

Resource Acquisition Processes

In Comments, the Department requested that we explain current resource acquisition processes, as well as the acquisition process we intend to use for the resources proposed in our Current Preferred Plan. We have discussed the processes we intend to use to implement the resource acquisitions that are part of our proposed plan in the body of our Reply. In Comments, the Department outlined the historical background surrounding the development of the two-track process. Therefore, in this Attachment, we outline the processes that have evolved through both legislative and Commission action since the two-track process was established. In summary, the changes promote the acquisition of renewable resources, while ensuring reasonable costs for customers.

Through this evolution, certain renewable resource acquisition proposals have been exempted from Certificate of Need (CN) requirements, streamlining the regulatory proceedings, and thus more quickly allowing the proposed projects to deliver benefits to customers. We summarize these changes below.

The Development of Existing Renewable Acquisition Processes

As noted by the Department, the two-track process was established by Commission Order on May 31, 2006. Several months later, Minnesota's Next Generation Energy Act (Next Gen Act) was enacted during the 2007 Legislative Session. The Next Gen Act included Minn. Stat. § 216B.1691, subd. 10, which exempted resources acquired to meet the Renewable Energy Standard (RES) from a competitive bidding process. The two-track competitive bidding process established by the Commission's May 31, 2006 Order in Docket No. E002/RP-04-1752 is not required under Minn. Stat. § 216B.1691, subd. 10.

On June 25, 2007, we filed a CN for the Grand Meadow Wind Farm, which relied on the Minn. Stat. § 216B.1691, subd. 10 bidding exemption.¹ We supported cost recovery of the Grand Meadow project with a cost-effectiveness analysis and a comparison of the levelized cost of the proposed projects to the bids received in response to a recent C-BED Wind RFP.

In 2008, the legislature added Subdivision 9 to Minn. Stat. § 216B.243 (CN statute) to exempt resources acquired to meet the RES from the CN requirement (RES Exemption). In December 2008, we filed a Petition to acquire the Nobles and

¹ Docket No. E002/CN-07-873

Merricourt Wind Farms, which relied on the RES Exemption.² While our Petition did not rely on the two-track process, we issued an RFP for Build-Own-Transfer (BOT) proposals to select the proposed resources.

In June 2009, the Commission noted its “strong preference for a resource acquisition model that involves a competitive bidding process, or at least a process demonstrating the equivalent rigor and analysis” in its *Order Approving Target Portfolio Allocation Within Xcel’s Renewable Energy Plan*.³

On July 16, 2013, we filed a Petition to acquire 600 MW of Wind,⁴ which we later supplemented with an additional 150 MW project.⁵ Our Petition relied on the Track 1 process and also cited to the RES exemption.⁶ The Department’s analysis concluded that the RES exemption applied – not the Track 1 CN exemption. The Commission agreed with the Department’s analysis. However, we believe the Track 1 process was nevertheless helpful, as it provided a high degree of confidence in the competitiveness and fairness of the process.

On October 24, 2014, we filed a Petition for approval of a 187 MW solar portfolio.⁷ Similar to our Petitions to acquire 750 MW of wind discussed above, our solar Petition relied on the Track 1 process and also cited to the RES CN exemption. The Department analysis concluded the RES exemption applied, not the established bidding process CN exemption. The Commission agreed the proposed projects were exempt from a CN under the RES exemption.

Finally, as noted by the Department, there are some resources that are not acquired through competitive processes. In general, these resources are acquired through standing tariff offerings approved by the Commission. For example, qualifying distributed energy resources are eligible for net metering. Additional incentives are offered for solar installations through our Solar*Rewards Program. Our Solar*Rewards Community Program offers bill credits to customers who participate in a community solar garden. We also offer demand-side programs through tariffs, such as our Savers Switch Program, which provides credits to participating customers.

² Docket No. E002/M-08-1437

³ Docket No. E002/M-07-1558

⁴ Docket No. E002/M-13-603

⁵ Docket No. E002/M-13-714

⁶ Minn. Stat. § 216B.243, subd. 9

⁷ Docket No. E002/M-14-162