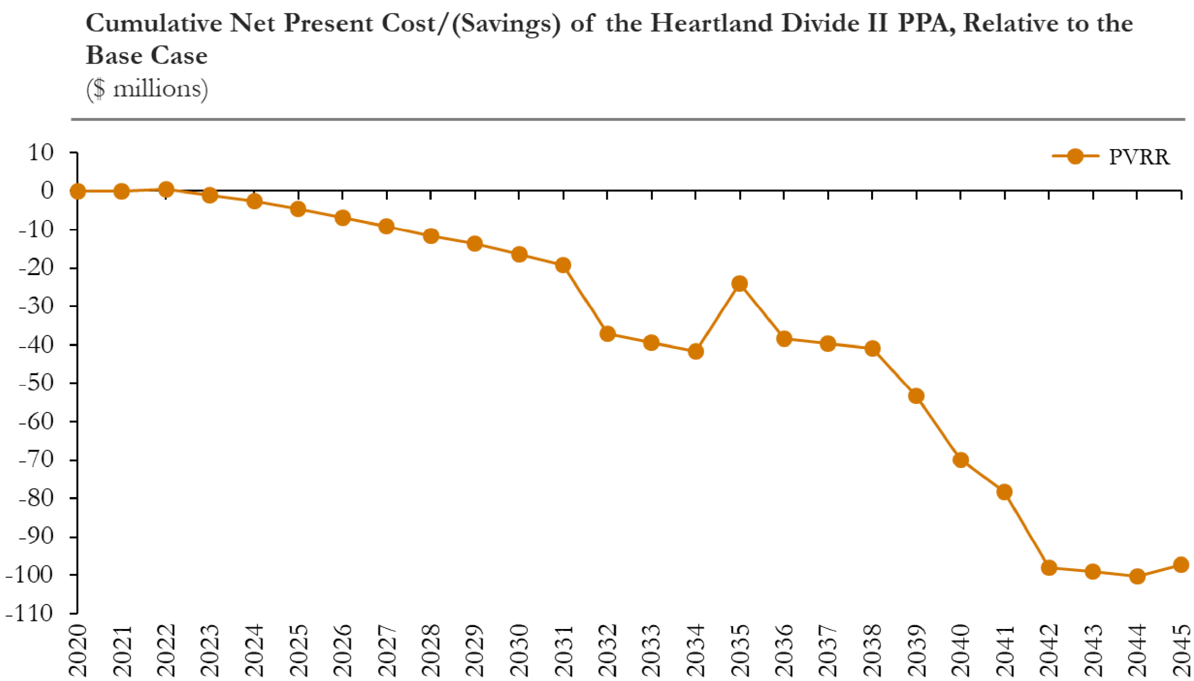


Figure 2: Cumulative Net Costs/(Savings) vs. the Base Case



As shown in the charts above, the Heartland Divide II PPA results in customer savings beginning soon after the Project is placed into service and accumulating throughout the duration of the contract. In the near term, the PPA is expected to result in customer savings, largely as a result of the PPA's relatively low cost of wind energy displacing other, higher priced generation, and driving increased market sales. The PVRR savings results fluctuate starting in the early 2030s on an annual basis, because the addition of this Project shifts the year in which the model selects additional future generic resources to serve our customer load. For example, in 2032 one generic firm peaking unit that is added in the Base Case is deferred until the next year in the Heartland Divide II Case. Significantly, however, the PPA's accumulated savings more than offset individual year spikes, as shown in Figure 2. And, as noted above, these savings do not include the savings for North Dakota customers that will accrue due to lower North Dakota 12CP and energy allocators created by the additional load of the planned data center.

V. PRUDENCE OF THE HEARTLAND DIVIDE II PPA

The Company's proposed Heartland Divide II PPA is prudent and should be approved without conditions. The Heartland Divide II resource is needed to fulfill the Company's obligations under the Honeycrisp LLC ESA, which, by itself, will provide significant benefits to the Company's customers system-wide. Further, even if the data center does not go into service or otherwise does not provide as much load as anticipated, our economic analysis indicates that the Heartland Divide II PPA will provide cost savings to customers. Consequently, the Heartland Divide II PPA is a prudent resource addition. Additionally, as discussed further in the Direct Testimony of Mr. Shaw, the Company believes that it would be inequitable for our North Dakota customers to enjoy the cost-sharing benefits of the data center load through the demand and energy allocators if North Dakota customers are not also paying their share of the renewable resource costs needed to attract the data center to the NSP System service area. This also means, for example, that it would be inequitable for North Dakota customers to be compensated for a share of the RECs generated by the Project that are needed to match the anticipated data center load.

As further discussed in the Direct Testimony of Mr. Shaw, the Company believes the ADP should be granted without conditions. In approving the Dakota Range III ADP (Case No. PU-18-430), the Commission required the Company to compensate North Dakota customers for their share of the RECs generated by the Project. The Company disagrees with this condition, and it should not be adopted in this Case. The Heartland Divide II resource is being procured to meet our obligations under the Honeycrisp LLC ESA, and thus the RECs are dedicated to the specific purpose agreed to in the ESA. North Dakota customers will still receive benefits from the resource addition without receiving RECs because the Heartland Divide II PPA will generate system-wide savings for our customers and will result in more system costs being shifted to Minnesota under the demand and energy allocators.

Additionally, the Commission should not impose any conditions requiring the Company to hold North Dakota customers harmless for any "Cover RECs" that may be needed to meet the Company's obligations under the Honeycrisp LLC ESA if the data center load exceeds the output of Dakota Range III and Heartland Divide II. The planned data center load benefits all NSP customers, so all customers should contribute their share of the costs of bringing the load onto the NSP System. Moreover, the Company believes such a scenario is unlikely and if it does occur, plans to use RECs already in the Company's possession as "Cover RECs."

Notwithstanding the need for Heartland Divide II's wind generation to support the data center, the Company's economic analysis of the PPA, discussed above, shows that the addition of Heartland Divide II as a low-cost energy addition will lower the Company's overall fuel costs, supporting the cost-effectiveness of the resource addition. The economical pricing of the wind alone in the PPA is enough to drive down NSP System costs, further supporting the prudence of the transaction.

Aside from the cost-effectiveness of the transaction, the PPA is structured to protect the interests of customers through several safeguards. These include specific milestone dates (and penalties for failing to meet these dates), default provisions, security fund requirements, and insurance requirements. Based on our analysis, the Company believes that it is prudent, reasonable, and in customers' best interests for the Commission to grant an ADP for the Heartland Divide II PPA.

VI. CONCLUSION

For all the reasons set forth above, Xcel Energy respectfully requests the Commission grant an ADP for the Company's proposed Heartland Divide II PPA.

Dated: October 29, 2020

Northern States Power Company

Respectfully submitted,

__/s/ Christopher J. Shaw__
CHRISTOPHER J. SHAW
MANAGER, REGULATORY POLICY