



September 6, 2017

Mr. Daniel P. Wolf, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East
St. Paul, Minnesota 55101

RE: In the Matter of Xcel Energy's Petition for Approval to Terminate the Power Purchase Agreement with Benson Power, LLC, Acquire the Benson Power Biomass Plant, and Close the Facility
PUC Docket Number: Docket No. E-002/M-17-530

The Minnesota Department of Natural Resources (DNR) recognizes that the official comment period for Public Utilities Commission (PUC) Docket Number E-002/M-17-530 has lapsed, but we ask that our comments and concerns be reviewed and considered regarding the amendment or termination of the power purchase agreement (PPA) between Xcel and Benson Power, LLC (BP). We write in our capacity as the state agency charged with managing Minnesota's forest resources for their multiple economic, environmental, and recreational purposes, including their contributions to Minnesota's green biomass industry.

Minnesota Laws 2017, Chapter 94, Article 10, Section 20 amended Minn. Stat. §216B.2424, potentially ends a 20-year commitment to biomass energy through the requirement for Xcel Energy to generate or purchase power produced using biomass. The potential disruption to existing biomass markets has a range of possible implications that should be thoroughly understood and considered before the PUC makes any decision to alter Xcel's existing obligations. DNR is concerned that the PUC does not have sufficient information on which to base an informed decision on terminating Xcel's PPA with BP. We believe that Xcel's economic analysis doesn't include costs associated with land management and logging and mill operations that are necessary to fully understand the true cost of terminating this PPA.

Losing biomass markets could have significant negative implications for the forest products industry. Specifically, loggers who currently supply the biomass market likely will not retire but will re-enter traditional logging markets. We anticipate this influx of new participants in traditional logging markets will increase competition for wood—i.e., wood buyers will bid up stumpage prices in order to win auctions and keep their equipment working. Increasing stumpage prices will put additional economic pressure on other loggers and mills that are already financially stressed. This would put Minnesota at risk of losing logger capacity. Once that capacity is gone, it is very difficult to replace. Also of significant concern, many of our mills are in tenuous financial situations. As the industry has emphasized in recent meetings with Governor Dayton and Lt. Governor Smith, rising stumpage prices could result in the loss of a mill(s). Minnesota mills are struggling to remain competitive in a global market. Stumpage prices, labor, and energy costs have long been the concerns of industry. It is essential to evaluate and better understand these potential implications for Minnesota's loggers and mills before making a decision that could profoundly disrupt the state's forest industry.

Another concern is that losing biomass markets would make responding to blowdown and insect/disease issues more costly for land managers. Without these biomass markets, land managers would have to pay someone to dispose of damaged and diseased trees, rather than utilize them. Access to biomass markets allows land managers to keep their land management costs within reach.

Xcel's analysis is limited to the cost of power. To the best of our knowledge, the current record does not include analysis or information regarding the economic impacts losing these biomass agreements would have on forest owners, loggers, and mills. Moreover, timber harvest is the primary means by which DNR and other commercial forest owners manage forests for their multiple values. Yet there has been no analysis of how the potential disruptions to timber markets would, in turn, affect forest health and recreation.

Due to this lack of a comprehensive analysis, DNR is concerned that the record before the PUC lacks sufficient information on which to base a decision to terminate or amend Xcel's power purchase agreement with BP. A more robust analysis should consider:

- lost logging and mill infrastructure.
- additional costs associated with managing woody residues at mills.
- lost forest management opportunities including hazardous fuel reduction and forest health sanitation efforts. and
- lost economic opportunities and costs associated with biomass facility closures.

Minnesota's renewable energy policy has worked to support environmental outcomes, foster economic development, and diversify Minnesota's power supply. Woody biomass has contributed to all of these policy goals, fostering infrastructure and energy development over the last decade. Terminating Xcel's agreements with BP would result in a severe decline in the state's production of renewable energy from wood biomass. A full economic analysis, including impacts to the logging, mill, and forest management sectors, is needed prior to a final PUC decision in these dockets.

Sincerely,



Tom Landwehr
Commissioner