

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayner	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of a Petition of Northern States Power Company dba Xcel Energy for Review of the Prairie Island Contingent Request for Proposals

ISSUE DATE: February 13, 2002

DOCKET NO. E-002/M-01-1480

In the Matter of Northern States Power Company's Application for Approval of its 2000-2014 Resource Plan

DOCKET NO. E-002/RP-00-787

ORDER DIRECTING ANALYSIS OF NATURAL GAS CONVERSION OF PRAIRIE ISLAND UNIT 1 AND REQUIRING CONSULTATION

PROCEDURAL HISTORY

On August 29, 2001, the Commission issued its ORDER APPROVING XCEL ENERGY'S 2000-2014 RESOURCE PLAN, AS MODIFIED in this matter. In its Order, the Commission accepted an agreement proposed by several parties, including Xcel, under Xcel would provide a status report on the issue of the fairness of its bidding process to renewable resource generation by July 15 and propose a Request for Proposals (RFP) to the Commission by September 30. In Order Paragraph 9, the Commission directed Xcel to abide by its agreement to propose an RFP by September 30, 2001.

On September 28, 2001, Xcel submitted a letter to the Commission. In its letter, Xcel stated that it would submit an RFP for the Prairie Island contingency bid for regulatory review on October 1 but requested an additional 30 days to submit its all-source bidding RFP.

On October 1, 2001, Xcel filed an RFP for the Prairie Island contingency bid and filed a 2001 All-Source RFP on November 8, 2001.¹ This Order focuses on the Prairie Island contingency bid RFP filed October 1, 2001.

¹ Issues raised by the Minnesota Department of Commerce (the Department) regarding Xcel's failure to file its All-Source bid by October 1, 2002 and failure to make a timely request for permission to file it at a later date were addressed in a previous Order in this matter: ORDER DENYING REQUEST FOR ORDER TO SHOW CAUSE AND REQUIRING REPORT, INFORMATION, AND CONSULTATION, Docket No. E-002/M-00-622 (February 11, 2002).

During the 30-day review and comment period for the Prairie Island contingency bid RFP,² no party filed objections to the RFP or requested an investigation. The Department and the Company identified modifications to the RFP, however, and Xcel filed a finalized RFP on November 8, 2001.

On December 3, 2001, Xcel conducted the pre-bid conference at its offices in Minneapolis.

On January 4, 2002, the Izaak Walton League of America (IWLA), Citizens United for Renewable Energy (C.U.R.E.), and Minnesotans for an Energy Efficient Economy (ME3) filed a letter noting that the Company's RFP does not mention the option of converting Unit 1 of the Prairie Island facility to natural gas. These parties requested that the Commission order the Company to notify potential bidders of its desire to consider bids for natural gas conversion of Unit 1 in this RFP.

The Commission met to consider this matter on January 31, 2002.

FINDINGS AND CONCLUSIONS

Two unfortunate things have occurred. First, in its Prairie Island contingency bid RFP (invitation to submit bid to replace the energy currently provided by its Prairie Island nuclear plant), Xcel did not explicitly open the door to proposals to convert Unit 1 into a gas-fueled generator. The possibility of gas conversion is a logical option for consideration. Second, no party objected to this omission and the bid process has moved ahead.

At this point, the Commission will not interrupt the bid process or require the Company to notify potential bidders of its desire to consider bids for natural gas conversion of Unit 1, as requested by IWLA, C.U.R.E., and ME3. At this stage of the process, this would pose an unwarranted risk of sending an unsettling signal to the potential bidders.

In order to have adequate information in the record to thoroughly examine the options, however, the Commission will secure a detailed analysis of converting Prairie Island Unit 1 to natural gas-

filed generation. Having a reasonable estimate of the costs and benefits of conversion will allow the

² Step 2 of Xcel's Commission-approved bid process is as follows: NSP will file a proposed Request for Proposals (RFP) with the Commission and serve it on the Parties. Absent a request for investigation by any party, NSP may issue the request for proposals (RFP) to potential bidders 30 days after the filing without Commission approval. See *In the Matter of the Petition of Northern States Power Company for Review of its 1999 All Source Bid Request Proposals*, E-002/M-99-888, ORDER GRANTING INTERVENTION (September 29, 2000), pages 1-2 and ORDER REJECTING REQUESTS FOR FURTHER INVESTIGATION, APPROVING FINAL BID SELECTIONS, AND OPENING DOCKET REGARDING EXTERNALITY VALUES (February 7, 2001), pages 1-2.

Commission to compare them with the costs and benefits of bids received through the contingent bid process.

Two practical questions arise:

- 1) who should perform the conversion analysis/report: the Company or an independent entity retained by the Company and
- 2) when should the report be submitted to the Commission: at the time Xcel files its short list of bidders, about July, 1, 2002, or when it files its next resource plan, December 1, 2002?

On the timing question, the Commission's concern is not to receive the conversion information so late in the bid process that conversion would be precluded as practical matter. All parties assure the Commission, however, that submission on the later date would not preclude the conversion option. Since a later submission date may yield a more thorough analysis, the Commission will designate the later date, December 1, 2002.

As to who should perform the analysis, the Commission's initial inclination for an independent evaluator was based in its concern that the integrity of an analysis conducted by Xcel would certainly be subject to question. IWLA, C.U.R.E., and ME3, however, expressed their confidence in or acceptance of the Company doing the study, noting that the study will have to stand on its own merits in any event and that any independent evaluator would be selected by the Company and would need to rely substantially on the Company's information in making its analysis, diminishing the value to be gained from requiring an independent contractor.

Finally, IWLA, C.U.R.E., and ME3 requested and the Company agreed that the parties should meet to discuss scoping issues, i.e. what the conversion analysis/report should contain. The three parties stated, for example, that the generation costs should be segregated from the plant decommissioning costs. The Commission agrees that this kind of discussion is a good idea and will so order. The parties may find it beneficial to include the Department in these discussions.

ORDER

1. Xcel shall perform and submit a detailed analysis (report) of converting Prairie Island Unit 1 to natural gas-fired generation.
2. The Company shall meet with the parties (IWLA, C.U.R.E., and ME3) to discuss the scope of its conversion analysis (report).
3. The Company shall file its report (conversion analysis) by December 1, 2002, the date set

for filing its next resource plan,

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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