

Fahn, Patrick J.

From: Shea, Bria E [bria.e.shea@xcelenergy.com]
Sent: Friday, December 19, 2008 9:16 AM
To: Diller, Michael R.
Cc: Fahn, Patrick J.; Bahr, Douglas A.
Subject: Amendment to Settlement Agreement Case No. PU-07-776
Attachments: Amendment to Settlement Agreement 12-19-08.pdf

Mike,

Attached is the Amendment to the Settlement Agreement for Case No. PU-07-776.
Regards,

Bria E. Shea
Case Specialist
Government and Regulatory Affairs
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401
612-330-6064

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109 **PU-07-776** Filed: 12/19/2008 Pages: 15
Amendment to the Settlement Agreement - Partially Executed



VIA ELECTRONIC FILING AND U.S. MAIL

December 19, 2008

Darrell Nitschke
Executive Secretary and Director of Administration
North Dakota Public Service Commission
State Capitol
600 East Boulevard
Bismarck, ND 58505-0480

Re: IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER
COMPANY, A MINNESOTA CORPORATION, FOR AUTHORITY TO
INCREASE RATES FOR ELECTRIC SERVICE IN NORTH DAKOTA
Case No. PU-07-776

Dear Mr. Nitschke:

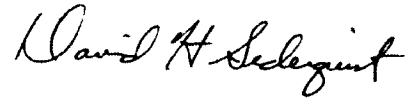
Attached is an Amendment to the Settlement Agreement (the "Amendment") dated December 17, 2008 between Northern States Power Company, a Minnesota corporation operating in North Dakota ("Xcel Energy" or the "Company") and the Advocacy Staff of the North Dakota Public Service Commission (collectively, the "Parties") in the above referenced matter.

The Amendment reflects further negotiations between the Parties after the most recent work session in this matter held by the North Dakota Public Service Commission (the "Commission") on December 17, 2008. The Parties believe that the Settlement Agreement, as updated by this Amendment, reflects a balanced approach toward resolving the contested issues in this proceeding, and is also responsive to comments made by the Commission in the recent work session.

The Parties respectfully request the Commission to approve the December 17, 2008 Settlement Agreement, as updated by the attached Amendment and are available to provide any additional information the Commission may require.

Please contact us with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "David H. Sederquist".

David Sederquist	Michael Diller
Sr. Regulatory Consultant	Director, Economic Regulation

Encls.

cc: Service List

**AMENDMENT TO SETTLEMENT AGREEMENT
DECEMBER 19, 2008
CASE NO. PU-07-776**

Based on further negotiations occurring after the North Dakota Public Service Commission's December 17, 2008 working session, the Parties agree to amend the Settlement Agreement dated December 17, 2008 in the above-referenced proceeding (the "Settlement Agreement") to incorporate the following provisions. Except where changes are outlined in this Amendment, the original language of the Settlement Agreement remains valid.

A. Prairie Island Depreciable Life

The Company has sought the necessary approvals for life extension and spent fuel storage from the Nuclear Regulatory Commission (NRC) and the Minnesota Public Utilities Commission (MPUC) for the Prairie Island nuclear generating plan, but those petitions are pending. Final approvals from the NRC and MPUC are not expected prior to 2010. These facts were reflected in Section E of the Settlement Agreement, page 11, where the Parties agreed to reduce the revenue increase resulting from this rate case by \$2,162,000 thirty days after final approval of the life extension and fuel storage.

The Parties now agree to determine final rates using a remaining life for the Prairie Island nuclear generating plant that assumes approval of the requested life extension for this facility. This adjustment results in a \$2,162,000 decrease to the test year revenue requirement contained in the Settlement Agreement.

In recognition of the possibility that life extension and fuel storage may not be obtained, the Parties agree that the Company will track the rate benefit provided by this provision of the Amendment. The rate benefit being tracked is the revenue requirement difference due to depreciation recognized using the longer remaining life versus the depreciation calculated using the current license life. In the event the needed regulatory approvals for life extension and fuel storage are not received, the amount in the tracker account shall become a regulatory asset, with an appropriate offset to accumulated depreciation, that will be recoverable from customers in a manner to be determined by the Commission in the Company's next electric rate case. In addition, within 60 days of the determination that life extension or the necessary additional fuel storage has been denied, the Company shall file a petition with the Commission to adjust North Dakota rates to recover the remaining investment in the Prairie Island nuclear generating plant over the remaining life as determined by the operating license.

The Parties also agree that in no event is this provision of the Amendment intended to limit or deny the Company the opportunity to recover all prudent costs associated with the Prairie Island nuclear generating plant. Instead, this provision is intended to respond to the Commission's expectation that life extension for this plant will be approved and its expressed desire to provide the benefits of such extension at this time.

The Parties agree that this provision replaces the language contained in Bullet 4 of Section E on page 11 of the Settlement Agreement. Moreover, the Parties intend that this provision eliminate the phased in revenue requirements provided for in Section E and replace it with the revenue requirements provided by this Amendment.

B. Nuclear Decommissioning Escrow Account

The Parties recognize that the life extension has already been approved for the Monticello nuclear generating plant and that this fact eliminates the need for continued accruals to the existing escrow account, as reflected in the revenue requirement in this rate case. The Parties also agree to return, effective beginning March 1, 2009 and completed by the end of 2010, the amounts that North Dakota customers contributed to the decommissioning escrow account for the Monticello plant. This provision of the Amendment reduces both the revenue deficiency for final rates and the Settlement Agreement amount by \$212,000. Because this provision applies only to final rates (effective after March 1, 2009), it results in no change to the interim rate refund in this proceeding.

C. Amortization of Nuclear Refueling Expenses

In light of the additional customer benefits provided for in Sections A and B of this Amendment, the Parties agree to modify the recovery of nuclear refueling expenses previously addressed in Section H, page 13 of the Settlement Agreement. This provision of the Amendment replaces all of Section H.

Specifically, the Parties agree that the revenue requirement will reflect the test year amount of \$2,492,407, which approximates the levelized annual amortization after refueling outages have occurred for all three of the nuclear units at Prairie Island and Monticello nuclear generating plants. This provision results in no change to the revenue requirement initially filed in the rate case,

but increases by \$318,000 the overall rate increase contained in the Settlement Agreement. The Parties provide with this Amendment a revised Attachment D showing these costs, which is intended to replace the Attachment D previously provided in the Settlement Agreement in its entirety.

D. Wholesale Margins

In light of the additional customer benefits provided for in Sections A and B of this Amendment, the Parties agree to modify the recovery of asset-based wholesale margins outlined in Section G on page 12 of the Settlement Agreement to reflect an 85/15 sharing mechanism between customers and the Company, instead of paying 100% of asset based margins to North Dakota customers. In addition, by sharing the gains on asset-based sales, the Parties recognize that the Company is incented to maximize the benefit from these sales.

Given that the Company had proposed this sharing arrangement in its original rate application, this adjustment has no impact on the test year revenue requirement, however, the overall revenue increase contained in the Settlement Agreement increases by \$318,000. All other aspects of Section G of the Settlement Agreement are unaffected by this Amendment.

E. Private Fuel Storage

The Parties clarify in this Amendment that the rate increase contained in the Settlement Agreement provides for recovery of the Company's costs associated with Private Fuel Storage. The Parties agree that the Company's effort in

securing such a facility was prudent and appropriate in light of delays in the development of a Federal repository for spent nuclear fuel. This clarification of the Settlement Agreement results in no change in the Company's proposed test year revenue requirement.

F. Revenue Requirement

The terms of the Settlement Agreement as modified by this Amendment result in an overall revenue increase of \$10,855,000, or 7.4 percent, as shown in Table 1 below:

Table 1

	Base Rates	Fuel Clause	Net Change in Revenues
Settlement Agreement (Dec. 17)	\$14,841,000	(\$2,248,000)	\$12,593,000
•PI Depreciation	(\$2,162,000)	\$0	(\$2,162,000)
•Monticello Escrow Refund	(\$212,000)	\$0	(\$212,000)
•Asset Based Margin Sharing	\$0	\$318,000	\$318,000
•Nuclear Refueling Amortization	\$318,000	\$0	\$318,000
Amended Settlement (Dec. 19)	\$12,785,000	(\$1,930,000)	\$10,855,000

The Parties provide with this Amendment a revised Attachment B to reflect this revenue requirement and provide a summary of adjustments provided for by the Settlement Agreement and Amendment. This revised Attachment is intended to replace in its entirety the Attachment B previously provided in the Settlement Agreement.

G. Interim Rate Refund

This Amendment does not change the terms of the Settlement Agreement, page 16, that address the timing of interim rate refunds.

Based on the revenue requirement provided for by the Settlement Agreement, as updated by this Amendment, the Parties estimate that customers will receive an interim rate refund amounting to approximately \$6,328,000. The Parties provide a revised Attachment C with this Amendment that provides the calculation of this estimate. This revised Attachment is intended to replace in its entirety the Attachment C previously provided in the Settlement Agreement.

H. Rate Design

This Amendment does not change the terms of the Settlement Agreement, page 15, that discuss the apportionment of the approved rate increase.

However, the Parties provide a revised Attachment E with the Amendment, which details how the updated rate increase will be apportioned and shows the updated rate design. This revised Attachment is intended to replace in its entirety Attachment E previously provided in the Settlement Agreement.

I. Advanced Determination of Prudence

The Parties note that the discussion of Section B of the Settlement Agreement contained an inadvertent error, which they correct in this Amendment.

Specifically, in Section B, page 6, the second bullet should be amended as follows:

2. The capacity of the generation facility or purchase is at least 50 MW; and/or the length of the transmission facility is at least 50 miles long ~~and larger lines that are at least 1500 feet long; and all 100kV or larger lines that are at least 10 miles long.~~

J. Other Terms

The Parties agree that all other terms of the Settlement Agreement remain in effect and are unchanged by this Amendment.

Dated this 19th day of December 2008.

Northern States Power Company,
A Minnesota corporation



By: _____
Judy M. Poferl
Regional Vice President

Dated this ____ day of _____ 2008.

Northern Dakota Public Service Commission Staff

By: _____
Doug Bahr
Counsel to the Commission

Northern States Power Company, a Minnesota corporation
 Electric Utility- State of North Dakota
 2008 Summary of Settlement Agreement Impacts

	Base Rates	Fuel Rates	Total Revenue	
1 12/7/07 Rate Application	\$20,535	(\$2,371) [1]	\$18,164	
2 Stipulate to ROE of 10.75%	(\$1,562)	\$0	(\$1,562)	
3 Depr - life adj. - Prairie Island*	(\$2,162)	\$0	(\$2,162)	
4 Depr - life adj. - Steam & Other Production	(\$1,362)	\$0	(\$1,362)	
5 Depr - T&D reserve recalibration	(\$1,180)	\$0	(\$1,180)	
6 Depr - Net PV method for removal in T&D	(\$437)	\$0	(\$437)	
5 King, High Bridge, Gr Meadow Generation	\$0	\$0	\$0	
7 Monti Decommissioning escrow refund amort	(\$212)	\$0	(\$212)	
5 Levelized nuclear fuel reload amortization	\$0	\$0	\$0	
5 Amortization of private nuclear fuel storage	\$0	\$0	\$0	
8 Disallow Renewable Development Fund	(\$170)	\$0	(\$170)	
9 Add'l 35% of non-asset margins to cust (50/50 shar	\$0	(\$91)	(\$91)	
10 Disallow all charitable contributions	(\$86)	\$0	(\$86)	
11 Decrease Incentive comp cap from 25% to 15%	(\$35)	\$0	(\$35)	
12 Disallow mercury emissions costs	(\$12)	\$0	(\$12)	
13 Recover MISO 16/17 costs in fuel rates	(\$532)	\$532	\$0	
14 Settlement Outcome (implemented 3/1/09)	\$12,785	(\$1,930)	\$10,855	7.4%

Notes:[1] Fuel Clause Impact of 12/7/07 Application

Pass 85% Asset-Based margins to customers	(\$1,800)
Pass 15% Non-Asset Based margins to cust.	(\$39)
Move MISO 16/17 costs to Base Rates	(\$532)
	(\$2,371)

Northern States Power Company, a Minnesota corporation
Electric Utility- State of North Dakota
Calculation of 2008 Test Year Annualized Refund
Dollars in 000's

	<u>Amount</u>
Interim Revenue Increase (annual)	\$17,183
Amended Settlement Agreement Increase	<u>\$10,855</u>
Estimated refund [1]	\$6,328

Notes:

[1] This refund amount is an estimate based on a 12 month interim rate period. Assuming final rates are implemented on March 1, 2009, the refund will include a 13 month period and will include interest.

Northern States Power Company, a Minnesota corporation
 Electric Utility - State of North Dakota
 Amortization of Nuclear Fuel Outage Costs

	<u>NSPM Co.</u>	<u>North Dakota Jurisdiction</u>
2008 Actual Outage Expense	\$50,759,000	\$2,492,407 *
2008 Amortization	\$16,535,421	\$811,935
2009 Actual Outage Expense	\$58,821,000	\$2,888,274
2009 Amortization	\$44,282,980	\$2,174,417
2010 Actual Outage Expense	\$35,000,000	\$1,718,597
2010 Amortization	\$52,307,202	\$2,568,428

* Test year and amended settlement level

Notes:

2008 amortization reflects 10 months of PI 1 and 3 months of PI 2.

2010 amortization reflects 12 months at all three units.

There are 2 fuel reloading outages (PI1 and PI2) scheduled to occur in 2008; 2 reloading outages (Monti and PI1) are scheduled in 2009, and 1 outage (PI2) is scheduled in 2010.

Northern States Power Company, a Minnesota corporation

Electric Utility - State of North Dakota

Settlement Base Rate Revenue Apportionment

Dollars in 000's

<u>Original Application</u>	<u>Residential</u>	<u>Non-Dem</u>	<u>Demand</u>	<u>Street Ltg</u>	<u>Total</u>
Present revenues	\$57,723	\$10,436	\$77,139	\$1,881	\$147,179
Proposed revenues	<u>\$66,006</u>	<u>\$11,997</u>	<u>\$87,830</u>	<u>\$1,881</u>	<u>\$167,714</u>
Base rate deficiency	\$8,283	\$1,561	\$10,691	\$0	\$20,535
Percent change	14.3%	15.0%	13.9%	0.0%	14.0%
<u>March 1, 2009 Increase</u>					
Base rate increase	\$5,157	\$972	\$6,656	\$0	\$12,785 [1]
Percent change	8.9%	9.3%	8.6%	0.0%	8.7%

Notes:

[1] Revenue impacts do not include credits for wholesale margins, which will be passed directly to customers through the Fuel Clause.