

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

Project Name	Net Capability (MW)	Location
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 PVRR 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: *Matthew D. Stoy* _____

Its: _____

Its: *Counsel* _____

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