



2302 Great N. Drive  
Fargo, North Dakota 58102  
(701) 241-8632  
dave.sederquist@xcelenergy.com

October 27, 2017

Darrell Nitschke, Executive Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 59505-0480

**Re: Second Request for Variance from Settlement Obligation to  
Request an Advance Determination of Prudence for a portion of  
the La Crosse-Madison 345 kV Transmission Line**

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota Corporation, doing business as Xcel Energy (NSPM), respectfully requests a limited variance from a Settlement provision<sup>1</sup> that requires the Company to file an Advance Determination of Prudence (ADP) request for each proposed transmission project at least 50 miles in length. This limited variance would apply to the Briggs Road - North Madison 345 kV Transmission Line<sup>2</sup>, a Multi-Value Project (MVP) located in Wisconsin and approved by Midwest Independent System Operator (MISO) through its 2011 MISO Transmission Expansion Plan (MTEP) process. NSPM believes a variance in this circumstance is appropriate because:

- NSPM does not own any portion of the Briggs Road – North Madison Line (rather, its affiliate NSP-Wisconsin does). NSPM will share in the costs and revenues associated with the project through its Interchange Agreement with NSPW.
- Because of the Badger Coulee Line's designation as a MVP and the associated cost allocation under the MISO MVP recovery schedule 26A, the impact of this project in North Dakota is to initially reduce rates via a revenue credit (through the Transmission Cost Recovery (TCR) rider) and thereafter generate a very small increase assuming commission approval of the North Dakota share of the project costs in a future base rate increase request.

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<sup>1</sup> Order adopting Settlement in Case No. PU-07-776 issued December 31, 2008.

<sup>2</sup> The Briggs Road – North Madison line is partly owned by Northern States Power Company Wisconsin (NSPW), a wholly owned subsidiary of Xcel Energy Inc. The line is part of a larger transmission project referred to as the Badger Coulee Line, referred to in previous filings as the La Crosse – Madison line.

## **Background**

NSPM previously requested a variance for the Briggs Road – North Madison project from the Commission on March 28, 2016. The Company felt at that time that an ADP for this project was largely unwarranted given that MISO had determined this transmission line to be a MVP and had already approved the need for the project via its MTEP process. Our 2016 petition pointed out that, given the project's designation as a MVP, the NSP System<sup>3</sup> will be allocated only about 9 percent of the costs, and only 5 percent of the NSP System amount would subsequently be allocated to NSPM's North Dakota jurisdiction.

The March 2016 application was essentially superseded, however, by two subsequent filings:

- July 28, 2016 – *A Motion to Amend Order* to remove transmission projects in general from the ADP obligation, and
- October 24, 2016 – *A Motion to Amend Order* to allow the Company to request a waiver, on a case-by-case basis, for qualifying generation and transmission projects if circumstances warrant.

On January 16, 2017, NSPM withdrew its July 28, 2016 *Motion*. On January 25, 2017, after consultation with Staff, the Company filed an amended Settlement Agreement (Case No. PU-07-776) to supplement its October 24, 2016 Motion. The amendment sought to allow requests for variance from the ADP obligation for future generation and transmission projects. At its regular meeting on January 31, 2017, the Commission denied this amendment, and at the same time dismissed the Company's original March 28, 2016 Briggs Road – North Madison variance request.

The Company regrets the confusing path taken in its attempt to provide flexibility in the ADP obligation. Our intent was simply to avoid having the Commission and Company expend time and resources on ADP applications in situations that were not contemplated when the original ADP commitment was made. That said, the Company acknowledges that the ADP obligation may still technically apply to the Briggs Road – North Madison transmission project given the affiliation of NSPM and NSPW. But, our reasoning for requesting a variance a second time remains the same: the project has already undergone rigorous regional review and the ultimate impact on North Dakota rates will be minimal.

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<sup>3</sup> NSPM and NSPW (collectively, the NSP Companies) plan, build, and operate a single integrated electric production and transmission system (the NSP System). The NSP Companies rely on the NSP System to meet the electric needs of their customers, and customers of both companies pay a pro rata share of NSP System capital and operating costs under an agreement approved by the Federal Energy Regulatory Commission. This agreement is referred to as the Interchange Agreement.

### **Briggs Road – North Madison Project Overview**

On April 23, 2015, the Wisconsin Public Service Commission granted a Certificate of Public Convenience and Necessity for the Badger Coulee 345 kV Transmission Line to NSPM's sister utility, NSPW, and its ownership partners American Transmission Company (ATC), Dairyland Power Cooperative, SMMPA Wisconsin, LLC, and WPPI Energy in Docket No. 5-CE-142. The \$581 million project<sup>4</sup> includes 182 miles of new 345 kV transmission line from the La Crosse, Wisconsin area to the Madison, Wisconsin area. Construction on the line commenced in 2016 and it is expected to be in-service in late 2018.

The Briggs Road – North Madison transmission line begins just north of La Crosse, Wisconsin at NSPW's Briggs Road Substation in Onalaska, Wisconsin; it connects to ATC's North Madison substation northeast of Waunakee, Wisconsin, and then terminates at ATC's Cardinal substation in Middleton, Wisconsin just east of Madison, Wisconsin. On the map shown in Attachment A, the portion of the line in red shows the route from the Briggs Road Substation to the North Madison Substation. This portion of the larger Badger Coulee Line is jointly owned by the five utilities listed above, including NSPW. NSPW's ownership portion of the Briggs Road - North Madison segment is 37 percent and NSPW will own the required upgrades at Briggs Road Substation wholly. ATC will own and have full responsibility for the North Madison - Cardinal segment, which is identified on the attached map by the line shown in bright green.

The utilities jointly own the transmission line as tenants in common, so NSPW does not fully own any discrete segment of the line. While NSPM does not own any portion of the Briggs Road - North Madison Line, it shares in the costs and transmission revenues of the project through the Interchange Agreement.

### **Rate Impact**

Currently, as a result of the MVP status of the NSPW's ownership in the Brigg's Road – North Madison segment, approximately 91 percent of NSPW's estimated revenue requirements related to its ownership share of the project will be paid for by other transmission operators through the MISO Schedule 26A tariff. North Dakota's allocation of these forecasted net annual revenues is forecasted to be approximately \$73,000 in 2018 (the first partial year it is in-service).

Assuming commission approval of a base rate increase in 2019,<sup>5</sup> the estimated net impact to North Dakota customers of the project being included in base rates could potentially be \$220,000 per year. This increase represents the North Dakota share of the Brigg's Road –

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<sup>4</sup> Including Allowance for Funds Used During Construction (AFUDC)

<sup>5</sup> Since the Company is not filing a 2018 Test Year electric rate case, there will not be any Interchange Agreement costs allocated to ND and captured in base rates in 2018. However, the approximate \$73,000 in MISO revenue credits will be passed on to ND customers through the 2018 TCR. While the Company has not made a decision to file a 2019 Test Year rate case, we show the result for illustrative purposes.

North Madison project revenue requirements flowing through the Interchange Agreement associated with its inclusion in the NSP integrated transmission system.

Our discussions with staff in 2016 regarding this project led us to agree that the project's MVP designation, approval through the MTEP process, and minimal rate impact in North Dakota made an ADP request for this project hard to justify given the time and resources needed by the parties to file an ADP, review and conduct discovery, and deliberate and Order on such a request.

**Conclusion**

We would appreciate the Commission's consideration of this specific request for a limited variance from the ADP filing requirement that may apply to the Briggs Road – North Madison transmission line. While the Company wishes to avoid engaging the staff and Commission in an unnecessary proceeding, it acknowledges that if the Commission prefers to have an ADP filed for this transmission line, we would of course oblige.

Please feel free to contact me if the Commission and/or staff require additional information or have any questions.

Respectfully,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style and is contained within a thin blue rectangular border.

David H. Sederquist  
Sr. Consultant, Regulation and Finance

cc: Pat Fahn  
Jerry Lein  
Jack Schuh

