

Memo

To: Darrell Nitschke, Executive Secretary
From: Sara Cardwell SC
Date: January 27, 2017
Re: Northern States Power Company
2007 General Rate Case – Settlement Agreement Modification Issue
PU-07-776

Because there are a number of moving parts and changes that have occurred since the Company and Advocacy Staff first discussed modifying the Settlement in this case, this memo is an attempt to bring parties up to date on the current status of the issues prior to the work session on Monday, January 30, 2017.

The idea of modifying the settlement agreement in the 2007 rate case started when the Company filed an ADP “waiver request” for an MVP transmission line (LaCrosse-Madison) on March 28, 2016 in Case No. PU-16-145. The waiver request was based on the fact that 1) the line, located in Wisconsin, was partially owned by the Company’s NSPW affiliate with costs allocated to NSPM through the Interchange Agreement, 2) the line had been approved by MISO through the MTEP process, and 3) only a very small percentage (less than 0.5 percent) of the costs of the MVP would be allocated to ND. Concern was raised however as to whether or not a waiver could be granted based on the language in the existing Settlement Agreement in Case No. PU-07-776.

Questions were also raised as to whether or not there is still a need to have the Company file ADPs for transmission lines. When the Settlement Agreement was enacted, the Commission had little advanced knowledge of when the Company was going to build and ask for recovery of transmission facilities until a rate case was filed. Now because transmission investments are vetted in the MISO process and are often recovered throughout the MISO region rather than paid for by just NSP customers, and the Commission is informed of the Company’s transmission projects on an annual basis through the Transmission Rider filings, the Commission has advanced information. Additionally, the Commission can choose to deny recovery of projects in the annual Transmission Rider filings. Therefore, the Company and Advocacy Staff agreed that the need for ADPs for transmission projects is not as necessary as it once was and the requirement could be eliminated or modified.

As a result, on July 28, 2016 the Company filed a *Motion to Amend Order* (Case No. PU-07-776) in which it sought to remove the requirement that the Company needed to request an ADP for transmission projects.

On October 24, 2016 the Company filed a second, broader *Motion to Amend Order* which would allow the Company to request an ADP waiver, on a case-by-case basis, for qualifying generation or transmission projects, recognizing that it would be appropriate to provide the Company an option to request a waiver of the ADP requirements, subject to Commission approval.

On the same day that the Company filed its second *Motion to Amend Order*, the Company filed another ADP waiver request (Case No. PU-16-678) for its proposed acquisition of up to 1,500 MW of wind resources. The filing was prompted because the MN process that would require the Company to file an ADP in ND was not the standard process used in the past and does not mean that the MN Commission will act on the Company's filing. The MN Commission treated the Company's request for the Red River Valley units in ND in a similar fashion and didn't approve those units in spite of the time and effort that this Commission and Staff spent processing an ADP for those units. (Case No. PU-13-194).

On December 13, 2016, the Commission held an informal hearing on the Company's two requests for changes to the Settlement Agreement. In the informal hearing, Parties agreed that the second *Motion to Amend Order* covered the transmission issue and there was no need for the first *Motion to Amend Order*. The Company therefore stated it would file a request to withdraw the July 28th request and did so on January 16, 2017. This withdrawal request was granted by the Commission on January 18, 2017.

Advocacy Staff and the Company discussed whether the *Motion to Amend Order* was the appropriate means to amend the Settlement Agreement. The result of these discussions was that the Company filed an Amended and Restated Settlement Agreement in Case No. PU-07-776 to supersede its October 24, 2016 *Motion to Amend Order*. The Amended Settlement retained all previous terms of the original Settlement Agreement in Case No. PU-07-776) but added a new provision allowing the Company to seek Commission approval of an ADP waiver for specific projects that may have extenuating circumstances.

As a result, there are three issues for Commission discussion in the work session:

1. PU-07-776: What action should the Commission take in regards to the Amended Settlement with the new provision giving the Company the option to request ADP waivers in certain circumstances?
2. PU-16-145: What action should the Commission take in regards to the Company's waiver request for the LaCrosse-Madison MVP transmission line?
3. PU-16-687: What action should the Commission take in regards to the Company's waiver request for the Company's 1,500 MW wind resource acquisition project?