Xcel Energy®

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December 1, 2008

Illona A. Jeffcoat-Sacco
General Counsel
North Dakota Public Service Commission
600 East Boulevard Avenue, Department 408
Bismarck, ND 58505-0480

RE: RESPONSE TO NORTH DAKOTA PUBLIC SERVICE COMMISSION INFORMATION REQUEST NO. 9-1 REGARDING EMISSIONS CONTROL COSTS
(CASE NO. PU-07-776)

Dear Ms. Jeffcoat-Sacco:

Attached is our response to the North Dakota Public Service Commission's above-referenced information request. We have numbered the inquiry as such to follow in sequence previous Commission Staff inquiries received earlier in this case proceeding.

If you have any questions regarding this matter, please contact me at (701) 241-8632.

Sincerely,

David H. Sederquist

DAVID H. SEDERQUIST
SENIOR CONSULTANT, REGULATION AND FINANCE

cc: Michael Diller, Commission Staff

Attachment

☐ **Non Public Document – Contains Trade Secret Data**
☐ **Public Document – Trade Secret Data Excised**
☒ **Public Document**

Xcel Energy			
Case No.:	PU-07-776		
Response To:	North Dakota Public Service Commission	Information Request No.	9-1
Requester:	Illona A. Jeffcoat-Sacco		
Date Received:	November 24, 2008		

Question:

At its most recent working session the Commission discussed the issue of the revenue requirement adjustment proposed by staff for NSP's mercury control program, in the approximate amount of $438,000. The Commission had additional questions not easily answered by the briefs and proposed decisions.

Specifically, the Commission asks the parties to provide additional information regarding the make-up of the adjustment amount, including a more specific and detailed explanation of the pollution control items mentioned in NSP's brief. The Commission also asks for specific information on:

- The portion of the proposed adjustment that relates to mercury control;
- The portion of the proposed adjustment that relates to other, nonmercury, pollution control;
- Whether any (and if so, how much) of the amount related to mercury control is to meet current federal standards;
- Whether any (and if so, how much) of the amount related to other nonmercury pollution control is to meet current federal standards;
- Whether any (and if so, how much) of the amount related to mercury control is to meet current state standards;
- Whether any (and if so, how much) of the amount related to other nonmercury pollution control is to meet current state standards;
- Whether any (and if so, how much) of the amount related to mercury control is to meet expected future federal or state standards;
- Whether any (and if so, how much) of the amount related to other nonmercury pollution control is to meet expected future federal or state standards.

Response:

Additional information on each item requested by the Commission is provided below:

- **The portion of the proposed adjustment that relates to mercury control:**

  $12,335 was used for monitoring mercury emissions to meet Minnesota requirements.[1, 2, 3] Approximately $1,000 in engineering work was budgeted for mercury control work for Sherco Unit 3 and the King Plant.[1, 2, 3]

- **The portion of the proposed adjustment that relates to other, nonmercury, pollution control:**

  Approximately $225,000 was budgeted for chemical sorbents or reagents at the King Plant for removing sulfur dioxide ("SO_2") and reducing oxides of nitrogen (NOx).[1, 2, 3] These sorbents and reagents are used in the SO_2 scrubber and the NOx control device to actively reduce emissions in order to comply with existing air emission permit limits.

  Approximately $200,000 was budgeted for oxidizing nitrogen equipment at the Sherco Plant (Units 1 and 2).[1, 2, 3] This equipment is used to reduce emissions of oxides of nitrogen ("NOx") at the point of combustion, which is generally much less costly that controlling emissions at the exhaust end of the boiler.

- **Whether any (and if so, how much) of the amount related to mercury control is to meet current federal standards:**

  The $12,335 and $1,000 expenditures were made to comply with Federal requirements as well as state requirements.

  Northern States Power Company, a Minnesota corporation ("NSPM") spent the monitoring and engineering dollars listed above ($12,335 and $1,000, respectively) in preparation for compliance with three different requirements: (1) the U.S. Environmental Protection Agency's ("EPA") Clean Air Mercury Rule ("CAMR"); (2) the Minnesota Mercury Emission Reduction Act of 2006 ("MMERA"); and (3) a potential Federal Maximum Achievable Control Technology ("MACT") standard for mercury.

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[1] Xcel Energy Initial Brief at 23-24.
[2] Xcel Energy Reply Brief at 12-13.
[3] Xcel Energy's Proposed Findings of Fact, Conclusions and Order at 19-20.

On February 8, 2008, the U.S. Court of Appeals for the D.C. Circuit vacated the CAMR. On October 17, 2008, the EPA filed a petition with the U.S. Supreme Court requesting review of the D.C. Circuit's decision in *New Jersey v. EPA* vacating the CAMR and the EPA's rule delisting coal- and oil-fired electric generating units ("EGUs") from regulation under § 112 of the Clean Air Act (the "Delisting Rule"). As such, CAMR is still technically on the books requiring affected sources to make provisions to comply with the Delisting Rule's requirements. As discussed in the Company's Rebuttal Testimony and post-hearing briefs, the same emission control technology will be used to comply with any of these Federal or state requirements.

The only difference between the Minnesota mercury monitoring requirements and those contained in the EPA's CAMR is the timing. The Minnesota rules required continuous mercury monitoring to begin by July 1, 2007, while CAMR required continuous mercury monitoring to begin by January 1, 2009.

- **Whether any (and if so how much) of the amount related to other nonmercury pollution control is to meet current federal standards:**

The previously mentioned $250,000 in chemical sorbents or reagents used at the King Plant for removing SO_2 and reducing NOx emissions are needed to comply with existing air emission permit limits. This is a Federal Title V air emission permit, which makes compliance a Federal requirement.

The $200,000 spent to install equipment to reduce emissions of NOx at the point of combustion serves the need to comply with both the Federal Clean Air Interstate Rule ("CAIR") program and the Federal Best Available Retrofit Technology ("BART") requirements. On July 11, 2008, the U.S. Court of Appeals for the D.C. Circuit vacated the CAIR. On October 21, 2008, the U.S. Court of Appeals for the D.C. Circuit issued an order indicating it is reconsidering the vacatur of CAIR. As the rule is still being litigated, CAIR is still technically on the books requiring affected sources to make provisions to comply with the rule requirements.

In addition, the Minnesota Pollution Control Agency ("MPCA") had originally planned on implementing Federal BART requirements for addressing regional haze impacts through the use of the CAIR. Since the vacatur of CAIR, the MPCA has been developing its state implementation plan ("SIP") to implement Federal BART requirements through individual BART analyses for BART-eligible facilities. Sherco Units 1 and 2 are BART-

eligible units. The BART analysis for these units determined that BART for these units for NOx consisted of combustion controls to reduce emissions of NOx using the same technologies that were installed for CAIR compliance.

- **Whether any (and if so, how much) of the amount related to mercury control is to meet current state standards:**

  As discussed above, the same mercury emission control technology will be used to comply with any of these Federal or state requirements.

- **Whether any (and if so, how much) of the amount related to other nonmercury pollution control is to meet current state standards:**

  As discussed above, all of the $225,000 and the $200,000 budgeted for non-mercury emissions control will be used to comply with current Federal requirements.

- **Whether any (and if so, how much) of the amount related to mercury control is to meet expected future federal or state standards:**

  The same mercury emission control and continuous monitoring technology will be used to comply with existing Federal and state requirements as well as any expected future Federal or state requirements.

- **Whether any (and if so, how much) of the amount related to other nonmercury pollution control is to meet expected future federal or state standards:**

  All of the $225,000 and the $200,000 budgeted for non-mercury emissions control will be used to comply with both current and expected Federal requirements.

Witness:	Richard A. Rosvold
Preparer:	Richard A. Rosvold
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Department:	Environmental Services
Telephone:	(612) 330-7879
Date:	December 1, 2008