



401 Nicollet Mall
Minneapolis, MN 55401

July 29, 2022

—Via Electronic Filing—

Steven M. Kahl, Executive Secretary
North Dakota Public Service Commission
Dept. 408, State Capitol
600 East Boulevard
Bismarck, ND 58505-0480

RE: CASE UPDATE
APPLICATION FOR ADVANCE DETERMINATION OF PRUDENCE
460 MW SHERCO SOLAR FACILITY
(CASE NO. PU-21-152; OAH FILE NO. 20210274)

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy (NSP or the Company), provides the North Dakota Public Service Commission (Commission) this update on the Company's proposed 460 MW Sherco Solar Project (Project), for which an Advance Determination of Prudence (ADP) was requested in the above captioned Case. Although the solar industry as a whole has encountered significant challenges over the past year, the Company has been able to effectively work through them, and we now propose to bring the Project back before the Commission as described in this letter. The Company appreciates the Commission's patience as this Project was put on pause due to uncertainty in the solar industry and looks forward to bringing it back before the Commission for consideration.

To accommodate the continued consideration of this Project, the Company hereby waives the applicability of the seven-month decision deadline provided for in N.D.C.C. 49-05-16(2) to the Application captioned above. This waiver is being provided without prejudice to any other rights, statutory or otherwise, that the Company may have with respect to this Case.

Background

On April 26, 2021, the Company filed an ADP Application for the Project, along with Direct Testimony of two witnesses. Consistent with our prior settlement

obligations in North Dakota, this filing was made within 14 days of a similar filing with the Minnesota Public Utilities Commission (MPUC).

Pursuant to a procedural schedule agreed to by the parties, Commission Advocacy Staff filed Direct Testimony on December 17, 2021. Representatives of the Company subsequently met with Advocacy Staff to discuss the Application on January 11, 2022. As the Company was preparing Rebuttal Testimony following that meeting, in March 2022, the U.S. Department of Commerce (DOC) announced an investigation of whether imports of solar panels assembled in four Southeast Asian countries were circumventing anti-dumping rules. The countries targeted in the investigation together provide roughly 80 percent of crystalline silicon photovoltaic cells supplied to the U.S., so the announcement of the investigation had a significant impact on the Company's ability to obtain solar modules and panels. As a result, the DOC's investigation put all Project activities, including the ADP Application, on hold while the Company sought alternative options for solar panels and modules.

On June 6, 2022, the President issued an emergency declaration to provide for a 24-month tariff exemption for solar panels from those four countries to help stabilize the solar market. While there is still considerable uncertainty with solar prices and the supply chain, the Company has worked to identify a viable path to allow the Project to once again move forward.

Update and Proposed Procedural Schedule

Since the Company filed the ADP Application in April 2021, solar PPA prices in the U.S. have increased dramatically—more than 25 percent over that timeframe, including an increase of 8 percent in the second quarter of 2022 alone.¹ The effect of delaying the Project during this time of global inflationary and supply chain issues has been a slight increase in the price to the Project from the original Application. However, we note that the Company expects the increase in the Project cost to be well below the overall 25 percent cost increase in the industry.

Because we do expect the cost of the Project to increase due to these broader economic forces, the Company requests additional time to update its analyses for the Project, address Advocacy Staff's questions raised in the January 11, 2022 meeting, and present our updated Project and alternative proposals for the Commission's consideration. The Company proposes that this update be provided

¹ "U.S. solar prices soared over 8% in 2nd qtr. – report," Reuters, July 14, 2022 <https://www.reuters.com/business/energy/us-solar-prices-soared-over-8-2nd-qtr-report-2022-07-14/>.

as our rebuttal testimony, with a deadline of October 27, 2022, 90 days from the date of this letter.²

Once our rebuttal case is filed, we propose to work with Advocacy Staff to develop a revised procedural schedule for this matter.

Please contact me at (612) 330-6270 if the Commission requires additional information or has any questions.

Sincerely,

/s/

AL KRUG
ASSOCIATE VICE PRESIDENT, STATE REGULATORY POLICY
NORTHERN STATES POWER COMPANY

² On July 27, 2022, the Company filed a similar supplemental filing to this one with the MPUC in Docket No. E002/M-20-891, to re-start the Minnesota approval proceeding for the Project.