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Minneapolis, MN 55401

TRADE SECRET INFORMATION EXCISED
PUBLIC DATA

- VIA Electronic Mail & Federal Express-

December 10, 2009

RECEIVED

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

DEC 10 2009

PUBLIC SERVICE COMMISSION

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.

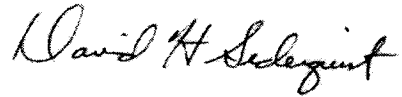
Since the time of the Commission order, two things have happened:

- 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". The signature is written in black ink and is positioned above the typed name.

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