



2302 Great Northern Drive
Fargo, North Dakota 58402
(701) 241-8632
dave.sederquist@xcelenergy.com

January 21, 2022

- VIA E-MAIL AND U.S. MAIL -

Steven M. Kahl, Executive Director
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

RE: PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER
APPLICATION FOR ADVANCE DETERMINATION OF PRUDENCE
FOUR REPOWERED WIND PROJECTS & 120 MW NORTHERN WIND FACILITY
CASE NOS. PU-20-425 AND PU-21-93

Dear Mr. Kahl:

Northern States Power Company, a Minnesota corporation doing business as Xcel Energy, respectfully submits the enclosed Proposed Findings of Fact, Conclusions of Law, and Order to the North Dakota Public Service Commission.

Please feel free to contact me at (701) 241-8632 if the Commission requires additional information or has any questions.

Sincerely,

DAVID H. SEDERQUIST
Sr. Consultant, Regulation & Finance

Enclosure
cc via email:

- Timothy J. Dawson, Administrative Law Judge (tjdawson@nd.gov)
- Mitch Armstrong (MArmstrong@smithporsborg.com)
- Jon Lengowski (JLengowski@smithporsborg.com)
- Jack Schuh (jschuh@nd.gov)
- Brian Johnson (brljohanson@nd.gov)
- Adam Renfandt (arenfandt@nd.gov)
- Victor Schock (vschock@nd.gov)

**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-21-93

APPLICANT'S PROPOSED

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

JANUARY 21, 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 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 the repowering of four NSP-owned wind generation facilities: Border Winds, Grand Meadow, Nobles, and Pleasant Valley (collectively, the Four Wind Repowering Projects).

On March 2, 2021, in Case No. PU-21-93, NSP filed its 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, because the cases involve similar issues of law and fact. 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. At the time of filing its ADP Application in Case No. PU-20-425, NSP testified that 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. In Direct Testimony, Advocacy Staff undertook its own 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 NSP's 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—including the Four Wind Repowering Projects and Northern Wind—using the EnCompass capacity expansion modeling tool found that it 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. Recognizing the material agreement of NSP and Advocacy Staff on the prudence of the Four Wind Repowering Projects, NSP and Advocacy Staff entered into a Settlement Agreement agreeing 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. In the Settlement Agreement, NSP and Advocacy Staff agree 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 further provides that, in light of the disagreement of NSP and Advocacy Staff as to its prudence, NSP will not pursue an ADP for the Northern Wind project. NSP and Advocacy Staff agree 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). Additionally, NSP and Advocacy Staff agree that 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 ensuring North Dakota customers 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. As a resource addition located in North Dakota, the repowering of the Border Winds project is presumed prudent and no party has rebutted this presumption.
4. NSP has demonstrated the prudence of the Four Wind Repowering Projects as described herein.
5. 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, and attached to this Order is APPROVED in full.
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

[Vacant]