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Xcel Energy

Data Request No. 2-3

Docket No.: EL20-026

Response To: South Dakota Public Utilities Commission

Requestor: Patrick Steffensen

Date Received: November 17, 2020

Question:

Refer to Xcel's response to DR 1-2, part b. What significance did the Tax Cuts and Jobs Act adoption have on being able to work with Vestas on the change in turbine technology?

Response:

The Tax Cuts and Job Act created significant cost pressures on all of our wind projects, including Blazing Star II, due to the value of production tax credits (PTCs) decreasing as a result of the tax cuts. These cost pressures were predicted to increase the levelized cost of energy (LCOE) for our projects and thereby erode customer benefits associated with the projects, potentially to the extent that the projects might not have been competitive and therefore not constructed. To respond to these cost pressures, the Company took a broad approach to working to develop additional project benefits to make them cost-effective. Among other things, we approached Vestas to renegotiate our turbine procurement arrangements. Vestas recognized that, in order to keep our projects moving forward and competitive, it had to offer alternative technology options that reduced LCOE. If Vestas had not done so, we may have been forced to cancel orders, which would have resulted in Vestas losing a significant amount of anticipated revenue. Vestas was therefore motivated to partner with Xcel Energy to find alternative turbine technology solutions to ensure a successful project.

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