

Hamre, John G.

From: Sederquist, Dave [dave.sederquist@xcelenergy.com]
Sent: Tuesday, December 15, 2009 5:39 PM
To: Nitschke, Darrell D.; -Info-Public Service Commission
Cc: Hamre, John G.; Alders, James R
Subject: Merricourt Information request Response from Xcel Energy
Attachments: Xcel Energy Reponse RE: Merricourt wind Project (PU-08-908)

Darrell,

On December 10, Xcel Energy filed, via email, the public version of a letter containing Xcel Energy's response to a Staff inquiry regarding the impact of a recent FERC decision on the cost allocation of transmission upgrade costs in our proposed Merricourt Wind Project. We also sent a Trade Secret version of the response by Federal Express on December 10.

Unfortunately, we neglected to mention that the December 10th letter was meant to replace the letter sent on November 18th. This replacement letter contained a single revision: the reference to Case No. PU-08-910 (CPCN) was removed from the subject line. The letter now references only Case No. PU-08-908 (ADP), for which Trade Secret protection had been granted previously.

For your reference, I've attached the email sent on December 10th. I apologize for any confusion this may have caused. Please call me if you have any questions.

Dave Sederquist
Xcel Energy (North Dakota Jurisdiction)
Fargo, North Dakota
Office: 701-241-8632
Cell: 701-371-5256

29 **PU-08-910** Filed: 12/15/2009 Pages: 5
Email Indicating Dec. 10, 2009 Letter Replaces Nov.
19, 2009 Letter

Northern States Power Company
David Sederquist, Sr. Consultant

52 **PU-08-908** Filed: 12/15/2009 Pages: 5
Email Indicating Dec. 10, 2009 Letter Replaces Nov.
19, 2009 Letter

Northern States Power Company
David Sederquist, Sr. Consultant



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Minneapolis, MN 55401

**TRADE SECRET INFORMATION EXCISED
PUBLIC DATA**

- VIA Electronic Mail & Federal Express-

December 10, 2009

Darrell Nitschke
Director of Administration and Executive Secretary
North Dakota Public Service Commission
State Capitol Building, Dept 408
600 East Boulevard
Bismarck, ND 58505-0480

RE: APPLICATION FOR AN ADVANCED DETERMINATION OF PRUDENCE FOR THE 150
MW MERRICOURT WIND PROJECT, CASE NO. PU-08-908

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota corporation ("Xcel Energy" or the "Company"), is pleased to offer this response to the Commission Staff's request for additional information regarding the impact of a recent Federal Energy Regulatory Commission ("FERC") decision on the transmission network upgrade costs for the Merricourt Wind Project.¹

In our original Advance Determination of Prudency ("ADP") filing we stated the following: "Based on our preliminary analysis of transmission network upgrades that may be necessary, we estimate the *project's portion* of those costs at [TRADE SECRET BEGINS TRADE SECRET ENDS] million based on the MISO current allocation policies." (Page 19, emphasis added)². These estimates were made prior to completion of the Midwest ISO Generation Interconnection Facility Study for the Merricourt Project, which provides the transmission-owner-determined transmission network upgrade cost estimates.

In our January 30, 2009 data request response, we provided three cost estimates for network transmission upgrades that were part of our original economic analysis of the project. As shown in the table below, our Base Case project annual levelized costs,

¹ Midwest Independent Transmission System Operator, Inc., 129 FERC ¶ 61,060 (2009).

² The upper level of the range reflects the Base Case estimate rounded to the nearest million. The lower level of the range is the result of a subsequent Xcel Energy analysis reflecting other potential design alternatives.

including [TRADE SECRET BEGINS TRADE SECRET ENDS] million in network transmission upgrades results in a levelized cost of [TRADE SECRET BEGINS TRADE SECRET ENDS] per MWh.

**Merricourt Project Costs
In 2009 Dollars**

[TRADE SECRET BEGINS

	Network Upgrade Costs	Project Levelized Costs
	(in Millions)	\$/MWh
Base Case		
Sensitivity A (low)		
Sensitivity B (high)		

TRADE SECRET ENDS]

The network upgrade cost estimates were based on the project being assigned 50 percent of the estimated costs of the transmission network upgrade costs identified in the MISO Interconnection System Impact Study. The total estimated costs in the Base Case were [TRADE SECRET BEGINS TRADE SECRET ENDS] million, with the additional Sensitivity A Case and B Case estimates representing minus and plus 20 percent of this amount, respectively.

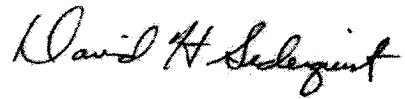
Since the time of the Commission order, two things have happened:

- FERC has approved, and MISO has implemented, a new cost allocation policy that requires the developer to pay 100 percent of the transmission network upgrade costs related to this project; and
- MISO completed the facility study for the Merricourt project that provided the transmission owner estimates of the costs of the transmission network upgrades required for this project.

The combination of these two factors results in a current estimate of approximately \$27 million in transmission network upgrade costs, of which 100 percent will be allocated to the Merricourt Wind Project. This revised estimate is within the [TRADE SECRET BEGINS TRADE SECRET ENDS] million range for network upgrade costs discussed in our original application. Hence the FERC order does not serve to alter the economics of the project as reviewed and approved by the Commission.

I hope this information addresses the Commission Staff's concerns. Please contact me if you have further questions or need more information.

Sincerely,

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

DAVID H. SEDERQUIST
SR. CONSULTANT, REGULATION & FINANCE

Cc: Michael R. Diller

CERTIFICATE OF SERVICE

I, Carole Wallace, hereby certify that I have this day served copies of the foregoing document on Michael R. Diller with the North Dakota Public Service Commission by e-mail and by Federal Express pick up at Minneapolis, Minnesota.

CASE NO. PU-08-908
Request for Additional Information

Dated this 10th day of December 2009

/s/

Carole Wallace
Regulatory Coordinator