



ZEV SIMPSEY
Partner
(612) 492-6129
simpser.zev@dorsey.com

November 18, 2022

**VIA ELECTRONIC MAIL AND
FEDERAL EXPRESS**

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

Re: NORTHERN STATES POWER COMPANY
ADVANCE DETERMINATION OF PRUDENCE
150 MW MINNDAKOTA WIND PPA EXTENSION
CASE NO. PU-22-_____

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy (the Company), respectfully submits this Application for an Advance Determination of Prudence (ADP) for a 41-month extension of the existing 150 MW power purchase agreement (PPA) for the MinnDakota Wind facility.

The Company's Application and supporting testimony contain trade secret information. In accordance with Section 69-02-09-02 of the North Dakota Administrative Code (N.D.A.C.), an Application for Trade Secret Protection is being provided along with a single copy of the trade secret version of the Application and supporting testimony in a sealed envelope marked **PROTECTED INFORMATION – PRIVATE**.

An original and ten copies of the public version of our Application are also being provided, along with the following:

- Direct testimony of Company witness Ms. Farah L. Mandich, supporting the Company's Application; and
- Verification for the testimony of Ms. Mandich.

The Company has sent the \$175,000 filing fee required by N.D.C.C. § 49-05-16(1)(b) to the Commission under separate cover.

1 PU-22-410 Filed 11/18/2022 Pages: 28
Application for Advanced Determination of Prudence - redacted
Northern States Power Company
Zev Simpser, Dorsey&Whitney LLP



Mr. Steven M. Kahl
November 18, 2022
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Please contact me at (612) 492-6129 or simpser.zev@dorsey.com if you have any questions regarding this filing.

Sincerely,

DORSEY & WHITNEY LLP

A handwritten signature in blue ink, appearing to read 'Zev Simpson', written over a horizontal line.

ZEV SIMPSER

Enclosures

cc: Via Email – Public Version Only:
- Jack Schuh (jschuh@nd.gov)
- Victor Schock (vschock@nd.gov)
- John Hamre (jghamre@nd.gov)
- Brian Johnson (brijohnson@nd.gov)
- Adam Renfandt (arenfandt@nd.gov)

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

NORTHERN STATES POWER COMPANY
ADVANCE DETERMINATION OF PRUDENCE –
150 MW MINNDAKOTA WIND PPA EXTENSION

CASE NO. PU-22-_____

**APPLICATION FOR
ADVANCE DETERMINATION OF PRUDENCE**

I. INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company), submits to the North Dakota Public Service Commission (Commission) this Application for an Advance Determination of Prudence (ADP) for a 41-month extension of the existing 150-megawatt (MW) Power Purchase Agreement (PPA) for the output of the MinnDakota Wind facility, located in both Lincoln County, Minnesota and Brookings County, South Dakota. The MinnDakota Wind facility went into commercial operation in 2007 under a 15-year PPA which is set to expire on December 31, 2022. The proposed PPA Amendment would extend the existing PPA for an additional 41 months through May 31, 2026, while placing a cap on annual compensable curtailments and lowering the overall contract price to a market-based level that benefits the Company's customers.

Approval of the PPA extension will help assure the continued operation of the MinnDakota Wind facility at a cost-effective price that is below the system average cost of fuel currently recovered from North Dakota customers. Locking in this low price for an additional 41 months will provide a short-term hedge against current market volatility until other planned resources come on the system.

In consideration of the above, we request that the Commission approve an ADP for the PPA Amendment to extend the MinnDakota Wind PPA.

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

- 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;
- Terms of the Proposed PPA Amendment;
- Economic Analysis;
- Prudence of the MinnDakota Wind PPA Extension; 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

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issued by the North Dakota and Minnesota Secretaries of State were filed in the same case on January 6, 2022, and are incorporated herein by reference.

Xcel Energy has service territory in five upper Midwest states including North Dakota. The Company presently serves approximately 94,500 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:

Alex J. Nisbet
Regulatory Policy Specialist
Xcel Energy
2302 Great Northern Drive
Fargo, North Dakota 58102
Alex.J.Nisbet@xcelenergy.com

Regulatory Records
Records Specialist
Xcel Energy
414 Nicollet Mall
Minneapolis, Minnesota 55401
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.¹ The general prudence standard calls for determining whether the utility action was reasonable at the time it was taken under all relevant circumstances.² 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;

¹ See N.D.C.C. § 49-06-02.

² 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).

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- 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 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.³ In Case No. PU-12-59, Xcel Energy committed to filing its ADP applications within fourteen days of seeking similar approvals from the Minnesota Public Utilities Commission (MPUC).⁴

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 Agreement in Case No. PU-07-776. Additionally, the Company is submitting this Application within fourteen days of the November 9, 2022 filing of a similar application with the MPUC.

III. DESCRIPTION AND PURPOSE OF FILING

A. Project History

The project that eventually became the MinnDakota Wind facility was initially among seven proposals selected to proceed to contract negotiations as part of the Company's 2001 All Source RFP competitive bidding process. The Company entered into the original PPA with MinnDakota Wind, LLC on December 29, 2005. Under the terms of the PPA, the Company purchased 150 MW of wind generation from MinnDakota Wind's Buffalo Ridge wind turbines, located in both Lincoln County, Minnesota and

³ *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).

⁴ *N. States Power Co. Advance Prudence – Geronimo Wind Application*, Case No. PU-12-59, LETTER OF COMMITMENT (Nov. 5, 2012).

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Brookings County, South Dakota. Under the PPA, the Company agreed to purchase the entirety of the facility's output for 15 years from the date of commercial operation, which occurred on December 31, 2007. The original MinnDakota Wind PPA is therefore scheduled to expire on December 31, 2022. In May 2022, the Company and MinnDakota Wind initiated contract negotiations regarding a potential extension of the PPA. The parties executed the PPA Amendment on November 7, 2022. The terms of the PPA Amendment are discussed in further detail below.

B. Facility Description

MinnDakota Wind LLC is a single-purpose entity owned by Avangrid Renewables. The MinnDakota Wind facility consists of 100 turbines along the Buffalo Ridge, located in both Lincoln County, Minnesota and Brookings County, South Dakota. The facility spans approximately 15,000 acres, though its actual footprint is less than two percent of the total acreage. Approximately 100 MW of the facility's total 150 MW are located in Minnesota, with the remainder in South Dakota.

MinnDakota Wind has been serving the NSP electric system with renewable energy as part of the Company's overall generation mix since the facility went into commercial operation on December 31, 2007. The facility's output is sufficient to meet the annual energy needs of approximately 58,000 homes and supports local economies through lease payments to 70 landowners and property tax payments to the host counties.

C. Project Need

The proposed 41-month extension of the existing MinnDakota Wind PPA does not meet an identified energy need in the Company's Integrated Resource Plan (IRP). However, in order to provide a hedge against current volatility in the energy market and potential further inflationary pressures, the Company decided to lock in the attractive pricing of the PPA for an additional 41 months. The price of the renegotiated PPA is below the system average cost of fuel recovered from North Dakota customers through the Fuel Cost Rider (FCR), thus it will generate savings for customers and the Company believes it is prudent to keep it on the NSP System.

IV. TERMS OF THE PROPOSED PPA AMENDMENT

As noted above, the existing PPA expires on December 31, 2022. The Company proposes to extend the existing PPA, subject to revised terms and pricing, for an

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additional 41 months to terminate on May 31, 2026. By terminating on May 31, the contract's termination will align with the end of the MISO planning year.

The PPA Amendment lowers the contracted energy rate from **[PROTECTED DATA BEGINS]**



[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

PROTECTED DATA ENDS]

As described further below, the negotiated rate is priced below the recent average market price at the project location and thus was found by the Company to be beneficial to Xcel Energy customers. The inclusion of a declining cap on compensable curtailments limits the Company's going forward cost risks due to congestion and negative locational marginal prices and helps ensure that customers receive the benefit of the project's energy commensurate to the cost of the PPA.

The original PPA includes certain curtailment provisions under which Xcel Energy would reimburse MinnDakota Wind for certain curtailments, including those due to lack of available transmission capacity, lack of transmission service, and low load conditions requiring curtailment for system stability or transmission loading relief, all of which cause congestion and contribute to negative locational marginal prices. Beginning in 2019, transmission congestion along the Buffalo Ridge led to increasing curtailment of the MinnDakota Wind facility's output. Given the current congestion in the area around the NSP.MNDAK commercial pricing node, an annual cap on compensable curtailments is necessary to protect customers from these localized conditions. The declining annual cap on compensable curtailments in the PPA

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Amendment shifts the uncapped financial risk of congestion-related curtailment from customers to MinnDakota Wind through the remaining term of the proposed PPA extension, and helps ensure that customers get the benefit of the negotiated rate.

The Company has already entered into the PPA Amendment, to ensure that the existing PPA does not terminate on December 31, 2022. The PPA Amendment anticipates that the Company will not have received an ADP and/or equivalent approval from the MPUC for the PPA Amendment by that date, in which case the PPA Amendment and the renegotiated price will be in effect for up to two-hundred and twenty (220) days. If approval for the PPA has not been obtained 220 days after the Company's filing for approval of the PPA Amendment in North Dakota and Minnesota, the Company has the right to terminate the PPA. Similarly, if the Company's application for an ADP or equivalent approval from MPUC is rejected, the Company has the right to terminate the PPA.

V. ECONOMIC ANALYSIS

The Company currently recovers the North Dakota-allocated costs of the MinnDakota Wind PPA as a purchased power cost from North Dakota customers through the FCR. In this ADP, the Company is requesting the ability to continue to recover the costs of the PPA through the FCR during the 41-month extension of the PPA. During this extension, MinnDakota Wind will continue delivering energy and Xcel Energy will continue purchasing it, albeit at a significantly lower price, to the benefit of our customers. Accordingly, the cost recovery mechanism should not change from its current form.

As noted above, the renegotiated price of the PPA is **[PROTECTED DATA BEGINS** [REDACTED] **PROTECTED DATA ENDS]**. The parties arrived at this price based on an analysis of wholesale revenues at the local pricing node and an estimate of energy purchases in the MISO market.

A. Price Analysis

Xcel Energy conducted a price analysis to assist with contract negotiations and to determine the extent that the negotiated rate would benefit customers. We designed the price analysis with a neutral impact to customers at the NSP.MNDAK commercial pricing node. To arrive at a valuation of what customers may likely otherwise pay for purchasing energy in the MISO energy market, Xcel Energy calculated the realized 2021/2022 levelized locational marginal price for all positively

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priced hours at the MISO NSP.MNDAK commercial pricing node. We estimate the market rate for all positively priced hours to be approximately **[PROTECTED**

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PROTECTED DATA ENDS]. In addition, the PPA also continues to include the full benefits of capacity accreditation and the value of renewable energy credits. For these reasons, the negotiated rate is neutral or beneficial to Xcel Energy customers and the Commission should find it reasonable and prudent as a short-term market hedge.

VI. PRUDENCE OF THE MINNDAKOTA WIND PPA EXTENSION

The proposed PPA Amendment would extend the existing MinnDakota Wind PPA for 41 months under new pricing and curtailment terms that are favorable to the Company and customers. Specifically, the proposed extension of the MinnDakota PPA is prudent because it lowers the negotiated energy rate to a level that is cheaper than system average cost and the expected average realized cost of energy from the project, while shifting significant congestion risks to the project owner. While the Company does not necessarily need the energy, the extension will allow the Company to retain the PPA on the system as a low-cost, fixed price hedge to provide short-term protection against potential market volatility and increasing inflation. During the extension period, the PPA is likely to displace other, higher marginal cost resources and therefore will lower the Company's overall cost to serve. Put simply, the terms of the PPA extension were too favorable for the Company to simply allow this resource to roll off the system on December 31, 2022.

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VII. CONCLUSION |

For all the reasons set forth above, Xcel Energy respectfully requests the Commission grant an ADP for the Company's proposed extension of the PPA for the output of the 150 MW MinnDakota Wind facility.

Dated: November 18, 2022

Northern States Power Company

Respectfully submitted,

/s/ Christopher J. Shaw
CHRISTOPHER J. SHAW
MANAGER, REGULATORY POLICY

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Direct Testimony and Schedule
Farah L. Mandich

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

In the Matter of the Application of Northern States Power Company
for an Advance Determination of Prudence for the 150 MW MinnDakota
Wind PPA Extension

Case No. PU-22-_____

Exhibit____(FLM-1)

Resource Planning

November 18, 2022

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Schedules

Schedule 1: Statement of Qualifications

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I. INTRODUCTION AND QUALIFICATIONS

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Q. PLEASE STATE YOUR NAME AND TITLE.

A. My name is Farah L. Mandich. I am Director of Resource Planning and Bidding for Northern States Power Company-Minnesota (NSP or Xcel Energy or the Company). The Company provides electric service to customers in Minnesota, North Dakota, and South Dakota (collectively, the NSPM States). The Company’s affiliate, Northern States Power, a Wisconsin corporation (NSPW), provides electric service to customers in Wisconsin and Michigan. The Company and NSPW, together under the Interchange Agreement, own and operate the five-state integrated NSP System.

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have worked for Xcel Energy since April 2019 in the areas of Regulatory Affairs and Resource Planning. I have been in my current position since September 2021. In my first role with the Company, in the Regulatory Affairs department, I worked with cross-functional teams to develop Integrated Resource Plan and resource acquisition filings for NSP.

Prior to joining Xcel Energy, I worked as a Policy Advisor for Southern California Edison, a large investor-owned utility in California. In this role, I supported development of Integrated Resource Planning and resource acquisition regulatory filings before the California Public Utilities Commission. My statement of qualifications is provided as Exhibit___(FLM-1), Schedule 1.

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1 Q. WHAT ARE YOUR CURRENT RESPONSIBILITIES?

2 A. In my current role, I lead the Resource Planning team on the development of
3 resource plans and acquisitions for the five-state integrated Upper Midwest
4 Northern States Power Company system (NSP System), which provides
5 electric service to customers in North Dakota, South Dakota, Minnesota,
6 Wisconsin, and Michigan. This includes assisting the Company in making
7 reasonable and prudent acquisition decisions for electric generation resources.

8

9 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

10 A. The purpose of my testimony is to discuss the prudence of the Company's
11 proposed 41-month extension of the existing power purchase agreement
12 (PPA) for the output of the 150 MW MinnDakota Wind facility. My testimony
13 supports the conclusion that the North Dakota Public Service Commission
14 (Commission) should grant an advance determination of prudence (ADP) for
15 the proposed PPA extension because of the attractive pricing and short-term
16 hedge value of the PPA Amendment, which will drive down the system
17 average cost of fuel recovered from North Dakota customers. I am the sole
18 witness providing Direct Testimony in support of the Company's Application.

19

20

II. REGULATORY MATTERS

21

22 Q. PLEASE DESCRIBE THE COMPANY'S REQUIREMENTS WITH RESPECT TO THIS
23 ADP.

24 A. North Dakota Century Code (N.D.C.C.) section 49-05-16 allows a public
25 utility to seek an ADP from the Commission at the utility's discretion.
26 However, pursuant to the Settlement Agreement in Case No. PU-07-776, the

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1 Company is obligated to file an application for an ADP for any proposed new
2 construction or acquisition of a generating resource above 50 MW where the
3 Company proposes to allocate all or part of the costs to the North Dakota
4 jurisdiction.¹ In Case No. PU-12-59, Xcel Energy committed to filing its ADP
5 applications within 14 days of seeking similar approvals from the Minnesota
6 Public Utilities Commission (MPUC).²

7
8 Q. IS THE COMPANY MEETING NORTH DAKOTA FILING REQUIREMENTS WITH
9 THIS APPLICATION AND SUPPORTING TESTIMONY?

10 A. Yes. This Application complies with the requirements of N.D.C.C. § 49-05-
11 16 and the Settlement Agreement in Case No. PU-07-776. Additionally, in
12 accordance with our commitment in Case No. PU-12-59, the Company is
13 submitting the Application within 14 days of filing a petition seeking approval
14 for the PPA extension in Minnesota, which occurred on November 9, 2022.
15 Finally, the Application and supporting testimony demonstrate the prudence
16 of the Company’s proposed extension of the MinnDakota Wind PPA.

17
18 **III. DESCRIPTION AND PURPOSE OF**
19 **THE PPA EXTENSION**
20

¹ *N. States Power Co. Elec. Rate Increase Application*, Case No. PU-07-776, ORDER ADOPTING SETTLEMENT AGREEMENT at 6 of Settlement Agreement (Dec. 31, 2008).

² *N. States Power Co. Advance Prudence – Geronimo Wind Application*, Case No. PU-12-59, LETTER OF COMMITMENT (Nov. 5, 2012).

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A. Project Background and Description

Q. PLEASE DESCRIBE THE MINNDAKOTA WIND FACILITY.

A. The MinnDakota Wind facility consists of 100 turbines along the Buffalo Ridge, located in both Lincoln County, Minnesota and Brookings County, South Dakota. The facility spans approximately 15,000 acres, though its actual footprint is less than two percent of the total acreage. Approximately 100 MW of the facility’s total 150 MW are located in Minnesota, with the remainder in South Dakota. The MinnDakota Wind facility is owned and operated by MinnDakota Wind, LLC, a single-purpose entity owned by Avangrid Renewables.

Q. HOW DID THE COMPANY ORIGINALLY PROCURE THE MINNDAKOTA WIND PROJECT?

A. The project was initially one of seven proposals selected to proceed to contract negotiations as part of our 2001 All Source RFP competitive bidding process. The Company entered into the original PPA with MinnDakota Wind on December 29, 2005, and the project achieved commercial operation on December 31, 2007. Under the terms of the PPA, the Company agreed to purchase the entirety of the facility’s output for 15 years from commercial operation, therefore the PPA will expire on December 31, 2022.

Q. HOW DID THE PPA EXTENSION COME ABOUT?

A. MinnDakota Wind approached the Company about a short-term extension of the PPA earlier this year. We initiated contract negotiations with MinnDakota Wind in May. As I describe in more detail below, the amendment to the PPA executed by the parties on November 7, 2022 (PPA Amendment) provides

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1 for a 41-month extension of the PPA at a significantly reduced price. The PPA
2 Amendment also places a cap on compensable curtailment in order to protect
3 our customers from the uncapped risk and cost of transmission congestion.
4

5 **B. Project Need**

6 Q. DOES THE EXTENSION OF THE MINNDAKOTA WIND PPA MEET AN
7 IDENTIFIED NEED ON THE NSP SYSTEM?

8 A. The proposed 41-month extension of the existing MinnDakota Wind PPA does
9 not meet a specific energy need identified in the Company's most recent
10 Integrated Resource Plan (IRP). However, in order to provide a hedge against
11 current volatility in the energy market and potential further inflationary
12 pressures, the Company decided to lock in the attractive pricing of the PPA for
13 an additional 41 months. The price of the renegotiated PPA is below the system
14 average cost of fuel recovered from North Dakota customers through the Fuel
15 Cost Rider (FCR), thus it will generate savings for customers and the Company
16 believes it is prudent to keep it on the NSP System. Additionally, the PPA
17 Amendment provides a hedge against ongoing transmission congestion in the
18 Buffalo Ridge area by shifting congestion risk to the project owner, and helps
19 the Company continue to meet its clean energy goals.
20

21 **C. Terms of the Proposed PPA Amendment**

22 Q. PLEASE SUMMARIZE THE TERMS OF THE PPA AMENDMENT.

23 A. The PPA Amendment provides for a 41-month extension of the existing
24 MinnDakota Wind PPA, subject to revised pricing and a cap on compensable
25 curtailments. As amended, the PPA will terminate on May 31, 2026, in order
26 to align with the end of the MISO Planning Year. It is important for the PPA

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1 to terminate at the end of the MISO Planning Year because from the 2023/24
2 Planning Year forward, load serving entities in MISO are subject to seasonal
3 resource adequacy requirements, and extending the PPA to the end of a
4 season allows us to more fully utilize the zonal resource credits (ZRCs) from
5 the MinnDakota facility.

6
7 Q. WHAT IS THE RENEGOTIATED PRICE IN THE PPA AMENDMENT?

8 A. The PPA Amendment reduces the contracted energy rate from
9 **[PROTECTED DATA BEGINS** [REDACTED]
10 [REDACTED] **PROTECTED DATA ENDS]**

11
12 Q. IS THE RENEGOTIATED PRICE COMPETITIVE IN THE CURRENT ENERGY
13 MARKET?

14 A. Yes. The renegotiated price was derived based on market prices in the area of
15 the project. In the next section of my testimony, I describe the pricing analysis
16 that the Company performed to determine an appropriate price range for the
17 extension of the PPA.

18
19 Q. PLEASE DESCRIBE THE CAP ON COMPENSABLE CURTAILMENT IN THE PPA
20 AMENDMENT.

21 A. The PPA Amendment provides for a declining cap on compensable
22 curtailments consistent with Table 1 below. The inclusion of a declining cap
23 on compensable curtailments limits the Company's going forward cost risk
24 due to congestion and negative locational marginal prices, and helps ensure
25 that customers receive the benefit of the project's delivered energy
26 commensurate to the cost of the PPA.

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Table 1: MinnDakota PPA Amendment Curtailment Cap

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[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

PROTECTED DATA ENDS]

Q. WHY DID THE COMPANY PUSH TO CAP CURTAILMENTS IN THE PPA AMENDMENT?

A. The original PPA includes certain curtailment provisions under which Xcel Energy would reimburse MinnDakota Wind for certain curtailments, including those due to lack of available transmission capacity, lack of transmission service, and low load conditions requiring curtailment for system stability or transmission loading relief, all of which cause congestion and contribute to negative locational marginal prices. An off-taker assuming the risk of curtailment due to congestion was a common practice of PPAs negotiated at the time and remains a consideration for many projects today. Beginning in 2019, transmission congestion along the Buffalo Ridge led to increasing curtailment of the MinnDakota Wind facility's output, resulting in curtailment payments under the PPA. Given the current congestion in the area around the NSP.MNDAK commercial pricing node, an annual cap on compensable curtailments is necessary to protect customers from these

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1 localized conditions. The declining annual cap on compensable curtailments
2 in the PPA Amendment shifts the uncapped financial risk of congestion-
3 related curtailment from customers to MinnDakota Wind through the
4 remaining term of the proposed PPA extension, and helps ensure that
5 customers get the benefit of the negotiated rate.

6
7 Q. WILL THE PPA EXTENSION TAKE EFFECT EVEN IF AN ADP IS NOT RECEIVED
8 BY THE CURRENT EXPIRATION DATE OF DECEMBER 31, 2022?

9 A. Yes. Given that the PPA Amendment was just executed on November 7,
10 2022, the parties anticipated that approvals from the Company's various
11 jurisdictions would not be approved by the December 31, 2022 deadline. If an
12 ADP and/or an equivalent approval from the MPUC are not received by
13 December 31, 2022, the PPA Amendment and the renegotiated price will take
14 effect for up to 220 days following the Company's filing for approval of the
15 PPA. If approval for the PPA has not been obtained in Minnesota and/or
16 North Dakota after 220 days, the Company has the right to terminate the PPA
17 upon five days' notice to MinnDakota Wind. Similarly, if the Company's
18 application for an ADP or equivalent approval from MPUC is rejected, the
19 Company has the right to terminate the PPA.

20
21 Q. DOES THE PPA CONTAIN ANY NEW PROVISIONS THAT CHANGE THE RISK
22 PROFILE OF THE MINNDAKOTA WIND PPA?

23 A. No, the PPA Amendment does not contain any new provisions that increase
24 the financial or operational risks of the underlying PPA. Generally, the two
25 primary financial risks to a PPA are the risk of a seller default and the risk of a
26 lender asserting some manner of entitlement. Here both are mitigated by the

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1 facility having already been in commercial operation for nearly 15 years. Any
2 remaining risk is addressed in the existing PPA, which protects customers by
3 requiring MinnDakota Wind to maintain a security fund and to provide Xcel
4 Energy with a subordinated mortgage. Operational risks of a PPA generally
5 stem from the risk that the facility will fail to be built and operated as expected.
6 The operational risk is mitigated, if not eliminated, by the facility’s 15 years of
7 continued operation.

IV. ECONOMIC ANALYSIS

11 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

12 A. In this section, I summarize the economic analysis that the Company
13 performed to determine that the renegotiated price for the PPA is reasonable
14 and beneficial to customers.

A. Price Analysis

17 Q. HOW DID THE COMPANY EVALUATE AN APPROPRIATE PRICE FOR AN
18 EXTENSION OF THE PPA?

19 A. The Company conducted a price analysis to assist with contract negotiations
20 and to determine the extent that the negotiated rate would benefit customers.
21 The goal of this analysis was to estimate a market value of the energy delivered
22 to the system by the MinnDakota Wind facility, so we designed the price
23 analysis with a neutral impact to customers at the NSP.MNDAK commercial
24 pricing node. In other words, we sought to arrive at a valuation of what
25 customers may likely otherwise pay for purchasing energy from the MISO
26 market at the same location. To do this, we calculated the realized 2021/2022

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1 levelized locational marginal price (LMP) for all positively priced hours at the
2 MISO NSP.MNDAK commercial pricing node.

3
4 Q. WHAT WERE THE RESULTS OF THIS ANALYSIS?

5 A. Our analysis estimated the market rate for all positively priced hours at the
6 MISO NSP.MNDAK commercial pricing node to be approximately
7 **[PROTECTED DATA BEGINS** [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 **PROTECTED DATA ENDS]**.

12
13 **B. Customer Benefits**

14 Q. DOES THE RENEGOTIATED PRICE BENEFIT CUSTOMERS?

15 A. Yes. The renegotiated price in the PPA Amendment is **[PROTECTED**
16 **DATA BEGINS** [REDACTED] **PROTECTED DATA ENDS]** lower than
17 the current system average cost of fuel recovered through the FCR, therefore
18 the Company anticipates that locking in this price and keeping the PPA online
19 for an additional 41 months will generate benefits for customers during the
20 period of the extension. Specifically, the benefits of keeping this resource on
21 the system come in the form of a low-cost hedge against market price
22 volatility, ongoing capacity credits which we can use to meet our seasonal
23 obligations, and the value of Renewable Energy Credits (RECs).

24

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1 Q. HOW DOES THE PPA AMENDMENT PROVIDE HEDGE VALUE?

2 A. The 41-month extension of the PPA at a market-competitive price – that
3 avoids significant compensation for curtailment – provides a short-term hedge
4 against potential energy market volatility and inflationary pressures over the
5 extended contract term. There is a risk, of course, that average market prices
6 at the node would fall below the renegotiated price, but we mitigated this risk
7 by incorporating compensable curtailment caps.

8

9 Q. DOES THE EXTENSION OF THE PPA PROVIDE ANY OTHER BENEFITS TO
10 CUSTOMERS AND THE NSP SYSTEM?

11 A. Yes. The PPA continues to include the full benefits of capacity accreditation
12 and the value of RECs. While MISO has not yet provided next year’s expected
13 seasonal accreditation values for existing projects, over the past two years the
14 MinnDakota facility project has generated approximately **[PROTECTED**
15 **DATA BEGIN** [REDACTED] **PROTECTED DATA ENDS]** of accredited
16 capacity. Further, we expect the MinnDakota resource could receive
17 **[PROTECTED DATA BEGIN** [REDACTED] [REDACTED] [REDACTED] [REDACTED]
18 **PROTECTED DATA ENDS]** next year, which can be used to help the
19 Company meet its own obligations through retirement transactions.
20 Consistent with prior practice, the North Dakota share of the RECs generated
21 by the PPA will be returned to North Dakota customers.

22

23 Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE COSTS OF THE
24 EXTENSION OF THE MINNDAKOTA PPA IN NORTH DAKOTA?

25 A. The Company currently recovers the North Dakota-allocated costs of the
26 MinnDakota Wind PPA as a purchased power cost from North Dakota

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1 customers through the FCR. In this ADP, the Company is requesting the
2 ability to continue to recover the costs of the PPA through the FCR during
3 the 41-month extension of the PPA. During this extension, MinnDakota
4 Wind will continue delivering energy and Xcel Energy will continue
5 purchasing it, albeit at a significantly lower price, to the benefit of our
6 customers. Accordingly, the cost recovery mechanism should not change
7 from its current form.

8
9 **V. PRUDENCE OF THE PPA EXTENSION**

10
11 Q. IS THE MINNDAKOTA WIND PPA EXTENSION PRUDENT?

12 A. Yes. The proposed PPA Amendment would extend the existing MinnDakota
13 Wind PPA for 41 months under new pricing and curtailment terms that are
14 favorable to the Company and customers. Specifically, the proposed extension
15 of the MinnDakota PPA is prudent because it lowers the negotiated energy
16 rate to a level that is cheaper than system average cost and the expected
17 average realized cost of energy from the project, while shifting significant
18 congestion risks to the project owner. While the Company does not
19 necessarily need the energy, the extension will allow the Company to retain
20 the PPA on the system as a low-cost, fixed price hedge to provide short-term
21 protection against potential market volatility and increasing inflation, and will
22 support continued progress toward our carbon reduction goals. During the
23 extension period, the PPA is likely to displace other, higher marginal cost
24 resources and therefore will lower the Company's overall cost to serve. Put
25 simply, the terms of the PPA extension were too attractive for the Company
26 to simply allow this resource to roll off the system on December 31, 2022.

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1

VI. CONCLUSION

2

3 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

4 A. Yes, it does.

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

NORTHERN STATES POWER COMPANY
ADVANCE DETERMINATION OF PRUDENCE –
150 MW MINNDAKOTA WIND PPA EXTENSION

CASE NO. PU-22-_____

VERIFICATION


STATE OF MINNESOTA)
)SS.
COUNTY OF HENNEPIN

Farah L. Mandich, being first duly sworn on oath, deposes and says that she is Director, Resource Planning and Bidding for Applicant Northern States Power Company, a Minnesota corporation, in the above-captioned matter, that the direct testimony submitted in the above-captioned matter under her name was prepared under her direction, that she knows the contents thereof, and that the same is true and correct to the best of her knowledge and belief.

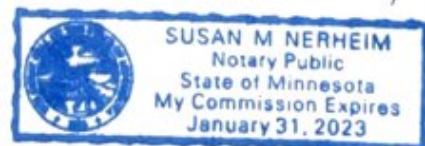


Farah L. Mandich

Subscribed and sworn to before me on this 15th day of November, 2022



Notary Public
My Commission expires: 01/31/23



Farah L. Mandich

Statement of Qualifications

Farah Ladan Mandich is Director of Resource Planning and Bidding for Northern States Power Company – Minnesota. She currently leads the Company’s Resource Planning team in the development of resource plans and acquisitions for the NSP System, which provides electric service to customers in North Dakota, South Dakota, Minnesota, Wisconsin, and Michigan. Mandich joined Xcel Energy in April 2019 as a Regulatory Policy Specialist, where she was responsible for developing resource planning and resource acquisition regulatory filings for NSPM.

Prior to joining Xcel Energy, Mandich was a Policy Advisor at Southern California Edison (SCE), a large investor-owned utility in California. In this role, she supported development of Integrated Resource Planning and resource acquisition regulatory filings before the California Public Utilities Commission. Before working on California regulatory issues, Mandich was a Knowledge Specialist in global consultancy McKinsey & Company’s Electric Power & Natural Gas practice, where she served as a subject matter expert to both US and international clients on North American renewable energy markets.

Mandich received her Bachelor of Science in Economics from Texas Christian University and her Master of Public Policy from the University of Michigan’s Gerald R. Ford School of Public Policy.