

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Robert Frank Public Utility Analyst

Date: January 25, 2023

Re: Northern States Power Company, Advance Prudence – 150 MW PPA for MinnDakota Wind, Application, Case No. PU-22-410

On November 18, 2022, Northern States Power Company (NSP) filed an application for Advanced Determination of Prudence for a 41-month extension of the existing 150 MW Power Purchase Agreement (PPA) for the output of the MinnDakota Wind facility (MinnDakota), extending the PPA that expired on December 31, 2022, through May 31, 2026, to align with the end of MISO's planning year.

MinnDakota consists of 100 turbines with an output of 150 MW located in both Lincoln County, Minnesota and Brookings County, South Dakota. The project achieved commercial operation on December 31, 2007 with a 15 year PPA with NSP for purchase of the entirety of the facility's output. MinnDakota and NSP executed the extension of the PPA on November 7, 2022.

The proposed PPA extension does not meet an identified energy need in NSP's Integrated Resource Plan but the renegotiated rate of the PPA is below the system average cost of fuel recovered from North Dakota customers through the Fuel Cost Rider (FRC). This PPA will have the potential to act as a hedge against volatility in the energy market, and there is a high probability it will generate savings for North Dakota customers. The PPA will continue to include the full benefits of capacity accreditation within MISO as well as the full value of RECs (renewable energy credits) which will be proportionally returned to North Dakota customers.

Also included in the renegotiation is a declining cap on compensable curtailments. The original PPA with MinnDakota and NSP included provisions under which NSP would reimburse MinnDakota for certain curtailments due to lack of available transmission capacity, lack of transmission service, and low load conditions that required curtailment for system stability. The new agreement will help to reduce the going forward risks due to congestion and negative locational marginal prices for NSP and shift the risk to MinnDakota.

NSP will continue to recover the North Dakota allocated costs of MinnDakota as a purchased power cost from North Dakota customers through the FRC.

Staff believes that NSP's proposed resource addition is prudent and that the Commission should grant NSP an advanced determination of prudence.