



December 10, 2012

VIA ELECTRONIC AND U.S. MAIL

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, Dept 408
Bismarck, ND 58505-0480

RE: SETTLEMENT AGREEMENT COMPLIANCE FILING
CASE NO. PU-07-776

Dear Mr. Nitschke:

Consistent with provisions of the Settlement Agreement approved by the North Dakota Public Service Commission (Commission) in its *Order Adopting Settlement* dated December 31, 2008 in Case No. PU-07-776, Northern States Power Company provides the following information to the Commission:

- Attachment A: A letter sent on October 29, 2012 by the Company to the Minnesota Public Utilities Commission (MPUC) responding to a request for recommendations regarding the process, schedule, and order points in the 2010 Minnesota Resource Plan docket, the Prairie Island Extended Power Uprate Certificate of Need docket, and the Black Dog Certificate Of Need docket;
- Attachment B: The November 30, 2012 MPUC Order in the 2010 Resource Plan establishing procedural schedules and filing requirements.

Please contact me at (701) 241-8632, if you have any questions regarding this submission.

Sincerely,

A handwritten signature in blue ink that reads 'David H. Sederquist'.

DAVID SEDERQUIST
SR. REGULATORY CONSULTANT

Enclosures



414 Nicollet Mall
Minneapolis, MN 55401

October 29, 2012

—Via Electronic Filing—

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

RE: SUPPLEMENTAL FILING – RESOURCE PLAN AND RELATED DOCKETS
DOCKET NOS. RP-10-825; E002/E002/CN-08-509; E002/CN-11-184

Dear Dr. Haar:

At the October 25, 2012 agenda meeting, during discussion of Xcel Energy's Upper Midwest Resource Plan and related dockets, the Commission requested parties file recommended process and schedule proposals as well as written Order Point recommendations. Enclosed for filing is Xcel Energy's written response to the Commission's request.

Attachment A is our view of the Competitive Acquisition process steps that could be undertaken to meet the generation need identified in this resource planning process as well as suggested timelines and actions in the various dockets. We have attempted to facilitate the desire for additional modeling and comment timelines but still allow conclusion to the pending dockets such that a competitive process could be launched in March 2013. These timeline suggestions are an attempt to allow an exchange of comments and facilitate further action by the Commission. We appreciate the opportunity to provide these suggestions and hope that they are helpful to the Commission as it decides how best to proceed in these matters.

Attachment B presents our Order Point recommendations.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list for these dockets.

Please contact me at Christopher.B.Clark@xcelenergy.com or 612-215-4593 or Jim Alders at James.R.Alders@xcelenergy.com or 612-330-6732 if you have any questions regarding this filing.

Sincerely,

/s/

CHRISTOPHER B. CLARK
MANAGING DIRECTOR
REGULATORY AFFAIRS

Enclosures
c: Service Lists

Attachment A: Timelines for Resolution of Pending Dockets:

Following the discussion at the October 25 Commission Agenda hearing we believe these suggestions may be helpful to the Commission's consideration of next steps.

In general we propose that an additional round of comments be allowed as follows:

December 18, 2012	Comments on the RP and PI EPU
January 16, 2013	Reply comments on the RP and PI EPU
Mid to Late February, 2013	Commission action on: RP, PI EPU and Competitive Acquisition dockets
March 18, 2013	Xcel Energy, Calpine and other competitors file resource proposals to meet identified need
April, 2013	Competitive process
September-October, 2013	ALJ Report
October-November, 2013	Commission decision on Competitive Process

I. Generation Competitive Acquisition Process Suggested Timeline and Actions:

At the November 1 hearing, the Commission can determine whether to convert the Black Dog docket into the Competitive Acquisition Process or close the Black Dog docket and open a new docket for the Competitive Acquisition Process.

At the November 1 hearing, the Commission could either identify the base range of need expected for the proposals to be acquired through a competitive process, subject to refinement following the comments of parties, or simply defer the decision to a later Commission hearing expected in February 2013. Identifying a base range would allow notice to all interested bidders. Simply deferring the decision would allow a more complete development of the record, including the additional modeling the Department indicated its undertaking.

If the Commission elects to identify a base range of need, the Commission could:

- Specify the range of new generation to be acquired through competitive acquisition (size). Xcel Energy recommends the Commission identify the 400-600 MW range, but put parties and interested developers on notice that further examination of the potential impact of the 117 MW, PI EPU (Step 2) may result in changes or clarifications in size and type.
- Specify the timeframe of the generation need (timing). Xcel Energy recommends 2017-2019.
- Identify a need for natural gas fueled generation and indicate that the Commission may further refine the type of generation in February 2013 following the comment period.
- Order Xcel Energy and any power producers wishing to offer competing proposals for part or all of the generation need to file their proposals by March 18, 2013.

The remainder of the Competitive Acquisition Process could proceed with the following schedule:

March/April 2013 Completeness

Commission reviews proposals for completeness and refers matter to the Office of Administrative Hearings for a contested case proceeding.

3rd Quarter 2013 Contested Case Proceeding

An Administrative Law Judge conducts a contested case proceeding to develop a full record to select the most appropriate proposal or combination of proposals to meet the Commission's Resource Plan Order. Ask the parties to facilitate a process to enable the ALJ report to be filed in September of 2013.

4th Quarter 2013 Commission Decision

The Commission makes its generation selections in early 4th quarter 2013.

1st Quarter 2014 Power Purchase Agreement Approvals

The Commission approves any power purchase contracts resulting from the competitive acquisition process late in the first quarter of 2014.

II. PI EPU E002/CN-08-509 Suggested Timeline and Actions

Allow additional comments on Xcel Energy's update filing. This schedule could also use the initial comments due December 18 and reply comments due January 16. These comments could address all issues raised in the PI EPU docket. To the extent parties believe there is or is not a need for a contested case, they could make those arguments as well. The Commission could then make a decision on how to proceed in the PI EPU docket at an expected agenda meeting hearing in mid-February.

III. Resource Plan Docket Suggested Timeline and Actions

At its November 1 hearing, the Commission could take action on items not related to the competitive acquisition process and the PI EPU decision. For instance, it could order the study of Sherco 1 and 2 options and address the retirement of Black Dog Units 3 & 4. This would reduce the number of options open for later decision and allow parties interested in those outcomes to focus their attention on the appropriate next steps.

The resource plan options related to the competitive acquisition process and the PI EPU could be addressed following the additional comment periods provided above.

Resource Plan E002/RP-10-825

The Decision Point options from the Staff's briefing papers are reproduced in the boxes below with the Company's recommendations below each set.

Resource Plan Approval

1. Approve Xcel Energy's 2011-2025 resource plan. This finding of approval does not extend to particular generation projects that are currently under review in other proceedings or will be subject to review under future proceedings, but is a general finding that the plans filed by Xcel appear to be reasonable.
 - a. Coordinate with the Department to resolve forecasting issues prior to the submission of any certificate of need or rate case filing (*DOC recommendation*);
2. Accept Xcel Energy's 2011-2025 resource plan, noting that, given the record presented to the Commission at present, Xcel's proposed five-year action plan does not sufficiently address the Company's potential resource need
3. Reject Xcel Energy's 2011-2025 resource plan.

Xcel Energy Recommends:

Decision point 1 be adopted without a. If desired, the Commission could indicate that for purposes of this Resource Plan, the Company's energy forecast and demand forecast filed in the Company's December Resource Plan update is accepted with the demand adjustments proposed by Department of Commerce.

The Commission could also:

Determine that Xcel Energy's 5 year action plan shall consist of the following:

- The Company's full participation in the competitive acquisition process specified in Decision Point 6.
- Pursuit of demand side management and conservation improvements in 2013, 2014 and 2015 as provided in the Department of Commerce CIP decision.
- Reevaluate acquisition plans for wind power as provided in Decision Point 18.
- Take steps to retire Black Dog Units 3 & 4 by 2015.
- Undertake and report on a study as provided in Order Point 13 to examine the future of Sherco 1 & 2 and alternatives to continuing to operate the units.

Xcel Energy recommends decision points 2 and 3 not be adopted.

Compliance Filings

4. Find that Xcel's rate impact analysis provided in the Company's resource plan and reply comments are insufficient, and require Xcel to file an updated rate impact analysis as soon as practicable (*XLI, Chamber recommendation*)
5. Require Xcel to file a "fuel acquisition and risk management plan" as soon as practicable (*Chamber recommendation*)

Xcel Energy Recommends:

Decision point 4 not be adopted.

Point 5 be adopted with a filing date of July 1, 2013.

Natural Gas Procurement / Black Dog 3 and 4

6. Require Xcel to procure 400 to 600 MW of natural gas capacity in the 2017 to 2019 timeframe;
 - a. Make a finding that at least half of the natural gas capacity should be combined cycle (*DOC recommendation*)
7. Require Xcel to issue a Request for Proposals for a 20-year fixed price gas contract (*Chamber recommendation*)
8. Find that operating Black Dog Units 3 and 4 in their existing form is not least cost beyond 2015 (*Xcel recommendation*)

Xcel Energy Recommends:

The Commission put parties on notice in its Order that it expects Xcel to procure at least 400 to 600 MW of natural gas capacity in the 2017 to 2019 timeframe and further put parties on notice that the Commission will take additional action on the size and type following the additional comments being ordered. Indicate that the total amount of new generation may consist of one proposal or a combination of proposals.

Decision point 7 not be adopted

Decision point 8 be adopted

Prairie Island Uprate

9. Require Xcel to continue to pursue the uprate at Prairie Island (*DOC recommendation*);
10. Take no action on the Prairie Island uprate within the resource plan proceeding, and adopt and incorporate the Commission actions in Docket No. E-002/CN-08-509 into Xcel's next resource plan.

Xcel Energy Recommends:

Decision point 9 not be adopted.

Decision point 10 be adopted. We suggest the Commission take additional comment on the PI EPU as outlined in our attachment A.

Solar*Rewards

11. Require Xcel to work with stakeholders to modify or replace the Solar*Rewards program with a plan that will ensure continued and increasing levels of investment in solar (*Environmental Intervenors recommendation*)
12. Order Xcel to maintain the current Solar*Rewards program while it works with stakeholders to develop a replacement plan (*Environmental Intervenors recommendation*)
 - a. Order Xcel to file the replacement plan in its next IRP

Xcel Energy Recommends:

Decision points 11 and 12 not be adopted. Instead, we recommend Point 20 be amended as recommended below.

Baseload Diversification Study / Life Cycle Management Study

13. Require Xcel to submit a baseload diversification study by July 1, 2013, as part of the Company's next resource plan, that examines the feasibility and cost-effectiveness of:
 - a. continuing to operate Sherco Units 1 and 2 (*Els recommendation*); and/or
 - b. retrofitting, retiring, or continuing to operate Black Dog 3 and 4 (*MCC recommendation*)

Xcel Energy Recommends:

Decision point 13a be modified slightly to reflect our recommendation for the timing of our next resource plan.

13. Require Xcel Energy to submit a baseload diversification study update by July 1, 2013, ~~as part of the Company's next resource plan~~, that examines the feasibility and cost effectiveness of:
 - a. continuing to operate Sherco Units 1 and 2.

We do not support item b. See Order Point 8 recommendation.

Requirements for Next Resource Plan

14. Require Xcel to file its next resource plan by July 1, 2013; or
 - a. Some other date; and
 - b. If Xcel's resource plan deadline is later than July 1, 2013, Xcel is required to file an update of specifically how the Company expects to meet any projected capacity deficits in 2015-2016. This update is to be filed no later than July 1, 2013.
15. Continue to work with interested parties to identify useful measures of rate impacts associated with the Company's resource plans and incorporate them into the next resource plan filing (*Xcel recommendation*);
16. Require Xcel to include some value of CO₂ which is within the Commission-approved range in the base case for planning purposes

Xcel Energy Recommends:

Decision point 14a be adopted. We recommend our next Resource Plan be filed March 1, 2014 so that the outcomes of the competitive acquisition process can be incorporated.

Decision point 15 be adopted.

Decision point 16 not be adopted. We request flexibility to incorporate carbon analysis in our plan to fully inform resource planning decisions while also meeting the planning requirements of other jurisdictions.

17. Require Xcel to include higher levels of demand response capability in its next resource plan (*Environmental Intervenors, Chamber recommendation*)
18. Require Xcel to reassess acquiring new wind generation for the 2015 to 2016 timeframe, and incorporate a wind assessment in the next resource plan (Xcel recommendation);
19. Require Xcel to include a comprehensive section of all EPA rules which may affect the Company's operations in the next resource plan.
20. Require Xcel to include higher levels of distributed generation, particularly combined heat and power, in its next resource plan (*Chamber recommendation*)

Xcel Energy Recommends:

Point 18 and 19 be adopted and Points 17 and 20 be adopted with modifications below.

17. Require Xcel Energy to ~~include~~ evaluate higher levels of demand response in its next resource plan

20. Require Xcel Energy to ~~include~~ evaluate higher levels of distributed generation, solar power goals and incentives, and ~~particularly~~ combined heat and power applications, in its next resource plan.

Northern States Power Company

Attachment B

Resource Plan and Related Dockets

Order Point Recommendations

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Xcel Energy proposal

October 29, 2012

Prairie Island EPU E002/CN-08-509**A. Project Recertification**

- 1. Determine that the changes in size and timing of the Project could have changed the Commission's initial decision to grant the Certificate of Need.**
- 2. Determine that the changes in size and timing of the Project could not have changed the Commission's initial decision to grant the Certificate of Need, and reaffirm that the uprate program remains in the public interest.**
- 3. Take some other action deemed appropriate.**

B. Hearing Format and Charge

- 1. Refer the Petition to the Office of Administrative Hearings for further record development.**
- 2. Direct the Petitioner to undertake an informational conference that provides an opportunity for parties to examine the Petition in greater detail.**
- 3. Take some other action deemed more appropriate.**
- 4. Take no action.**

Xcel Energy Recommends:

Decision point A3 be adopted.

Point B3 be adopted to provide for 60 days for further comments due December 18, 2012 from interested parties and reply comments due January 16 on the public interest question whether the project should proceed.

After further exchange of comments, the Commission can then decide whether a contested case is warranted, further record development without a contested case is necessary, or the matter is ready to decide.

Northern States Power Company

Attachment B

Resource Plan and Related Dockets

Order Point Recommendations

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Xcel Energy proposal

October 29, 2012

Black Dog Request to Withdraw Application E002/CN-11-184**1. What action should the Commission take regarding the Black Dog Certificate of Need Docket?**

- a. Revise the scope of the proceeding to include the generic natural gas capacity need determined in the Resource Plan Docket.
- b. Close the Black Dog Docket.
- c. Take some other action.

Xcel Energy Recommends:

1a or 1b be adopted. In either case, a competitive acquisition process as specified in previous Commission orders should begin.

2. Should the Commission require Xcel to enter into a Power Purchase Agreement with Calpine for the Mankato Energy Center Expansion in the Black Dog Certificate of Need Docket?

- a. Require Xcel enter into a PPA with Calpine for the Mankato Energy Center.
- b. Take no action.

Xcel Energy Recommends:

2b be adopted.

3. If the Commission determines a need for 400-600MW of natural gas capacity between 2017 and 2019, should the Commission allow for revised bids in the Black Dog CN Docket?

- a. Allow revised proposals.
- b. Require that Xcel and Calpine submit their original proposals, only allowing updates to cost or other project-specific information to reflect current market conditions but not allow substantial revisions.
- c. Take some other action.

Xcel Energy Recommends:

3a. be adopted whether in the 11-184 docket or a new docket.

4. Should the Commission allow additional competitive bids?

- a. Allow outside competitive bids in the Black Dog Resource Acquisition Process.
- b. Allow outside competitive bids in the Black Dog Resource Acquisition Process and require bids be submitted within the same time periods allotted to Xcel and Calpine.
- c. Do not allow competitive bids in the Black Dog Resource Acquisition Process.
- d. Take some other action.

Xcel Energy Recommends:

4b be adopted whether in the 11-184 docket or a new docket

5. How should the Commission manage the specific Resource Type Allocation?

- a. Require Xcel to file a filing within 30-days of the Resource Plan Order the specific amounts of CC and CT it intends to acquire and the proposed Commercial Operation date for these resources.
- b. Take no action in this docket and require parties to submit proposals based upon the decision made in the Resource Plan Docket (and subsequent Xcel filing) that will determine the optimal mix of CT and CC resources and the proposed Commercial Operation dates for those resources.

Xcel Energy Recommends:

Point 5 not be adopted. We believe the resource need should be specified as recommended in the Resource Plan docket and proposals to meet part or all of the need filed with the Commission all at the same time (March 18, 2013) with content specified in the Commission's previous competitive acquisition orders.

6. Should the Commission impose timing requirements for the submission of revised proposals?

- a. Allow 90 days from the date of the Resource Plan Order to submit revised proposals in the Black Dog Docket.
- b. Require proposals to be submitted to meet Xcel's resource needs, 30 days from the date at which Xcel specified its exact resource needs.
- c. Require proposals to be submitted to meet Xcel's resource needs, 30 days from the date at which the Commission issues an order regarding Xcel's exact resource needs.
- d. Take some other action.

Xcel Energy Recommends:

Point 6a be adopted as modified such that all proposals be filed March 18, 2013, as outlined in our competitive acquisition process proposal Attachment A.

Northern States Power Company

Attachment B

Resource Plan and Related Dockets

Order Point Recommendations

Page 9 of 10

Xcel Energy proposal

October 29, 2012

7. Should the Commission refer this matter back to the OAH?

- a. Refer the matter to the OAH to continue with the competitive resource acquisition process. Include any conditions or questions deemed appropriate based on the Commission decisions made today.
- b. Do not refer the matter to the OAH at this time.

Xcel Energy Recommends:

The Commission refer the competitive acquisition process to the OAH after determining proposals, filed March 18, are complete enough to begin the contested case hearing process (as provided in the Commissions previous competitive acquisition Orders) .

8. Should the Commission provide a procedural recommendation to the OAH?

- a. Request that, to the extent possible, the ALJ develop a procedural schedule such that a Recommended Decision is presented to the Commission on or before March 1, 2013, and shall report any expected delays in a timely manner.
- b. Take no action.
- c. Take some other action.

Xcel Energy Recommends:

Point 8b be adopted. In its referral the Commission could direct the parties to work with the ALJ to meet the Commission's desire for a recommendation by the end of the 3rd quarter of 2013.

9. Should the Commission appoint an independent evaluator?

- a. Request that the Department act as a neutral third party to evaluate all information and make a recommendation to the ALJ in the form of direct testimony, and the parties may file testimony in response to the Department's testimony.
- b. Require the use of an independent evaluator (IE) other than the Department and allow the Department 30 days to evaluate the IE selection and submit comments to the Commission.
- c. Do not request a independent evaluator be appointed and continue with the standard resource acquisition process.
- d. Take some other action.

Xcel Energy Recommends:

Point 9c be adopted.

10. Should the Commission request the ALJ issue a protective order regarding trade secret information?

- a. Request the ALJ require that ‘All confidential information and proprietary information shall be presented only to the Department, the Commission, and any independent advisors, and neither Xcel nor Calpine shall be required to share such information with the other party.’
- b. Provide the ALJ with the following three principles to guide the ALJ in the proceeding:
 - i. Inappropriate discovery requests need not be answered.
 - ii. Special provisions in a protective order should address highly sensitive information.
 - iii. The Commission, Department, and the Office of the Attorney General should not be restricted by these principles, and should continue to have their

standard, robust access to information.

- c. Include an ordering point that requires the hearing officer provide a protection order that defines disclosure terms. Xcel’s suggested language:
The Company shall not be required to disclose to Calpine Corporation any information designated Confidential, Highly-Confidential or Trade Secret by the Company; likewise, Calpine Corporation shall not be required to disclose to the Company, except to the Company’s resource planning employees, any information designated Confidential, Highly-Confidential or Trade Secret by Calpine Corporation. Both the Company and Calpine Corporation shall be required to disclose any information related to their respective proposals, including Confidential, Highly Confidential and Trade Secret information, to the Department of Commerce, Division of Energy Resources.
- d. Take some other action.
- e. Take no action.

Xcel Energy Recommends:
Point 10e be adopted.

11. Should the Commission require parties to be held to the cost information provided in the resource acquisition process?

- a. Require that Xcel is held to the cost information presented in this proceeding and shall be barred from seeking future rate recovery for any amounts in the excess of the amounts presented in this proceeding.
- b. Require all parties to be held to the cost information provided in this proceeding.
- c. Take some other action.
- d. Take no action.

Xcel Energy Recommends:
Point 11d be adopted. Alternatively, the Commission should direct 11c and direct that all parties specify the price certainty of their proposals.

CERTIFICATE OF SERVICE

I, SaGonna Thompson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly
enveloped
with postage paid in the United States mail at Minneapolis,
Minnesota

xx electronic filing

DOCKET Nos.: E002/CN-08-509; E002/M-RP-10-825; E002/CN-11-184

Dated this 29th day of October 2012

/s /

SaGonna Thompson
Records Analyst

Northern States Power Company

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BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Xcel Energy's 2011-2025
Integrated Resource Plan

ISSUE DATE: November 30, 2012

DOCKET NO. E-002/RP-10-825

ORDER ESTABLISHING
PROCEDURAL SCHEDULES AND
FILING REQUIREMENTS

PROCEDURAL HISTORY

On August 2, 2010, Northern States Power Company d/b/a Xcel Energy (Xcel) filed a resource plan under Minn. Stat. § 216B.2422 and Minn. R. 7843.0400, subps. 1-4, covering the period 2011-2025.

Since March 31, 2011, the Commission has received written comments from the following:

- Calpine Corporation
- Campus Beyond Coal
- City of Mankato
- Dustin Dension, Applied Energy Innovations
- enXco
- Gerdau Ameristeel Corporation; Flint Hills Resources, LP; and USG Corporation
- Greater Mankato Growth
- Izaak Walton League of America – Midwest Office, Fresh Energy, Sierra Club, and the Minnesota Center for Environmental Advocacy, filing jointly (Environmental Intervenors)
- Minnesota Chamber of Commerce (the Chamber)
- Minnesota Department of Commerce (the Department)
- Prairie Island Indian Community
- Alan Muller
- Carol Overland
- Solar Power Manufactures of Minnesota
- Aladdin Solar, LLC; Applied Energy Innovations; Array Solar; Environment Minnesota; Institute for Local Self Reliance; Living Green Renewables; Minnesota Renewable Energy Society; Minnesota Solar Energy Industries Association; Donna and

Northern States Power Company

Charlie Pickard; Powerfully Green; RREAL; Solar Connection, Inc.; Solar Farm, LLC; Sundial Solar; Sustology; Werner Electric Supply of Minnesota; Winona Renewable Energy, LLC, filing jointly

- University of Minnesota
- Members of the public, including members petitioning in support of solar power

On December 1, 2011, Xcel filed a revised resource plan. Among other things, Xcel proposed cancelling plans that would have added a net 450 megawatts (MW) of generating capacity to the Black Dog Generating Station (Black Dog).¹

On February 8, 2012, Xcel filed corrections to its revised plan.

On June 1, 2012, Xcel proposed in a separate docket, contrary to its resource plan, to phase out Solar*Rewards, a program that subsidizes customer purchases and installation of photovoltaic solar cells.² The Department subsequently directed Xcel to maintain the Solar*Rewards program through 2015, albeit with a smaller incentive per watt.³

On August 13, 2012, Xcel filed reply comments further revising its resource plan. In particular --

- Xcel cited its 2012 Demand-Side Management Market Potential Assessment to support a lower estimate of the savings Xcel could achieve through influencing customer demand for electricity within its Minnesota service area.
- For this and other reasons, Xcel forecast that customer demand for electricity could exceed Xcel's supply by 2016.
- But Xcel proposed to add 400-600 MW of new capacity by 2017-2019 through soliciting proposals from outside parties as provided by Xcel's competitive resource acquisition process.

On October 22, 2012, in a separate docket, Xcel filed comments proposing to discontinue its plans for increasing the generating capacity of the Prairie Island Nuclear Generating Plant (Prairie Island Plant).⁴ Because Xcel's resource plan reflected the assumption that Xcel would have the new capacity from the Prairie Island Plant, this filing effectively revised Xcel's resource plan further.

On October 25, 2012, the Commission received oral arguments from the parties and members of the public.

¹ See Docket No. E-002/CN-11-184, *In the Matter of the Certificate of Need Application for the Black Dog Repowering Project in Burnsville, Minnesota*.

² See Docket No. E,G-002/CIP-12-447, *In the Matter of the Implementation of Northern States Power Company, a Minnesota Corporation's 2013/2014/2015 Triennial Natural Gas and Electric Conservation Improvement Program*.

³ *Id.*, Commerce Commissioner Decision (October 1, 2012), Ordering Paragraph 9.

⁴ See Docket No. E-002/CN-08-509, *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for a Certificate of Need for an Extended Power Uprate at the Prairie Island Nuclear Generating Plant*.

On November 1, 2012, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Summary

Because recent filings warrant further analysis, the Commission cannot act on Xcel's proposed resource plan at this time. Rather, the Commission establishes a schedule for further developing the record and resolving this docket.

The Commission also establishes schedules and content requirements for four additional filings: a competitive resource acquisition process, a fuel acquisition and risk management plan, a Life Cycle Management Study for Xcel's Sherburne County (Sherco) Generating Station Units 1 and 2, and Xcel's next resource plan.

II. Resource Planning

To reliably provide the electricity demanded by its customers, an electric utility considers both supply and demand. The utility can supply electricity through a combination of generation and power purchases, and by reducing the amount of electricity lost through transmission and distribution. The utility can manage its customers' demand by encouraging customers to conserve electricity or to shift activities requiring electricity to periods when there is less demand on the electric system. A resource plan contains a set of demand- and supply-side resource options that the utility could use to meet the forecasted needs of retail customers.⁵

A public utility providing electricity to at least 10,000 customers and capable of generating 100,000 kilowatts of electricity must file a resource plan or report for the Commission's approval, rejection, or modification.⁶ Generally, the resource planning statute and rules direct a utility to file biennial reports on the projected need for electricity in its service territory over the next 15 years; the utility's plans for meeting projected need, including a specific action plan for the next five years; the utility's analytical process to develop its plans; and the utility's reasons for selecting its preferred plan.⁷ In addition, a resource plan should identify the likely effect the plan would have on electric rates and bills.

By integrating the evaluation of supply- and demand-side resource options – treating each resource as a potential substitute for the others – a utility can find the least-cost plan that is consistent with the other legal requirements and policies. These requirements and policies include the following:

⁵ Minn. Stat. § 216B.2422, subd. 1(d).

⁶ Minn. Stat. § 216B.2422, subs. 1 and 4. The statute exempts federal power agencies, and the Commission's findings regarding service providers that are not statutory "public utilities" are merely advisory.

⁷ Minn. Stat. § 216B.2422; Minn. R. Chap. 7843.

- Conservation: Minn. Stat. § 216B.241, subd. 1c(d), effectively requires utilities to reduce gross annual retail energy sales by at least one percent by promoting energy conservation and efficiency. And § 216B.2401 establishes a goal of achieving annual energy savings of 1.5 percent.
- Greenhouse Gas Regulation: Minn. Stat. § 216H.02 establishes a goal of reducing, relative to 2005, the emissions of greenhouse gasses by at least 15 percent by 2015, 30 percent by 2025, and 80 percent by 2050. And § 216H.06 directs the Commission to estimate the cost of complying with future regulation of carbon dioxide (CO₂), a greenhouse gas, and to use this cost for purposes of evaluating resource alternatives. The Commission has approved a range of \$9 to \$34 per ton of CO₂ emitted in 2017 and thereafter.⁸
- Environmental Externalities: In addition to the CO₂ regulatory costs noted above, Minn. Stat. § 216B.2422, subd. 3, directs the Commission, “to the extent practicable, [to] quantify and establish a range of environmental costs associate with each method of electricity generation,” and to use those costs for purposes of comparing resource alternatives.
- Renewable Energy Objectives/Renewable Energy Standards (REO-RES): Minn. Stat. § 216B.1691 directs Xcel to, among other things, use electricity from renewable sources to serve 30 percent of retail customer demand in Minnesota by 2030.⁹ But in any given year if a utility acquires more electricity from renewable sources than it currently needs to meet the statutory requirements, subdivision 4(d) permits the utility to earn *renewable energy credits* (RECs) for the surplus. The utility may then use those credits to demonstrate compliance with the REO-RES in later periods, or sell credits to (or buy credits from) other utilities, subject to conditions.¹⁰
- Renewable Energy and Conservation Scenarios: In addition to the REO-RES, Minn. Stat. § 216B.2422, subd. 2, directs utilities to include in their resource plan filings the least-cost plan for meeting 50 percent of the need for any new or refurbished capacity through a combination of conservation and capacity powered by renewable sources of energy. The statute further directs utilities to include the least-cost plan for meeting 75 percent of this capacity with conservation and renewable energy resources.
- Distributed Generation: Minn. Stat. §§ 216B.169, 216B.243, 216B.1611, 216B.2411, and 216B.2426 encourage utilities to place greater reliance on acquiring electricity from

⁸ See *In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minnesota Statutes § 216H.06*, Docket No. E-999/CI-07-1199, Order Establishing 2012 and 2013 Estimate of Future Carbon Dioxide Regulation Costs (November 2, 2012).

⁹ Minn. Stat. § 216B.1691, subd. 2b. Of the 30 percent in 2020, at least 25 percent must be generated from wind power.

¹⁰ See *In the Matter of a Commission Investigation into a Multi-State Tracking and Trading System for Renewable Energy Credits*, Docket No. E999/CI-04-1616, Order Approving Midwest Renewable Energy Tracking System (MRETS) under Minn. Stat. §216B.1691, Subd. 4(d), and Requiring Utilities to Participate in M-RETS (October 9,2007).

multiple smaller generators distributed throughout the utilities' service areas (distributed generation) and less reliance on large generators located far from customers.

- The Federal Production Tax Credit: A tax credit that subsidizes the generation of electricity from wind power will expire by the end of 2012 unless Congress renews it.¹¹
- Federal Environmental Regulations: The federal Environmental Protection Agency (EPA) had adopted, and is continuing to develop, rules restricting various types of pollution. For example, the EPA recently adopted its Mercury and Air Toxics Standards and other policies designed to control the emissions of mercury (a neurotoxin), sulfur dioxide (a contributor to fine particulate pollution), and nitrogen oxides (a contributor to both particulates and ozone).¹² These policies may cause utilities to choose between retiring certain plants or installing new emissions-controlling equipment.

Finally, a utility not only has the duty to file a resource plan, it has the duty to inform the Commission and other parties of changed circumstances that "may significantly influence the selection of a resource plan."¹³

III. Xcel's Resource Planning Process

In developing its resource plan, Xcel forecasts the amount of energy, and the amount of generating and transmission capacity, needed to meet customer needs. Xcel then evaluates how well its existing supply- and demand-side resources could meet those forecasted needs. On this basis, Xcel estimates its future resource needs – identifying the magnitude of new resources needed, and when those resources would be needed.

Xcel then selects a reference case or base case – that is, a set of supply- and demand-side resources to be evaluated, and against which to compare alternative combinations of supply- and demand-side resources. Using a computer model, Xcel then evaluates how well any given resource plan would perform under a variety of conditions, or scenarios. Xcel varies assumptions about the amount of customer demand; the amount of fuel costs; the cost of complying with environmental regulations, including CO₂ costs; and whether Congress extends the Production Tax Credit.

On this basis, Xcel selects a preferred resource plan. Xcel then subjects this preferred plan to more focused analyses before confirming its plan choice.

¹¹ 26 U.S.C. § 45(d)(1).

¹² See, for example, National Emission Standards for Hazardous Air Pollutants From Coal- and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial- Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units, 77 Fed. Reg. 9304 (Feb. 16, 2012), codified at 40 C.F.R. 60 *et seq.* (Mercury and Air Toxics Standards, or MATS).

¹³ Minn. R. 7843.0500, subp. 5.

IV. Xcel's Resource Plan and Five-Year Action Plan

Following its planning process, Xcel initially developed a five-year action plan in which Xcel proposed to do the following:

- Develop a plan to either update or replace Sherco Units 1 and 2, the two oldest coal-powered generators at Xcel's largest plant.
- Retire the coal-powered Units 3 and 4 at the Black Dog Generating Station, and replace their 270 MW of capacity with a new 700 MW natural gas unit in 2016.
- Add more generating capacity, or uprate, the Prairie Island Plant.
- Seek proposals for building up to 250 MW of wind-powered generation in the near term, and plan for an additional 400 MW between 2013-2016 and 500 MW between 2017-2020.
- Expand the amount of electricity it derives from solar power.
- Use demand-side management to reduce energy sales by 1.3 percent, and work with stakeholders to achieve a 1.5 percent reduction.

But Xcel subsequently revised its resource plan to reflect, among other things, slower-than-projected economic growth, a loss of wholesale customers, changes in Xcel's wind procurement strategy, reassessments of Xcel's program for refurbishing Black Dog Units 3 and 4 and the Prairie Island Plant, and the anticipated expiration of the Production Tax Credit. Xcel has revised its five-year action plan and now proposes to do the following:

- Continue developing plans to either update or replace Sherco Units 1 and 2.
- Retire Black Dog Units 1 and 2, but cancel plans to acquire replacement power.
- Reassess the need to complete the uprate of the Prairie Island Plant.
- Reassess the need for more wind-powered electricity.
- Continue its Solar*Rewards program, but with lower subsidies for enrollees.
- Continue to use demand-side management to reduce energy sales by 1.3 percent, and work with stakeholders to achieve a 1.5 percent reduction in the near term, but anticipate reduced savings in the future as Xcel depletes the most cost-effective opportunities for load management and conservation.

While Xcel's initial filing incorporated CO₂ costs into its base case, its revised filings excluded CO₂ costs from the base case. Xcel did, however, consider scenarios that included a range of CO₂ costs.

Based on its new analysis, Xcel now projects that its current supply- and demand-side resources will be sufficient to meet customers' forecasted needs until 2017. Xcel concludes that between 2017 and 2019 it will need to add 400-600 MW of generating capacity – and perhaps more, to offset the capacity that Xcel no longer proposes to add to its Prairie Island Plant.

V. Commission Analysis and Action

A. Xcel's Resource Plan

Parties offer various recommendations about whether the Commission should approve, reject, or modify Xcel's resource plan, including its five-year action plan. The Department, among others, argues that the parties have not had sufficient opportunity to review the multiple changes Xcel has filed. The Department argues, and Xcel agrees, that the Commission's judgment would benefit from additional analysis.

The Commission concurs; the latest developments in Xcel's resource plan require further analysis. Consequently the Commission will decline to act on Xcel's resource plan at this time. Instead, the Commission will direct parties to continue analyzing and developing a resource plan for Xcel – and in particular, to develop the base level of Xcel's resource needs sufficiently to enable the Commission to identify the size, type, and timing of any new resources required.

To this end, the Commission will establish a schedule by which the Department and Xcel must file their analyses based on their revised computer models – incorporating, for example, any changed assumptions regarding the Prairie Island Plant's generating capacity. Other parties will be free to file comments at that time as well. The Commission will receive a final round of comments thereafter.

These steps will provide a suitable foundation for the Commission to render its findings on Xcel's resource plan and close the docket.

B. Additional filings

While the record is not yet sufficient to permit the Commission to act on Xcel's resource plan, it is sufficient to demonstrate the need for further analyses – including analyses that will extend beyond the scope of the current docket. Consequently the Commission will direct Xcel to make three additional filings.

1. Competitive Resource Acquisition Process

Statute authorizes Xcel to invite outside parties to propose means by which Xcel should meet its resource needs.¹⁴ Xcel has established a process for doing so.¹⁵ Under this process when Xcel identifies the need for substantial new sources of generation, Xcel prepares a plan for notifying

¹⁴ Minn. Stat. § 216B.2422. subd. 5.

¹⁵ See generally *In the Matter of Northern States Power Company d/b/a Xcel Energy's Application for Approval of its 2005 - 2019 Resource Plan*, Docket No. E-002/RP-04-1752.

potential resource providers – developers of electric generators, for example -- of the opportunity to file proposals for meeting the need.¹⁶

While aspects of Xcel's resource plan remain unresolved, it is clear that Xcel will need to acquire additional resources to meet customer need. Consequently the Commission will direct Xcel to prepare and file a notice plan for soliciting proposals from outside parties.¹⁷ This filing will coincide with the deadline for parties to file reply comments on Xcel's resource plan.

2. Fuel Acquisition and Risk Management Plan

The Commission will direct Xcel to file by July 1, 2013, a fuel acquisition and risk management plan. Xcel already files an annual fuel procurement plan.¹⁸ But as the Chamber notes, and Xcel acknowledges, Xcel's preferred plan relies heavily on generating electricity with natural gas, a fuel with a history of price volatility. This fact prompts the Chamber to recommend that the Commission direct Xcel to solicit proposals for a 20-year fixed price contract for gas. While that proposal is premature, the Commission finds that the record demonstrates the need for Xcel to explore in greater depth the fuel price risks of its proposed resource plan, and the opportunities and terms available for long-term supply contracts to mitigate those risks.

3. Life Cycle Management Study for Sherco Units 1 and 2

The Commission will direct Xcel to evaluate how best to manage the two oldest generators at its largest power plant, Sherco Units 1 and 2, over the rest of the generators' useful lives. Xcel states that it plans to complete a Life Cycle Management Study for Units 1 and 2 by July 1, 2013, but notes that the scope of the study is still evolving. As part of that study, the Commission will direct Xcel to examine the feasibility and cost-effectiveness of continuing to operate, retrofitting, or retiring these generators, and to file a report which includes the following items:

- a. An analysis of how the cessation of operations at either of the two oldest Sherco generators – whether due to retirement or to install new emissions controls – would affect the reliability of Xcel's entire system.

¹⁶ See, for example, *id.*, Order After Reconsideration Clarifying Filing Requirements, Requiring Notice to Alternative Providers, Setting Deadline for Baseload Proposals, and Accepting Reports (October 18, 2006) at 4-5.

¹⁷ See *In the Matter of the Petition by Northern States Power Company d/b/a Xcel Energy to Initiate a Competitive Resource Acquisition Process*, Docket No. E-002/CN-12-1240, Order Closing Docket, Establishing New Docket, and Schedule for Competitive Resource Acquisition Process (November 21, 2012).

¹⁸ See, for example, E-002/M-02-633, *In the Matter of Northern States Power Company d/b/a Xcel Energy Inc. Petition For Approval of its 2012 Emissions Reduction Project Revenue Requirement and Tracker Balance Report*.

- b. Specific estimates of the cost to install and operate equipment for controlling power plant emissions, and other required investments.
- c. A base case that accounts for all likely EPA regulations, as well as the values this Commission has established for environmental externalities and CO₂ regulatory costs.
- d. Consideration of a wide range of scenarios, including --
 - A range of updated externality values – not merely those adopted by this Commission, but those used by the federal government for regulatory impact analyses;
 - A wide range of fuel prices;
 - Least-cost scenarios to reduce greenhouse gasses relative to 2005 levels by at least 15 percent by 2015, 30 percent by 2025, and 80 percent by 2050;
 - A least-cost plan for replacing 50 percent of the capacity of Sherco Units 1 and 2 through a combination of conservation and capacity powered by renewable sources of energy; and
 - A least-cost plan for replacing 75 percent of the capacity of Sherco Units 1 and 2 through a combination of conservation and capacity powered by renewable sources of energy.

As this report is prepared, interested parties must have the opportunity to intervene, conduct discovery, and provide comment. Participation by interested and knowledgeable parties will help ensure that the broadest range of factors is considered.

C. Xcel's Next Resource Plan

Consistent with the request of various parties, the Commission finds it reasonable to set the date for Xcel's next resource plan filing at February 1, 2014. This should provide Xcel with sufficient time to analyze the relevant issues, and to prepare the filing in the manner prescribed by the Legislature and the Commission. In particular, the Commission will direct Xcel to include the following items:

First, Xcel should include scenarios exploring whether Xcel can achieve higher levels of cost-effective and feasible demand response, as recommended by parties ranging from the Chamber to the Environmental Intervenors. Demand response programs are designed to reduce the consumption of electricity during periods of high system usage. The percentage of customers that participate in these programs varies from utility to utility. Xcel's current plan assumes that Xcel will continue to enroll customers into these programs at its current rate. But the Environmental Intervenors cite Xcel's 2012 Demand-Side Management Market Potential Assessment for the proposition that Xcel could, with reasonable effort, achieve participation rates in these programs that would be among the top 25 percent in the nation. This strategy may help Xcel meet customer demand – especially in 2017-2019, when Xcel anticipates needing additional resources.

Second, Xcel should include a reevaluation of its decision to acquire new sources of wind-powered electricity. Xcel had initially proposed to add 100 MW of wind-powered generation in 2015 or 2016, but is now reconsidering this plan. The Chamber opposes the purchase of new wind power as uneconomic in the current environment, whereas the Department's analysis still favors the acquisition of more wind power in that timeframe. The Commission notes that Xcel's current portfolio of wind-powered generators and renewable energy credits mean that Xcel currently has no regulatory compliance need for more electricity from wind power. And given the uncertainty surrounding greenhouse gas regulations and the extension of the federal production tax credits, the Commission finds that Xcel is justified in reconsidering its wind power acquisition strategy.

Third, Xcel should evaluate the costs, benefits, and effects of including higher levels of distributed generation. The Chamber recommends that Xcel evaluate industrial-sized distributed generation and generators that produce both power and heating. The Environmental Intervenors recommend that Xcel evaluate utility-scale solar power. The Commission concurs on both counts. Distributed generation has the prospect of increasing system reliability, reducing transmission congestion, exploiting efficiencies through coordination with customer-owned facilities, and reducing emissions. Larger distributed generation projects hold the possibility of achieving these benefits combined with economies of scale.

Fourth, Xcel should include a comprehensive section on all EPA rules that may affect Xcel's operations. Recent changes may have substantial consequences for Xcel's resource choices.

Finally, Xcel should comply with the various requirements for resource plans. For planning purposes, Xcel should develop its base case scenario assuming that Xcel will incur \$9 to \$34 per ton of CO₂ emitted, beginning in 2017. Xcel omitted this factor from the base case of its revised resource plan. While this choice did not alter the results of Xcel's analysis in this case, prospectively the Commission expects Xcel to incorporate these regulatory costs into its base case for purposes of comparing potential resources.

Similarly, Xcel should comply with the requirements of Minn. Stat. § 216B.2422 to include least-cost 50 percent and 75 percent renewables and conservation scenarios for all new and refurbished capacity. Xcel should provide least-cost scenarios to reduce greenhouse gasses relative to 2005 levels by at least 15 percent by 2015, 30 percent by 2025, and 80 percent by 2050, consistent with the state's greenhouse gas goals set forth in Minn. Stat. § 216H.02.

And, as noted above, Minn. R. 7843.0400, subp. 4, requires a resource plan to identify the likely effect on electric rates and bills if the utility implements its preferred plan. The Commission expects Xcel to work with interested parties on identifying useful ways to measure these likely effects on rates and bills, and to incorporate these measures into Xcel's resource plan filing.

ORDER

1. With respect to the current docket, the Commission establishes the following procedural schedule:

- December 18, 2012: Deadline to file comments. The Department and Xcel shall file any final revisions to their models and analysis.
 - January 16, 2013: Deadline to file reply comments.
 - February 2013: Commission action and docket closure.
2. By January 16, 2013, Xcel shall file a notice plan for soliciting bids as part of Xcel's competitive resource acquisition process, as provided in *In the Matter of the Petition by Northern States Power Company d/b/a Xcel Energy to Initiate a Competitive Resource Acquisition Process*, Docket No. E-002/CN-12-1240, Order Closing Docket, Establishing New Docket, and Schedule for Competitive Resource Acquisition Process (November 21, 2012).
 3. By July 1, 2013, Xcel shall file a fuel acquisition and risk management plan.
 4. By July 1, 2013, Xcel shall submit a Sherco Life Cycle Management Study that examines the feasibility and cost-effectiveness of continuing to operate, retrofitting, or retiring Sherburne County (Sherco) Generating Station Units 1 and 2. Procedurally, interested parties shall have the opportunity to intervene, conduct discovery, and comment. Substantively, the study shall include --
 - A. Specific cost estimates of controls and other required investments.
 - B. An analysis of how a temporary or permanent outage at either Sherco Units 1 or 2 would affect system reliability.
 - C. A base case that includes Commission-adopted carbon dioxide (CO₂) costs and externality values.
 - D. A base case that accounts for all likely federal Environmental Protection Agency (EPA) regulations.
 - E. Analysis of scenarios that include the following:
 - A range of updated externality values based on those used by this Commission and the federal government for regulatory impact analyses.
 - A wide range of fuel prices.
 - Least-cost scenarios to reduce greenhouse gasses relative to 2005 levels by at least 15 percent by 2015, 30 percent by 2025, and 80 percent by 2050.
 - A least-cost plan for replacing 50 percent of the capacity of Sherco Units 1 and 2 through a combination of conservation and capacity powered by renewable sources of energy

- A least-cost plan for replacing 75 percent of the capacity of Sherco Units 1 and 2 through a combination of conservation and capacity powered by renewable sources of energy.
5. By February 1, 2014, Xcel shall file its next resource plan.
- A. In preparing this plan, Xcel shall do the following:
- Consider the goal of achieving participation rates for demand response programs in the top 25 percent of such programs nationwide, as addressed in Xcel's 2012 Demand-Side Management Market Potential Assessment, to help meet projected demand in the 2017-2019 timeframe.
 - Reassess acquiring new wind generation for the 2015-2016 timeframe.
 - Evaluate the costs, benefits, and effects of including higher levels of distributed generation, including industrial-sized distributed generation, utility-scale solar, and combined heat and power.
 - Work with interested parties to identify useful ways to estimate how implementing Xcel's preferred resource plan would affect customer rates and bills, and incorporate those estimates into the resource plan filing.
- B. In the plan, Xcel shall include the following:
- Scenarios that evaluate higher levels of cost-effective and feasible demand response capability.
 - A base case with CO₂ values consistent with the Commission-approved range of \$9 to \$34 per ton beginning in 2017.
 - Least-cost scenarios to reduce greenhouse gasses relative to 2005 levels by at least 15 percent by 2015, 30 percent by 2025, and 80 percent by 2050.
 - An assessment of Xcel's prospects for acquiring more electricity generated by wind power.
 - A least-cost scenario for meeting 50 percent of the need for any new or refurbished capacity through a combination of conservation and capacity powered by renewable energy, and a least-cost scenario for meeting 75 percent of this need through conservation and renewable sources, consistent with Minn. Stat. § 216B.2422.
 - A comprehensive section on all EPA rules which may affect Xcel's operations.

Northern States Power Company

6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary



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