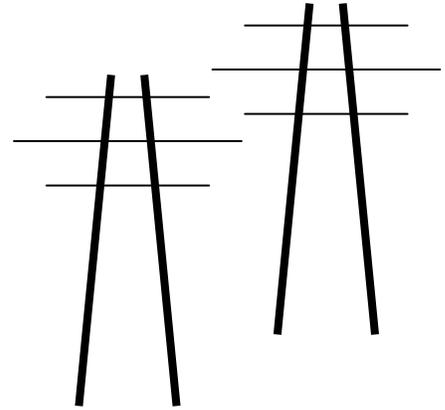


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September 11, 2017

Dan Wolf
Executive Secretary
Public Utilities Commission
121 – 7th Place East, Suite 350
St. Paul, MN 55101

via eFiling only

RE: In the Matter of Xcel Energy's Petition for Approval of an Amendment to the
HERC PPA
MPCU Docket No. E-002/M-17-532

Dear Mr. Wolf:

Attached please find Initial Comments regarding the above-captioned docket, on behalf of myself, as an individual, and not on behalf of any client.

The questions open for comment are:

- If a PPA extension is not approved or otherwise in effect by December 31, 2017, what terms and conditions should govern HERC (Hennepin County Energy Recovery Center) sales to Xcel Energy as of January 1, 2018 until there is a PPA extension in place?
- If the Commission were to ask Xcel Energy and HERC to further negotiate the rates and terms of the PPA extension or to go to arbitration, what specific issues and outcomes should the Commission require be addressed in such negotiations or arbitration?
- Are there other project-related issues or concerns?

Xcel Energy made a number of filings to terminate or amend PPAs to a lower cost, facilities including the HERC PPA, the Benson turkey/biomass burner, the Laurentian biomass/coal burner, the Pine Bend landfill gas burner... this docket is not proffered in a vacuum. Xcel Energy is attempting to divest itself of these overpriced PPAs in one way or another. That is certainly in the ratepayer interest.

Those who breathe in Minnesota also have an interest in this proceeding. The air permits for these facilities have been violated, fines have been assessed, and the air permits have expired. None of the comments address air permits or emissions and the costs to Minnesota of the harms caused. Considering the air permit expiration, the permit violations, and for the HERC incinerator, its central Minneapolis location, and the necessity of those near the HERC incinerator to breathe, is continued operation of this plant in the public interest?

The lack of public interest comments is concerning, given the public dollars that will be spent if Xcel Energy's plan is approved. The Dept. of Commerce DER advocates in the ratepayers' interest, but there is no party advocating for the public interest. Only Commerce and Hennepin County have submitted comments thus far.

The manner in which this PPA amendment has been approached is problematic – as Commerce DER points out. With this Petition, Xcel Energy comes to the Commission with an agreement without input from regulatory entities or the public, and as with the Benson burner agreement, it's likely a "take it or leave it" agreement. That's not acceptable.

In considering this PPA Amendment, I adopt Dr. Rakow's DER Comments regarding Hennepin County's Comments as if fully related here. These Commerce comments set out Xcel Energy's "new normal" and facts about generation surplus and transmission capacity that the Commission has avoided recognizing in the many recent transmission dockets, including CapX 2020 and MISO's 17 project MVP Portfolio, which we're starting to pay for as ratepayers. These are crucial facts that must be considered not only in the instant HERC docket, but also in Xcel Energy's ongoing transmission clause adjustments.

To emphasize these points in the Commerce comments, I'm posting them here:

*The second argument is that the HERC Power Plant reduces transmission losses and avoids transmission infrastructure. Regarding line losses, the Department's comments compared the price of the HERC PPA to Xcel's forecasted locational marginal prices (LMP). LMP data contains an adjustment for the value of line losses. The Department agrees that replacing the HERC PPA with an alternative, long-term source, would require new transmission infrastructure. However, two facts make such an outcome unlikely. First, at the system level and at the time this offer has been made to Xcel, **Minnesota typically has trapped energy and capacity—that is, more energy and capacity than can be exported by current transmission network. This fact means that extending the life of the HERC Power Plant might create transmission costs because more energy and capacity will be required to exit Minnesota. The more power that must be exported from Minnesota, the more is the need for transmission to carry that power.***

Commerce DER Comment, 9/11/2017, p. 3 (emphasis added). This comment goes on to state:

*The second fact is that, at the Company level **there would be no necessity for a new resource if Xcel had surplus capacity on the Company's system available to replace***

the capacity and energy from the HERC PPA. See Xcel's petitions in Docket Nos. E002/M-17-530 at page 15, where Xcel stated as a fact that "the NSPM system forecasts sufficient capacity through most of the remainder of the contract" (which has a term ending in September 2028), along with similar claims in E002/M-17-531 at pages 7 to 8, and E002/M-17-551 at pages 12 to 13 where Xcel repeatedly argued that the Company has no need to replace lost resources until major units shut down, which would be around the end of the HERC PPA extension period. In summary, there are no avoided transmission infrastructure costs attributable to the HERC PPA. In fact, extending the HERC PPA might create transmission costs.

Id, pps. 3-4 (emphasis added). And continuing...

*The fourth argument was that HERC is a baseload unit and "must be compared to resources with similar operating characteristics in similar strategic locations." As discussed above, the LMP data discussed in this record, when reviewed in detail, demonstrate trapped energy in Minnesota. **Trapped energy is an indicator of Minnesota and neighboring states having too much baseload capacity.** Because baseload units must produce energy during most hours of the year—on peak and off peak – the existence of trapped energy means the value of that energy is often relatively low. **The negative LMPs that appear in Minnesota each month indicate that, in addition to the paying the cost of energy, Xcel would have to pay for the privilege of running the HERC Power Plant. Therefore, the fact that the HERC Power Plant is a baseload unit is a liability rather than an asset based on facts that currently exist, at the time this resource is being offered to Xcel.***

Id., p. 4 (emphasis added). This situation is reminiscent of then Northern States Power's deregulation argument for recovery of stranded "costs" when in fact they were stranded assets, and the utility would instead owe the ratepayers money!¹ Minnesota dodged that deregulation bullet, and we should pay attention to that lesson.

Utilities aren't making money off of sales of electricity and are searching for new revenue streams, most evident in Xcel Energy's e21 Initiative² and its "steel-for-fuel" strategy.³ Xcel is also working hard to eliminate the money losing Power Purchase Agreements. That's a reasonable thing for a corporation to do, and it is in the ratepayers' interest to drop these unreasonably high resources, but this should be done carefully, and not at an increased cost to ratepayers.

At this time, I urge the Commission to take official notice of this and the related PPA termination/amendment dockets in the ongoing transmission clause adjustments, particularly the

¹ Restructuring Minnesota's Electric Industry: Key Issues for Consumers, Corneil, 1997 (see Stranded Cost chart, showing negative stranded costs, that Minnesota has stranded ASSETS. <https://legalelectric.org/f/2007/03/corneli-stranded-assets-1997.pdf>

² See Xcel Energy's [Letter & e21 Initiative Report 201412-105629-01](https://legalelectric.org/f/2015/02/Lettere21InitiativeReport_201412-105629-01); https://legalelectric.org/f/2015/02/Lettere21InitiativeReport_201412-105629-01-2.pdf ; see also CEE page re: e21: [e21 MikeBull Center for Energy and Environment](https://legalelectric.org/f/2015/02/Lettere21InitiativeReport_201412-105629-01-2.pdf)

³ Xcel Energy 2016 Earnings Call Transcript: <https://seekingalpha.com/article/4042092-xcel-energy-xel-q4-2016-results-earnings-call-transcript>

facts premised in the Commerce DERComment, p. 3-4, September 11, 2017.

I further request that the agreements proposed by Xcel Energy be carefully reviewed, that a condition of any Order of approval prohibit double dipping by Xcel Energy; that consideration be given to who benefits and who pays balanced against the unreasonable cost of HERC generation; that this docket be considered in relation to the several other dockets where Xcel Energy is similarly looking to terminate or amend Power Purchase Agreements and the impact of these connected requests.

Finally, any Order approving a PPA between Xcel Energy and HERC should be conditioned on air permit renewal, that any agreement and Commission approval should not become effective until the air permit is **renewed** (not merely applied for and continued operation is allowed).

Thank you for the opportunity to file these Comments. Please let me know if you have any questions or require anything further.

Very truly yours,

A handwritten signature in cursive script that reads "Carol A. Overland".

Carol A. Overland
Attorney at Law