



CITY OF
BECKER

12060 Sherburne Ave., P.O. Box 250, Becker, Minnesota 55308-0250
Phone: (763)200-4244 • gpruszinske@ci.becker.mn.us

September 30, 2013

Dr. Burl Haar, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

BY E-MAIL AND U.S. MAIL
PublicComments.PUC@state.mn.us

**RE: In the Matter of Xcel Energy's Life Cycle Management Study for Sherco 1 & 2
MPUC Docket Number: E002/RP-13-368**

Dear Dr. Haar:

The following comments are offered on the above-referenced docket on behalf of the City of Becker, Minnesota (herein the "City"), as host community to Sherco Units 1, 2, and 3.

A. Background

The City of Becker has a population of 4,600 and has hosted the Sherco facility since the construction of Units 1 and 2 in the 1970s. The City's interest in the Sherco facility is substantial: the 4,500-acre site constitutes 62% of the City's geographical footprint. The facility employs 350 permanent and 1,500 temporary workers, many of which reside within the City. The people who work at Sherco are Becker's residents and our neighbors. A dollar spent by an Xcel Energy employee in the City will turn over many times meaning that economic benefits compound from the employment provided by this facility.

In addition, property tax revenues paid by Xcel Energy serve a significant role in the City's finances. **Appendix A** illustrates the City's property tax revenues over the past 5 years. 70 to 77% of these revenues come from Xcel Energy and the Sherco facility. A portion of these revenues are real property taxes; the rest are from personal property taxes paid by the utility on its electric generation equipment. **Appendix B** shows the relative proportion of real and personal property taxes paid by Xcel Energy for the Sherco facility over the past 5 years.

Hosting a baseload electric generation facility has certainly brought benefits to the City of Becker, but it has also brought challenges. This is a coal-fired generation facility, and as such the facility creates its own suite of hazards. For example:

1. The Sherco site takes up 4,500 acres of space that could be used for other, less obtrusive economic development.



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2. Rail lines run through the City, and at least three of the estimated 46 trains coming through the City each day are delivering coal to Sherco.
3. Given the unique features of the plant site and facilities, Becker's Fire and Police Departments have had to become specially trained in areas very atypical for departments in other communities our size. Confined spaces, highly combustible materials, heightened security around the plant perimeter, coal train traffic, and extremely tall structures all cause unusual security, fire, and rescue requirements for our local emergency responders.
4. In the wake of the September 11, 2001 terrorist attacks, electric utilities and their host communities have also experienced a heightened awareness of security needs. We recognize baseload power plants as potential targets for those seeking to disrupt the electrical grid for nefarious purposes.

The City points out these challenges, not to decry the existence of Sherco or facilities of its type, but to make clear to the MPUC and the public that hosting a baseload generation facility creates its own distinct challenges.

With those challenges in mind and after having reviewed the study, the City is of the opinion that it makes better sense in terms of public energy policy for Xcel Energy to keep Sherco Units 1 and 2 in operation, while maintaining and improving upon pollution emission controls. Consider the following:

1. Xcel's report summarizes several different scenarios involving the retirement of Sherco 1 and 2. If the units were retired and replaced on-site with some combination of natural gas and wind resources, the City expects potential changes to the plant's footprint, which would carry cost impacts for the City over and above what is identified in the study. If all or part of the site were de-commissioned completely, the costs to rehabilitate the brownfield site and make it suitable for development would likely run into the tens of millions of dollars.
2. A partial or complete decommissioning of Sherco 1 and 2 would affect jobs. Even if replaced with some combination of natural gas or wind generation, the City does not know whether all or even some of the skill sets involved in operating a coal-fired power plant would transfer to these other technologies. Persons displaced by decommissioning



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might have to retrain for other work at the site, or leave completely. Bearing in mind how a dollar spent in Becker rolls over, an exodus of Xcel workers could have a substantial impact on our community's economic vitality. The results of an economic analysis produced by RIMSII (Regional Input-Output Modeling System), conservatively estimates approximately 430 jobs, in addition to job losses at the Sherco plant, statewide would be affected as a result of the retirement of Sherco Units 1& 2 (Source: RIMSII, United States Bureau of Economic Analysis).

3. For all the criticism of Xcel's continued combustion of coal, it must also be recognized that Xcel has been aggressive in the pursuit of renewable energy technologies, and Xcel has subjected itself to a more stringent renewable energy mandate than that imposed on other Minnesota utilities. Renewable energy technologies – wind, solar, biomass, and the like – continue to refine and mature, and they need room and time to grow. It may very well be that our state and our nation will come to a point where renewables will become “the new baseload.” Until then, however – particularly within the term of the current Integrated Resource Plan (IRP) – it seems prudent to make efficient and economical uses of the resources that already exist, while working to minimize harmful impacts.
4. Retirement of Sherco 1 and 2 and replacement with natural gas and/or wind would likely only change the character of the noise and vibration issues. Other fuel resources will require other infrastructure to support them. Similarly, the MPUC is amply aware of the challenges from noise, shadow flicker, and interference with migratory bird traffic posed by wind turbines in other locations. Replacing Sherco 1 and 2's output entirely with wind turbines would likely require far more turbines than the site could support. While the City supports the development of renewable energy, it must also be recognized that there is no such thing as a “free lunch.”



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B. Comments on Subjects Identified in the MPUC Notice

As to the items specifically requested in the Commission's July 5, 2013 Notice, the City offers the following:

1. Whether Xcel's Sherco Study complies with the requirements set forth by the Commission's November 30, 2012 Order in the resource plan.

With the caveat that the City does not possess the engineering expertise to analyze the study in great detail, based on our general knowledge of the electric utility industry and ongoing air pollution regulatory efforts, the City believes that the Sherco 1 and 2 study complies with the requirements of the MPUC's November 30, 2012 order in Docket Number RP-10-825.

2. Reasonableness of Xcel's Reference Case assumptions used in the Sherco study.

The City is reviewing and taking note of the other comments being submitted on this study. While commentators have criticized the reference case assumptions used for the study – in particular, critiquing Xcel's estimated carbon dioxide cost of \$21.50 per ton, at which retirement and the installation of selective catalytic reduction equipment (SCR) are functionally equivalent options – the City believes this is a reasonable assumption based on continuing regulatory uncertainty in both the environmental and energy services markets.

We are too quick to forget that prior to the recent developments in the Bakken and other shale gas plays, less than a decade ago the public and regulators decried the high cost of natural gas that impacted the ability of residents to heat their homes in the winter. Assuming these gas reserves prove to be as large as predicted, the practice of hydraulic fracturing to access those reserves is itself fraught with controversy. Therefore, regulators and the public alike should be cautious about assuming that natural gas has suddenly become a stable, low-cost fuel source.

Similarly, as Xcel notes in its report, carbon dioxide regulation is coming – but at this point in time, no one is certain what price will be assigned to carbon dioxide emissions or how that price will be used in a regulated energy market. Theories abound and the study cites to a broad range of examples from governmental and academic sources, but a simple change in political leadership might either accelerate or delay the implementation of carbon dioxide reduction strategies. Keeping in mind the Commission's November 30, 2012 order and Xcel's IRP obligations, the City believes Xcel has made a reasonable effort to “predict the unpredictable”



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and has provided a rational set of assumptions upon which future generation investment decisions can be made.

3. Recommendations, within the scope of the Sherco Study, to be addressed in Xcel's 2014 Integrated Resource Plan, which is scheduled to be filed February 1, 2014.

The City's residents and businesses are obviously concerned about the provision of reliable energy from environmentally responsible sources. Taking Xcel at its word that the installation of SCR is the only economical and effective method for addressing pollution from the Sherco units, the City would be interested in seeing the incorporation of this technology as part and parcel of the continuing operation of Sherco 1 and 2 in the coming decades. To the extent more updated information about the probable regulatory cost of carbon dioxide becomes available, these data should be incorporated into the IRP as well.

As the renewable energy market continues to develop and alternative energy technologies continue to mature, there likely will come a time when the retirement of the Sherco 1 and 2 becomes a more viable option. The City does not see this realistically happening within the 15-year "look" of the IRP.

If, however, the MPUC decides to order Xcel to further explore the replacement of the Sherco units on-site with some combination of natural gas and renewables, the City would ask that such analysis also consider impacts on 1) complete or partial site acquisition/divestiture and accompanying redevelopment; 2) additional needed infrastructure to accommodate alternative fuels; and 3) local economic impacts, including jobs and property tax revenues.

4. Whether the February 1, 2014 deadline for Xcel's next resource plan should be modified, given the timeline of Xcel's competitive resource acquisition process.

To the extent a modification of the deadline would better align the IRP timeline to the resource acquisition timeline, and to the extent such alignment would better inform the assumptions and conclusions of the IRP and reduce uncertainty, the City would support an appropriate modification.



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C. Conclusion

Thank you for the opportunity to present the City's comments on this important study. The City encourages all parties to continue to engage in dialogue about long-term energy needs as well as long-term environmental impacts. This discussion must take place while recognizing that baseload resources such as the Sherco units will, for better or for worse, remain necessary to bridge the gap between current energy needs/resources and the energy market of the future.

Any questions regarding these comments may be directed to Greg Pruszinske, City Administrator, at 763-200-4244 or gpruszinske@ci.becker.mn.us.

Thank you,

CITY OF BECKER, MINNESOTA

Jerome Kleis, Mayor

cc: Greg Pruszinske, City Administrator, City of Becker
Becker City Council members
Service List



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Appendix A

City of Becker Tax Levy by Year

Year	Levy
2009	4,656,291
2010	4,608,439
2011	4,750,763
2012	4,709,755
2013	4,787,492



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Appendix B

Relative Proportion of Real and Personal Taxes Paid by Xcel Energy for the Sherco
Plant

Year	Real Property	Personal Property
2009	949,940	2,334,538
2010	957,515	2,342,879
2011	863,855	2,551,943
2012	885,475	2,618,582
2013	932,755	2,758,401