

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern State Power
Company d/b/a Xcel Energy's Application for
Approval of its 2003-2017 Resource Plan

ISSUE DATE: March 9, 2004

DOCKET NO. E-002/RP-02-2065

ORDER PERMITTING WITHDRAWAL OF
RESOURCE PLAN AND REQUEST TO
ISSUE RFP

PROCEDURAL HISTORY

On December 2, 2002, Northern State Power Company d/b/a Xcel Energy (Xcel or the Company) filed its 2003-2017 Resource Plan.

On March 14, 2003, the Department of Commerce (DOC) requested that the date for filing initial comments be delayed until the conclusion of the 2003 legislative session due to the Legislature's consideration of issues related to Xcel's Prairie Island and Monticello plants.

On March 18, 2003, the Commission issued a notice suspending the initial and reply comment periods.

On June 12, 2003, Xcel filed a summary of legislative action in the 2003 legislative session and the impact of certain legislation on its open dockets. In reference to the present docket, Xcel proposed making a filing within a month that would restate its preferred resource plan, assess the impact of the new legislation on various components of its resource plan, and make recommendations on how to address the issues.

On September 10, 2003, Xcel filed an update to its Resource Plan filed on December 2, 2002. Xcel requested that it be allowed to withdraw the pending Resource Plan and file its next Resource Plan no later than November 1, 2004. Xcel also requested approval to issue a Request for Proposals (RFP) in 2005 to obtain 450 MW of supply in the 2011-2013 time frame.

On October 20, 2003, the DOC filed comments recommending approval.

On October 20, 2003, the Izaak Walton League of America - Midwest Office (IWLA), Minnesotans for an Energy-Efficient Economy (ME3), and Minnesota Center for Environmental Advocacy (MCEA) (collectively, Environmental Intervenors) filed joint comments.

On November 10, 2003, Xcel filed a Notice of Changed Circumstances affecting this Resource Planning docket.

On November 12, 2003, Xcel filed reply comments.

On February 10, 2004, Xcel filed a request to withdraw its September 10, 2003 request for approval to issue a RFP in 2005 to obtain 450 MW of supply in the period 2011-2013.

This matter came before the Commission on February 12, 2004.

FINDINGS AND CONCLUSIONS

I. Xcel's Request to Withdraw its Pending Resource Plan

The Company filed its pending Resource Plan for the 2003-2017 period in December of 2002. This filing identified significant issues concerning the continued operation of the Company's Prairie Island and Monticello nuclear plants.

Since that filing, the 2003 Legislature authorized, among other things, sufficient spent nuclear fuel storage to allow Xcel to operate Prairie Island to the end of its current operating license in 2013 (Unit 1) and 2014 (Unit 2). The Legislature also provided a process by which Xcel could secure additional capacity if it sought relicensing of the plant, and provided a resolution of the contingency bid process.¹

Xcel argued that besides this legislative action there have been other significant events that need to be represented in the Company's long range planning. Some of these include Xcel's Metropolitan Emissions Reduction Proposal (MERP)², Xcel's January 16, 2004 application for a Certificate of Need for two combustion turbines at the Blue Lake generating plant site,³ and Xcel's intention to pursue permits for the addition of a combustion turbine unit at the Anson generating plant site near Sioux Falls.

¹ 2003 Minn. Laws (1st Special Session), Ch. 11.

²*In the Matter of a Petition by Xcel Energy for Approval of a Three-Plant Emissions Reduction Proposal and Rate Rider to Recover Costs*, Docket No. E-002/M-02-633.

³ *In the Matter of the Application of Northern States Power Company (d/b/a Xcel Energy) for a Certificate of Need for a Large Electric Generating Facility*, Docket E-002/CN-04-76.

Xcel recommended that its next resource plan should be submitted on or before November 1, 2004. It argued that this date would be reasonable given the complexity of the issues that need to be considered and evaluated.

Finally, Xcel agreed that other issues such as conservation goals and compliance with renewable energy requirements would proceed according to the Commission's 2000 resource plan order⁴ until the next resource plan cycle was completed.

II. Xcel's request to Withdraw its Request to authorize a 2005 RFP in this Proceeding

In September 2003 Xcel requested permission to withdraw its 2002 Resource Plan filing. At the same time Xcel requested that the Commission authorize a 2005 RFP for new resources. At hearing, Xcel requested that its request to authorize a 2005 RFP be withdrawn.

Xcel proposed that rather than request approval of a 2005 RFP at this time, Xcel would provide the Commission with a re-evaluation of the need for the next solicitation at least 90 days before filing an RFP. Xcel anticipated that such a filing would not occur until after its next resource plan is filed.

III. Parties' Positions

At hearing, no party opposed Xcel's requests to withdraw its 2002 resource plan filing or to withdraw its request for an RFP authorization for 2005.

A. The DOC

On the issue of the Company's request to withdraw its resource plan previously filed, the DOC stated that Xcel's 2002 Resource Plan did not raise significant issues that required immediate Commission action. The most important decision, the near-term future operation of the Prairie Island Nuclear Generating plant was decided by the 2003 Minnesota Legislature.

Further, the DOC concluded that no law or rule prohibits Xcel from withdrawing its 2003-2017 Resource Plan.

Finally, the DOC stated that Xcel's request to withdraw its pending resource plan would not unduly limit the Commission's ability to shape the Company's future resource acquisitions.

⁴ *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 APPROVING XCEL ENERGY'S 2000-2014 RESOURCE PLAN, AS MODIFIED, August 29, 2001.

B. The Environmental Intervenors

The Environmental Intervenors argued that Xcel should be required to resubmit its resource plan in July 2004. It argued that a July date was workable and would be consistent with Minnesota Rules, which require a utility to submit a proposed resource plan biennially on July 1.⁵

IV. Commission Action

The Commission will approve Xcel's request to withdraw its Resource Plan for the period 2003 to 2017, which it filed in December 2002. Given the complexity of resource planning, the Commission will accept the Company's request to refile by November 1, 2004. That will provide the Company with ample time to prepare its plan.

The Commission will vary the two-year interval filing provision of Minn. Rules, Part 7843, Subp.2 to extend the date for the Company's filing to November 1, 2004. The Commission finds that the requirements for granting a variance pursuant to Minn. Rules, Part 7829.3200 are met in this case.

- In view of the legislation recently passed and the other significant matters that need to be considered in the Company's resource planning, and considering the time necessary to prepare a resource plan, it would impose an excessive burden upon Xcel to require it to refile its resource plan before November 1, 2004.
- Granting the time necessary to incorporate the items identified in this Order into a solid resource plan is in the public interest.
- Finally, since the filing date is set by Commission rule and not by statute, extending that deadline does not violate a standard imposed by law.

The Commission also will allow Xcel to withdraw its request for authorization for a 2005 RFP for new resources. The Commission is in agreement with the parties that the need for such a solicitation should be reevaluated prior to the submission of an RFP. Xcel has agreed to do so at least 90 days prior to filing an RFP with the Commission.

In addition, the Commission recognizes the difficulties and shortcomings in the current bid process, including difficulty in securing new resources in a timely manner, and agrees that discussions between the Company and stakeholders to re-examine the competitive bidding process are in order. For this reason the Commission will order that discussions, between the Company and stakeholders, including the DOC and Commission staff, on the competitive bidding process and the use of other processes for acquiring baseload as well as other resources should begin as soon as possible.

⁵Minn. Rules Part 7843.0300, subp.2.

As part of the discussions, the Commission believes that information from other jurisdictions on the success or difficulties of the bidding process in other areas may aid in determining whether the problems herein are specific to Minnesota or are of a broader nature. Such information may also aid in determining what is successful in the bidding process and what is not. For these reasons, the Commission will request that the DOC conduct an analysis of the bidding process as used in other jurisdictions to inform the stakeholder process about what is successful and what is not as it relates to baseload acquisitions and other acquisitions.

Finally, the Commission will require Xcel to address in its next resource plan filing the issue of the incremental additions of natural gas facilities on its system. The Commission notes its concern about the potential long run impact of the Company's natural gas projects and directs the Company to provide support for what it considers to be the appropriate level of incremental natural gas facility additions over the planning period.

ORDER

1. Xcel's request to withdraw its pending resource plan is hereby granted. The current resource plan docket (E-002/RP-02-2065) shall be held open for information requests and any other actions required as a result of the Commission's decisions herein.
2. The Commission grants a variance from the two-year requirement of Minnesota Rules, part 7843.0300, subp. 2, and designates November 1, 2004 as the filing date for Xcel's next Resource Plan. Xcel shall re-file, in the November 2004 Resource Plan, any filing requirements from the Commission's August 29, 2001 Resource Plan Order, in Docket No. E-002/RP-00-787, and any other filing requirements that were included in the 2003-2017 Resource Plan in response to Commission directives.
3. Xcel's request to withdraw its earlier proposal for approval to issue an RFP in 2005 is hereby granted. Xcel shall provide the Commission with the Company's re-evaluation of the need for the next solicitation at least 90 days prior to filing its next RFP with the Commission.
4. Xcel shall fully meet, in a timely manner, all outstanding ordering requirements, which apply to the next RFP and all source bid, including those required in the Commission's March 6 and November 19, 2003 Orders in Docket No. E-002/M-01-1618.
5. Xcel shall immediately begin stakeholder discussions to re-examine the competitive bidding process, the use of the competitive bidding process, and the use of other processes for acquiring baseload and other resources. The first step shall be the establishment of a roadmap for these discussions, including among other issues the timing and number of meetings, issues to be discussed, and stakeholders to be represented. This roadmap shall be filed with the Commission, for informational purposes, by March 31, with stakeholder

meetings to begin shortly thereafter. Department and Commission staff shall be included in these meetings.

6. The Commission requests that the DOC conduct an analysis of the bidding process as used in other jurisdictions to inform the stakeholder process of successes and failures in other jurisdictions, as they relate to both baseload and other kinds of acquisitions.
7. Xcel shall, in the November 2004 resource plan filing, address the issue of what it considers the appropriate level of natural gas fired facilities on its system over the planning period. At a minimum, Xcel shall include the following in its filing:
 - a. existing natural gas facilities;
 - b. currently planned facilities (e.g. MERP project, proposed Blue Lake facilities, 2001 all source bid projects fueled by natural gas);
 - c. any other proposals for projects fueled by natural gas within the local region and the MAPP region during the forecast period;
 - d. projected demand on the system over the planning period;
 - e. A list or plan of viable options for meeting natural gas capacity needs;
 - f. the projected growth rate of the total demand for natural gas in these regions; and
 - g. to the extent Xcel intends to rely on other companies to provide the pipeline capacity for projects, Xcel shall provide estimates, along with supporting documentation, of these costs and capacity increase needs.
8. Xcel shall report back to the Commission in writing on the results of the MISO Facility Study (referenced in the Company's November 10 filing) and its implications for future resource acquisitions, within 20 days of receiving the study.
9. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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