



February 9, 2009

**VIA ELECTRONIC FILING**  
**AND U.S. MAIL**

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

RE: RESOURCE PLAN AND ACQUISITION UPDATE

Dear Mr. Nitschke:

As part of the Settlement Agreement in our recent electric rate case (Case No. PU-07-776), Northern States Power Company, a Minnesota corporation operating in North Dakota ("Xcel Energy" or the "Company"), committed to processes that ensure greater involvement for the North Dakota Public Service Commission ("Commission") and its Staff in our resource planning and acquisition efforts. While we will make our first Resource Plan filing to the Commission pursuant to this commitment in July, we provide this update of recent activities. Because resource planning is an on-going effort that adapts to changing circumstances, we believe such updates will be important to ensuring we achieve our goal of ensuring greater Commission involvement and oversight of our planning and acquisitions.

We welcome any feedback the Commission or Staff have on the content or usefulness of this update.

**A. RESOURCE ACQUISITIONS**

Several of our on-going resource acquisition efforts will result in resources smaller than the 50-MW threshold provided in the Settlement for filing an Advanced Determination of Prudence filing with the Commission. However, in aggregate, they reach a meaningful size and clearly relate to issues that were of concern to the Commission in

our recent rate case. For that reason, we provide this status update on our current acquisition efforts.

1. *Acquisition of Wind Energy*

Our Resource Plan includes actions to acquire wind energy that provides needed, cost-effective energy to our system and meet the requirements and commitments we have made in the jurisdictions we serve. As you are aware, we have committed to add 200 MW of wind in North Dakota, and have a 10-percent Renewable Energy Objective. Our proposed Merricourt project, if approved, would fulfill 150 MW of that commitment. For the NSP system, as of the end of the third quarter of 2008, we were acquiring approximately 12 percent of our energy from renewable resources.

We are continuing to take steps exploring our opportunities for fulfilling the remaining 50 MW of our North Dakota wind commitment. To this end, we are considering opportunities to partner with others and/or issue a North Dakota solicitation for proposals to identify projects and facilitate our selection. The changing market may offer opportunities to secure additional North Dakota wind resources at cost-effective prices.

We look forward to exploring and procuring the additional wind resources to fulfill our North Dakota commitment. We will keep the Commission informed of our efforts as they develop and will provide a more comprehensive discussion in our upcoming July North Dakota Resource Plan filing.

In addition, we committed in our 2004 Resource Plan to add 500 MWs of Community-Based Renewable Energy (CBED) in Minnesota by the end of 2010. As of the end of 2008, we had approximately 78 MW of CBED projects in operation, with an addition 46.5 MW under contract and expected to be operational by the end of 2009. We are currently negotiating contracts for approximately 225 MW in CBED projects that were identified in a solicitation issued at the same time as we initiated our efforts to develop Company-owned wind (the effort that resulted in the Merricourt and Nobles projects). Our experience with these projects indicates that not all of these projects will be successfully contracted; however, even if they were, we are still short of meeting the Minnesota commitment.

Clearly, our efforts to develop and secure additional wind resources on our system have been hampered by transmission availability and access issues. Recent reforms to the MISO queue process appear to have opened new opportunities for CBED and other wind projects to interconnect to the transmission system. To ensure we can meet our commitment with the most cost-effective projects possible, we recently issued a new CBED RFP seeking proposals that will be operation by the end of 2010. Proposals are

due on February 20, 2009. We provide a copy of that solicitation as Attachment A. We expect that these MISO reforms will also benefit viable North Dakota projects seeking transmission access, and hope to see a greater availability of projects with transmission access as we undertake efforts to complete that commitment.

Finally, while current economic conditions have adversely impacted wind development, we anticipate that the passage of the federal stimulus package will provide for a three-year extension of the Production Tax Credit and alternative means for developers to obtain financing (such as the opportunity for a one-time election to have a project participate in the Investment Tax Credit). We hope that these initiatives will enhance the feasibility of new project development and ensure additional cost-effective wind resources for our customers.

## 2. *Bay Front Plant Modifications*

We have previously provided on an informal basis some general information regarding a planned biomass gasification project at our Bay Front plant in northern Wisconsin. We have now completed our study of this project and anticipate filing an application for the necessary Wisconsin approvals later this month. Although not required by the Settlement, we also plan to make an Advance Determination of Prudence filing with the Commission by the end of first quarter to ensure Commission awareness and consideration of this project

The project consists of modifying the Bay Front plant to produce synthetic gas (“Syngas”) from biomass that can then be used to produce electricity. The proposed project includes new biomass receiving-and-handling facilities, an external gasifier, modifications to the existing coal-fired boiler and auxiliaries, and an enhanced air quality control system.

The project will decrease the amount of electric generating capacity from the current rating of approximately 32 MW to an estimated 20 MW when burning Syngas; however, because the boiler will retain the ability to generate 32 MW of electricity when burning 100 percent natural gas, we do not expect the project to impact the plant’s total summer accredited capacity. This project will help us meet renewable requirements or objectives in all of the states we serve, as well as demonstrating new technology that may have useful applications in the future. If approved, this project would go into service in 2012 and cost approximately \$58.1 million.

## **B. RESOURCE PLAN**

As the Commission is aware, our current Resource Plan is pending before the Minnesota Public Service Commission. Comments and replies have been submitted in

that proceeding, and the matter awaits Commission action, which we expect will occur in second quarter. Attachment B provides a filing we made in that proceeding to provide a general update of our plan. We made this submission in an effort to help bring that proceeding to close. As noted in that submission, changed economic conditions have led to some changes in our Plan since the time proposed, generally indicating a delay or cancellation of previously identified resources.

The Minnesota Commission will determine the timing of our next full Minnesota Resource Plan filing when it considers the pending filing. We will notify you when the Minnesota Commission schedules our current Plan for consideration.

### C. CONCLUSION

We hope this information is useful and helps achieve the objectives of the Settlement Agreement. We anticipate covering these and other Resource Planning issues at our upcoming Periodic Information Exchange meeting, which will be scheduled after the current legislative session. Our goal is to have a good foundation for discussion in anticipation of our upcoming North Dakota Resource Plan filing, due July 1, 2009.

Meanwhile, we welcome any feedback or questions you may have regarding this filing or our current Resource Planning efforts. Please contact me at 701-241-8632, if you wish to discuss.

Sincerely,



DAVID SEDERQUIST  
SR. REGULATORY CONSULTANT

Enclosure

c: Service List

**Northern States Power Company**  
**Request For C-BED Wind Proposals**  
**January 21, 2009**

**Introduction**

Northern States Power Company, a Minnesota Corporation ("NSP" or "Company"), is seeking proposals for 20-year Power Purchase Agreements ("C-BED REPA") through issuance of this Request for Proposals ("RFP") for Minnesota Community-Based Energy Development (C-BED) wind projects.

The Company is seeking proposals that satisfy all of the proposal requirements described in this RFP document. **Proposals are due on February 20, 2009.**

Legislative/Regulatory Context

Pursuant to Minnesota Statute §216B.1612 ("C-BED Statute"), NSP is seeking proposals for new Minnesota wind generation resources to be in commercial operation by December 31, 2010. NSP will seek regulatory approvals for any resulting power purchase agreements from the Minnesota Public Utilities Commission (MPUC) according to the C-BED Statute provisions.

Eligible Resources

For purposes of this RFP, a resource will be considered eligible for consideration if (i) the proposed project meets the Minnesota C-BED eligibility requirements described in the C-BED Statute, (ii) it is a wind-energy generation facility, (iii) is located in Minnesota, and (iv) satisfies the pricing and interconnection requirements of this RFP. Only C-BED eligible resources will be considered under this solicitation.

Pricing

The C-BED Statute currently states that the tariff must provide for pricing for a C-BED project that is "higher in the first ten years of the C-BED REPA than in the last ten years". For purposes of calculating the net present value of an equivalent levelized pricing stream, bidders should assume an NSP discount rate of 7.41%. For clarity, the determining criteria for C-BED qualification is the project ownership structure as outlined in the C-BED Statute Section 1, Subdivision 2 and therefore bidders can propose pricing structures that are not front-loaded.

Bidders must provide a breakdown of transmission costs associated with their

proposal, including detailed pricing assumptions for direct interconnection costs, network upgrades, system protection facilities, and contingent transmission costs.

**Bidders must provide pricing both with and without consideration of the Federal production tax credit ("PTC"). Proposals submitted without both pricing streams will be considered incomplete.**

Selected C-BED projects will sell renewable energy (including all associated attributes) to NSP under a 20-year Renewable Energy Purchase Agreement ("C-BED REPA). NSP will develop C-BED REPAs with bidders selected through this solicitation. Two Model C-BED REPAs will be made available on the Xcel Energy website several days after the issuance of this RFP:

[xcelenergy.com/RFP](http://xcelenergy.com/RFP) to familiarize bidders with the terms and conditions under which NSP purchases wind power. Proposals for less than 20 MW nameplate wind capacity are directed to use the Small Wind Model and proposals that are 20 MW or larger are directed to use the Large Wind Model. Note the Security provisions are described in Article 7 of the Small Wind Model and Article 11 of the Large Wind Model. Due to certain provisions, bidders are strongly encouraged to review the Model C-BED REPA forms, including but not limited to the Security provisions, which could impact proposal pricing. In addition, NSP is interested to hear from bidders if there are specific provisions of the model contracts that are potential concerns relating to project development or project viability at this time.

#### Delivery and Interconnection

The proposed wind generating units must be physically located in the State of Minnesota and the Point of Delivery shall be at a location within the Midwest Independent System Operator's (Midwest ISO's) operational control.

Bidder shall be responsible for paying all Midwest ISO costs associated with an interconnection request. Bidder will also be responsible for the cost of all direct interconnection costs and those costs should be embedded in the cost of Renewable Energy in the bid. The cost of network upgrades for which Bidder is not entitled to reimbursement under their interconnection agreement should be included in the Renewable Energy price. Bidders shall identify and quantify (to the extent possible) any unknown or contingent network upgrade costs that they are aware of associated with interconnecting their project. Bidder shall provide the applicable Midwest ISO Generation queue number in their proposal as well as other interconnection information as described below under Tab 5, Interconnection.

**In order of preference, the Company will consider proposals for projects with the following:**

- (i) Signed Midwest ISO Generator Interconnection agreement
- (ii) Completed Midwest ISO facility study,
- (iii) Assigned to the Midwest ISO Definitive Planning Phase
- (iv) Midwest ISO System Planning and Analysis Phase study results  
Indicating project will qualify for Definitive Planning Phase
- (v) Interconnecting at distribution level voltage

Bid evaluation will give priority to those proposals that have an existing interconnection agreement or approved plan to be interconnected at distribution voltage, followed by those projects that are the furthest advanced in Midwest ISO's Generation Interconnection Process.

A successful bidder will be required to provide a letter of Voluntary Consent authorizing communication between the NSP Wholesale Merchant Function and the transmission owner/provider in accordance with 18 CFR 358.5 (b)(4) (FERC Order No. 2004 et seq.).

The following is a link to a web page containing notices of Voluntary Consents previously provided to NSP.

{ [HYPERLINK "http://www.rmao.com/xfpp/nsp\\_sf\\_postings/FERC-TPSOC-NSP-WrittenConsents.pdf"](http://www.rmao.com/xfpp/nsp_sf_postings/FERC-TPSOC-NSP-WrittenConsents.pdf) }

Bidder shall arrange and be solely responsible for all costs associated with the delivery of energy to the point of interconnection with the Midwest ISO member system. Bidder shall also be responsible for all losses incurred in transmitting energy from Facility to the point of interconnection.

As a part of the bid evaluation, NSP will estimate the relative risk of compensated curtailment (on terms consistent with the Model C-BED REPAs) of projects both in expected frequency and level of curtailment and expected cost to NSP and its customers. These estimates will be done by employees who are familiar with these transmission systems but who are outside of the transmission organization and the estimates will be made without the benefit of Midwest ISO system impact studies, unless such studies have already been done. Proposed projects with high risks of curtailment are less desirable as they will increase potential cost.

When applicable, the Company is willing to consider accepting the vendor's risk of cost responsibility for future unknown transmission improvements resulting from their queue position as higher queued projects are interconnected to the Transmission System or withdraw from the interconnection queue "Contingent Obligations". In the November 10, 2008 Order under Docket E-002/M-08-516, the MPUC stated that they would evaluate this type of pass-through of Contingent Obligations on a case-by-case basis along with the remainder of any purchase power agreements submitted for MPUC approval. If the Bidder is requesting to include this type of provision for their proposed project, they should

Indicate this request in their proposal along with any details of the type of possible transmission upgrades, range of cost estimates, etc.

The Company reserves the right to request additional information or clarification on or pertaining to issues related to queue position, including the cost of maintaining a queue position.

Schedule (Estimated and subject to change)

NSP's objective is to complete the evaluation, identification and negotiation of selected proposals as set forth below.

RFP Issued by NSP	January 21, 2009	
Proposals for New Projects Due to NSP	February 20, 2009	
Evaluation, Clarifications, Due Diligence, Negotiations	February – April, 2009	
C-BED REPA(s) submitted to MPUC for approval	May, 2009	
Latest Desired Commercial Operation by	December 31, 2010	

Pre-Bid Information

Prior to the submittal of proposals, prospective bidders may contact Rick Peterson with questions related to proposal submittal requirements:

Rick Peterson

Telephone: (612) 330-5831

\* E-mail address: { HYPERLINK "mailto:" } { HYPERLINK "mailto:richard.d.peterson@xcelenergy.com" }

If Rick Peterson is unavailable, you may contact Alissa Oppenheimer at (612) 330-7543 ( { HYPERLINK "mailto:alissa.j.oppenheimer@xcelenergy.com" } )

\* *E-malling is the preferred method of contact.*

Proposal Submittal

For each new proposal submitted, bidders must provide a complete, signed original proposal as well as three paper copies and one CD-ROM copy of all bid documents delivered to the following designated NSP contact person no later than 5:00 PM Central Standard Time on February 20, 2009,

Rick Peterson  
Resource Analyst  
414 Nicollet Mall (Marquette Plaza Suite 720)  
Minneapolis, Minnesota 55401

Attention: NSP 2009 C-BED RFP Proposal

Each proposal must be physically delivered to Rick Peterson or Alissa Oppenheimer by the bid deadline by hand, courier, registered mail or certified package delivery service. **Faxes and E-mails are not acceptable means of bid submittal.**

#### Proposal Clarification Questions

NSP may e-mail proposal clarification questions to bidders. Bidders will be expected to provide an e-mail response or other written response to such clarification questions within 5 business days.

#### Due Diligence Meetings

NSP may conduct due diligence meetings. The purpose of these meetings will be to review proposal details, including, without limitation, issues related to selected equipment, land/site, permits, transmission, development experience, financial background and capability and similar issues. Bidders may be asked at these meetings or via follow-up e-mails to provide additional information to NSP. Bidders will be expected to provide an e-mail response to such due diligence questions within 5 business days.

**Interconnection and turbine availability will get considerable attention during due diligence. Bidders should be prepared for that attention.**

#### C-BED REPA Negotiations

NSP will conduct C-BED REPA negotiations with bidders whose proposals the Company believes can provide the best value to our customers. At the Company's sole discretion, C-BED REPA negotiations may be terminated for lack of progress or timely conclusion.

#### List of Attachments

- Form R: Delivery Arrangements
- C-BED Affirmation

#### Representations

Prior to the execution of a C-BED REPA, NSP reserves the right at any time to:

- Accept or reject any proposals not received on or before the due date specified;
- Accept late or non-conforming proposals;
- Reject any or all proposals;
- Obtain clarification from bidders concerning proposals;
- Request from a bidder, information that is not explicitly stated in this document;
- Negotiate with other than the lowest nominal priced proposal(s);
- Consider, evaluate and weigh factors relative to bids in NSP's sole discretion; and
- Terminate the RFP.

#### Confidentiality

Bidders should clearly identify each page and piece of information claimed by bidder to be confidential, trade secret or non-public. Submittal must include justification for a claim of information having non-public status.

#### **Proposal Submittal Requirements**

A complete proposal will include one original and three additional copies, plus one electronic version on CD-ROM, assembled in the following format:

- *Tab 1 - Executive Summary:* Provide a project summary and overview.
- *Tab 2 – Project Description and Support Information:* Include specific project name, site location by Section(s), Township(s) and Range(s). Include project site maps illustrating the physical location as related to other area features. Also include any other pertinent support materials (i.e. – acknowledgement of local governmental support).
- *Tab 3 - Pricing:* Proposals must clearly specify all pricing terms and comply with Minn. Stat. §216B.1612 and the C-BED Tariff (Section 10, Sheets 160 through 162). Any and all indexed prices and/or price escalations must be

fully explained. **Bidders must offer pricing valid through the September 1, 2009. Indicative pricing is not acceptable.**

**Bidders must provide pricing both with and without consideration of the Federal production tax credit.**

- **Tab 4 – Turbine Availability:** Proposals must include discussion of the status of wind turbine availability and a specific schedule of anticipated activities necessary to acquire said turbines. The schedule should identify decision and equipment deposit deadlines
  
- **Tab 5 – Interconnection:** Describe the planned interconnection site by Section(s), Township(s) and Range(s) and illustrate as related to other area features. In addition, provide the actual point of interconnection, including substation name, voltage level, or if tapping and existing line, the line voltage level and substations located on each end of the tap point. This tab should include a completed Form R, Delivery Requirements (see attached form). Bidder shall provide all of the following information with their proposal:
  - Copies of all interconnection requests filed with Midwest ISO or other regional transmission organizations relevant to the bid.
  - Copies of all documentation evidencing the status of the proposed projects: (i) feasibility study; (ii) system impact study; and / or (iii) facility study or links to the documents on the Midwest ISO website.
  - Copies of the executed interconnection agreement, or unexecuted interconnection agreement draft.
  - Financial analysis relating to any costs to be incurred with regard to the interconnection agreement, including cost of installing the direct (and unreimbursed) interconnection facilities, the unreimbursed portion of any network upgrades that have been identified, and a discussion of any unknown or contingent network upgrades for which the project may be responsible;
  - Detailed discussion of the issues surrounding expected curtailments pertaining to the project.
  
- **Tab 6 – Affirmation:** Complete the attached C-BED Affirmation acknowledging the proposed project meets the C-BED Statute ownership and project

qualifications contained in Minn. Stat. §216B.1612 and the C-BED Tariff (Section 10, Sheets 160 through 162).

## Attachments

- C-BED Affirmation
- Notice of Customer Voluntary Written Consent

## TAB 5 Interconnection

Describe the planned interconnection site by Section(s), Township(s) and Range(s) and illustrate as related to other area features. In addition, provide the actual point of interconnection, including substation name, voltage level, or if tapping and existing line, the line voltage level and substations located on each end of the tap point. This tab should include a completed Form R, Delivery Requirements (see attached form). Bidder shall provide all of the following information with their proposal:

- o Copies of all interconnection requests filed with Midwest ISO or other regional transmission organizations relevant to the bid.
- o Midwest ISO queue number and G number.
- o Copies of all documentation evidencing the status of the proposed projects: (i) feasibility study; (ii) system impact study; and / or (iii) facility study or links to the documents on the Midwest ISO website.
- o Copies of the executed interconnection agreement, or unexecuted interconnection agreement draft.
- o Financial analysis relating to any costs to be incurred with regard to the interconnection agreement, including cost of installing the direct (and unreimbursed) interconnection facilities, the unreimbursed portion of any network upgrades that have been identified, and a discussion of any unknown or contingent network upgrades for which the project may be responsible;
- o Detailed discussion of the issues surrounding expected curtailments pertaining to the project.

## TAB 6

### Community Based Energy Development (C-BED) Affirmation

As an authorized agent or representative for \_\_\_\_\_,  
I acknowledge and confirm that this C-BED wind project proposal as  
submitted to Northern States Power meets the C-BED Statute  
ownership and project qualifications contained in Minn. Stat.  
§216B.1612 and the C-BED Tariff (Section 10, Sheets 160 through  
162).

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

## Northern States Power Company

### Notice of Customer Voluntary Written Consent

The FERC Standards of Conduct Regulations 18CFR Part 358.5(b)(4) states that a non-affiliated transmission customer may voluntarily consent, in writing, to allow the Transmission Owner and/or Transmission Provider (Midwest Independent System Operator, or Midwest ISO) to share the non-affiliated customer's information with a Marketing or Energy Affiliate which in this case is the Merchant Function of Northern States Power Company, a Minnesota Corporation. The Transmission Owner and/or Transmission Provider must post notice on the OASIS or a similar Internet website that consent has been given, along with a statement that the Transmission Owner and/or Transmission Provider did not provide any preferences, either operational or rate-related, in exchange for that voluntary consent.

Signature of this form by the project developer serves as voluntary written consent allowing the Northern States Power Company Wholesale Merchant Function to engage in non-public transmission/interconnection related discussions associated with the existing and a possible future power purchase agreement between Northern States Power Company and the project developer. Xcel Energy will maintain and protect the confidentiality of all information received from the Transmission Owner and/or Transmission Provider pertaining to the project developer's transmission/interconnection facilities.

**Project Developer:**

\_\_\_\_\_ {  
~~FILL IN MERGEFORMAT~~

**Project Description for which written consent is given:**

\_\_\_\_\_

**Signed:**

\_\_\_\_\_

**Print Name:**

\_\_\_\_\_

**Title:**

\_\_\_\_\_

**Date:**

\_\_\_\_\_

Please send a signed written consent letter to the Transmission Owner and/or Transmission Provider and a copy to the Northern States Power Company Wholesale Merchant Function contact below:

**Transmission Owner**

To be identified by Project Developer

**Transmission Provider**

Website link: { HYPERLINK  
"http://www.midwestmarket.org/page/Generator+Interconnection" }

**Northern States Power Company Wholesale Merchant Function**

Tom McDonough  
Manager, Transmission Access  
414 Nicollet Mall (Marquette Plaza Suite 700)  
Minneapolis, Minnesota 55401  
(612) 337-2258



414 Nicollet Mall  
Minneapolis, Minnesota 55401

February 9, 2009

- VIA ELECTRONIC FILING -

Burl W. Haar  
Executive Secretary  
Public Utilities Commission  
121 East Seventh Place, Suite 350  
St. Paul, MN 55101-2147

RE: 2007 RESOURCE PLAN UPDATE  
DOCKET NO. E002/RP-07-1572

2007 RENEWABLE ENERGY PLAN UPDATE  
DOCKET NO. E002/M-07-1558

Dear Dr. Haar:

Northern States Power, a Minnesota corporation, is pleased to submit this 2009 Update to our 2007 Resource Plan and Renewable Energy Plan proceedings. This update is offered to provide the Commission and interested parties a current view of our efforts to meet our resource needs including our progress toward meeting the renewable energy standards and objectives in the states we serve.

In the attached update, we review the status of our 5-Year Action Plan including our progress in implementing our Renewable Energy Plan. It is intended to assist the Commission in judging how best to bring both the Resource Plan and Renewable Energy Plan dockets to closure.

We believe we are at a point in our planning that lends itself to closure of the 2007 Resource Plan and Renewable Energy Plan. With the exception of the change in the timing of the next peaking resource as discussed in the attached comments, the rest of the elements of our action plan are well underway and will be addressed by the Commission in various acquisition and need dockets. It would be most helpful for the Commission to address the issue of DSM goal setting at this time as we prepare our Conservation Improvement Plan filings that will be submitted to the Office of Energy Security in June of this year.

Please contact either me at (612) 330-6732 or Betsy Engelking, Manager, Resource Planning and Bidding at (612) 330-7987 if you have any questions regarding this filing.

Sincerely,

/s/

JAMES ALDERS  
DIRECTOR, REGULATORY ADMINISTRATION

Enclosures  
c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

David C. Boyd	Chair
J. Dennis O'Brien	Commissioner
Thomas Pugh	Commissioner
Phyllis A. Reha	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF AN APPLICATION  
BY NORTHERN STATES POWER  
COMPANY, A MINNESOTA  
CORPORATION, FOR RESOURCE PLAN  
APPROVAL 2008-2022

DOCKET NO. E-002/RP-07-1572

2007 RENEWABLE ENERGY PLAN

DOCKET NO. E-002/M-07-1558

2009 UPDATE

INTRODUCTION

On December 14, 2007, Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), filed our 2007 Resource Plan with the Commission. The 2007 Resource Plan provided specifics as to how we would cost-effectively meet our customers’ needs for energy and capacity while complying with all state and federal requirements. Our Action Plan proposed a diverse mix of resources including coal, nuclear, hydro, wind, biomass and natural gas and resulted in a 22% reduction in carbon dioxide emissions from 2005 levels by 2020.

In conjunction with our Resource Plan, on December 10, 2007 we filed a Renewable Energy Plan pursuant to Minn. Stat. 216B.1691, subd. 10. The Renewable Energy Plan sets out our proposal for acquiring sufficient renewables to meet Minnesota’s Renewable Energy Standard, including our plans for acquiring both C-BED and non-C-BED resources. The plan discussed our intention to acquire 2600 MW of additional wind by 2020 and to distribute that acquisition among owned, PPA and C-BED wind such that our portfolio eventually consists of roughly equal proportions of each.

Since we filed our Resource Plan, the nation has experienced a significant economic downturn. Like many companies, we are constantly reviewing our sales forecasts and revising our plans to address the effects of this recession. In our September 5, 2008 reply comments, we offered a revised forecast and proposed to delay several resources that were contained in our Action Plan. Since those comments were filed, we have continued to review our options in order to ensure that we are meeting our customers' needs and our obligations at reasonable cost.

Our review leads us to conclude that our Resource Plan and our Renewable Energy Plan continue to be sound approaches to meeting our customers' energy requirements. However we believe it is prudent to readjust our five-year Action Plan slightly by deferring the acquisition of a peaking resource originally planned for 2011.

Resource planning is a dynamic process of constant reevaluation as new information becomes available, especially during periods of rapid change in the economy, as we are currently experiencing. It can become difficult to judge when one cycle of the review process should end and the next begin. In some circumstances, it is appropriate to address changes within the review cycle. However if the review process continues too long, too much of the underlying analysis can become too outdated.

We believe we are at a point in our planning that lends itself to closure of the 2007 Resource Plan docket. With the exception of the change in the timing of the next peaking resource, the rest of the elements of our Action Plan are well underway and will be addressed by the Commission in various acquisition and need dockets. The issue that has received the most comment in our Plan has concerned what targets or goals should be set for demand-side management efforts in the near term. Our Action Plan proposes stepped up goals for three years to address this issue.

This update is offered to provide the Commission and interested parties a current, comprehensive view of our efforts to meet our resource needs including our progress toward the renewable energy standards and objectives in the states we serve. In the sections that follow we review the status of our action plan including our progress in implementing our Renewable Energy Plan.

## I. BACKGROUND

The 2007 Resource Plan was based on our projection of 1.2% annual demand growth and 1.1% annual energy growth. After accounting for current resources, our plan showed that capacity additions would be required as early as 2011. Key components of the action plan included:

- Increasing our DSM goals to achieve 1.1 percent annual energy savings.
- Installing sufficient renewables to meet our legislative requirements.
- Completing our planned solicitation for peaking resources in 2011.
- Extending the life of Prairie Island nuclear plant and increasing the capacity at both Prairie Island and Monticello.
- Pursuing capacity expansion at Sherco.
- Investigating the repowering of our Black Dog facility.
- Completing our planned extension of our Manitoba Hydro agreements.
- Continue and support efforts to ensure that sufficient transmission resources are available to get needed generation to load.
- Initiating processes to acquire additional peaking and intermediate capacity.

On June 16, 2008, several parties submitted comments in response to our plan including the Minnesota Office of Energy Security (the “Office” or “OES”), Izaak Walton League of America-Midwest Office, the Union of Concerned Scientists, Fresh Energy, the Minnesota Center for Environmental Advocacy (“MCEA”), Minnesota Chamber of Commerce, Excelsior Energy, and the Prairie Island Indian Community. While parties were generally supportive of our plan, they did raise some concerns. In particular, the OES and the MCEA proposed higher DSM goals.

In our reply comments dated September 5, 2008, we addressed both the comments raised by parties and the impact of changing economic conditions on our plan. Based on parties’ comments and further exploration, we proposed to phase in a 1.3% DSM savings goal by 2012. We also updated our model to account for a lower forecast, new reserve margins and reduced short-term purchases. The resulting plan eliminated the need for a peaking facility in 2012 and delayed another facility to 2014. We also proposed moving the Black Dog repowering proposal to a 2015 commercial operations date instead of 2013.

Pursuant to our Renewable Energy Plan, we issued an RFP in December 2007 for up to 500 MW of Company-owned wind projects, and in June 2008 we issued an RFP for C-BED wind to be in service by the end of 2009. Our progress on these RFPs is included in the update below.

## II. UPDATE ON RESOURCE ACQUISITION ACTIVITIES

Since filing our reply comments, we have continued to evaluate and refine our plan with the goal of ensuring that the size, type and timing of our facilities are reasonable under a number of possible future load growth scenarios. With this in mind, we provide the following update of the action plan and proceedings that have been initiated in conjunction with our 2007 Resource Plan filing.

### A. DEMAND-SIDE MANAGEMENT GOALS

We are in the process of preparing our Triennial CIP filing, which is the next step in implementing the enhanced DSM goals that have been established by the legislature. The filing will provide project proposals that are designed to achieve our long-term DSM goals. We are currently developing that plan using the phased-in DSM goals that we proposed in our September 2008 reply comments: 1.15% savings by 2010, 1.2% in 2012, and 1.3% annual savings in 2013 and for which we seek approval of in our Action Plan.

### B. SHERCO UPGRADES

Our 2007 Resource Plan filing included a proposal to achieve additional capacity and energy at our Sherco Generating Facility in conjunction with environmental improvements. We provided the Pollution Control Agency and the Commission plans for achieving those reductions as required in Minnesota's Mercury and Emissions Reduction Statutes.

At this time we are moving forward with the capacity addition at Sherco 3 as well as the installation of a mercury control system. Our original plan stated that the uprate would increase capacity by approximately 17 MW in total and Xcel Energy's share of the increased capacity would be 10 MW. Engineering has progressed and it now appears the total production capacity increase will more likely be in the range of 25 to 30 MW. Xcel Energy's share of the increased capacity would be 15 to 18 MW. Under the current schedule, the additional capacity will be available by the end of 2011. We respectfully renew our request for approval of the Sherco 3 uprate as part of our Resource Plan.

Our plan to reduce emissions at Sherco 1 & 2 was much broader in scope and called for completely replacing the wet scrubber precipitator pollution control equipment with spray dryer absorber baghouse technology, an investment of approximately \$800 million dollars. We also looked at performing efficiency improvements and increasing capacity by approximately 70 MW at the same time as we completed the environmental improvements. The capacity improvements were estimated at approximately \$245 million.

After initial engineering work, a review of the current economic climate and our current load growth scenarios, we concluded that it would be prudent to delay these projects at Sherco 1 and 2. On November 5, 2008 we petitioned the Commission for permission to withdraw our Comprehensive Emissions Control and Upgrade Plan for these units. That withdrawal request was granted on December 9, 2008.

We are continuing to review our options and requirements for these units. We are required to file Mercury Plans for these units in 2009. We will provide an update in our next Resource Plan filing regarding further emissions projects and potential updates.

### **C. 2011 PEAKING REQUEST FOR PROPOSALS ("RFP")**

Pursuant to the Commission's Order in our 2004 Resource Plan (Docket E002/RP-04-1752), we issued an RFP in November 2007 for 160 MW (136 MW net) of peaking capacity to be in service by 2011. In August 2008 we selected two proposals and began negotiation. During negotiations, parties proposed new pricing that required us to reevaluate both proposals in the context of the entire resource plan. At the same time we began seeing declines in sales as the economy weakened. Based on our analysis of expected load, we determined that by increasing short-term purchases by less than 100 MW in 2011 and 2012, the peaker could be delayed until 2013 or 2014, saving customers over \$25 million. Based on this conclusion, we have discontinued our negotiations for a 2011 facility.

Under our current assumptions, we will likely need to begin a new resource acquisition process for peaking capacity in 2010 or 2011 to meet an anticipated 2013 or 2014 need. However, we recognize that there is considerable uncertainty regarding economic recovery. If the economy were to recover earlier than we currently project, we may need to advance the start of this

acquisition process. We will continue to monitor the situation and bring a proposal to the Commission to acquire peaking capacity earlier if necessary.

**D. ADDITIONAL DRY CASK STORAGE AND POWER UPRATES AT OUR NUCLEAR FACILITIES**

On January 8, 2009, the Commission issued its order granting our Certificate of Need for an extended power uprate at our Monticello Nuclear Generating Station (Docket No. E002/CN-08-185). The authorization allows us to increase the plant's production capacity by approximately 70 MW and will play a significant role in our efforts to reduce the carbon emissions of our fleet. We are in the process of obtaining NRC approval for amendments in the plant's operating license to accommodate the uprate. We plan to begin the necessary retrofits for the uprate during the 2009 refueling outage, and completing them by 2011.

On May 16, 2008 we filed two Certificate of Need ("CON") applications for Prairie Island. Docket No. E002/CN-08-509 is for our extended power uprate that will increase production capacity by approximately 160 MW and Docket No. E002/CN08-510 is for additional dry cask storage to support extending operation through 2034. Testimony is due in these proceedings on April 1, 2009 and we anticipate Commission action by the end of the year.

The nuclear life extension and uprates continue to be our most cost-effective options to meet anticipated needs over the planning period. We are moving forward with these proceedings and expect to complete Life Extension and the extended power uprates at Prairie Island by 2016.

**E. MANITOBA HYDRO CONTRACT EXTENSION**

We are continuing to negotiate a contract with Manitoba Hydro to implement the agreed-upon term sheet for a 10-year purchase of 375 MW of capacity with 5x16 energy starting in 2015. This resource is a replacement for our current 500 MW purchase from Manitoba Hydro. The term sheet also extends our 350 MW diversity exchange through 2025.

Since the term sheet was signed, the Midwest Reliability Organization has adopted new resource adequacy requirements that are somewhat different than the standards previously used in MAPP to accredit capacity. We have been working with MISO and Manitoba Hydro to ensure that the capacity under the new agreements can be used to meet our capacity obligations and reserve

margins. Those discussions have taken time. We have recently extended the term sheet to April 30, 2009. We expect to initiate a resource acquisition docket before the Commission and seek approval of a contract some time this year.

#### **F. BLACK DOG REPOWERING**

In our initial Resource Plan filing, we discussed the possibility of retiring the remaining coal facilities at Black Dog and repowering the site with an additional natural gas-fired combined cycle unit. Without this conversion, it appears Black Dog will require significant investments including environmental improvements by mid-2015.

During 2008 we hired engineering consultants to develop the costs and schedules for this potential project. In our Reply Comments, we discussed early results that indicate a 700-750 MW combined cycle unit in 2015 may be a cost-effective option. We continue to evaluate this option at Black Dog, including alternatives that would phase in a new facility over several years. We plan to conclude our development process and update the Commission on the resulting proposal yet this year.

#### **G. BAY FRONT PLANT**

In our Resource Plan we stated: "We will continue to pursue potential repowering and life-extension projects and propose them for implementation, if appropriate." We further stated that we were studying the implications of using biomass gasification at Bay Front, we expected to complete these studies in 2008 and if feasible, file with the Commission to describe the findings and recommendations. We have completed that study and are looking to bring forth a filing later this month to request eligibility for RES Rider recovery for our proposal to modifying the existing boiler #5 at Bay Front such that it is able to produce synthetic gas ("Syngas") from biomass that can be utilized for production of electricity. The proposed Project includes new biomass receiving and handling facilities, an external gasifier, modifications to the existing coal-fired boiler (boiler #5) and auxiliaries, and an enhanced air quality control system.

The project will decrease the amount of electric generating capacity from the current rating of approximately 32 MW to an estimated 20 MW when burning Syngas. The boiler will retain the ability to generate 32 MW of electricity when burning 100 percent natural gas, however. The Company does not expect the

Project to impact the plant's total summer accredited capacity. The addition of this Project will help the Company meet our RES requirements. It will go into service in 2012 and cost approximately \$58.1 million.

### III. UPDATE ON OUR RENEWABLE ENERGY PLAN

In December 2007, we filed our Renewable Energy Plan with the Commission in Docket No. E002/M07-1558. We provide a brief update on our actions under that plan so that the Commission has information on all activities that affect our future resource mix.

#### A. C-BED ACQUISITION

We continue to work to meet our current commitment to have 500 MW of C-BED resources on line by 2010. As of the end of 2008, we have approximately 78 MW of C-BED projects in operation and 46.5 MW under contract and expected to be operational by the end of 2009. In addition, we are negotiating contracts for 224 MW of C-BED projects that were proposed to us in response to our June 2008 C-BED RFP.

Recent reforms to the MISO queue process appear to have opened new opportunities for C-BED projects to interconnect to the transmission system and increase the likelihood that we will be able to meet our goal. On January 21, 2009 we issued a new C-BED RFP to consider proposals that will be operation by the end of 2010. Proposals are due on February 20, 2009.

#### B. COMPANY OWNED WIND ACQUISITIONS

One of the key components of our Renewable Energy Plan is to increase our ownership in wind projects. To advance that goal, we issued an RFP for up to 500 MW of Company-owned wind through a build-transfer process. On December 3, 2008, we filed for Commission approval for two wind projects that we propose to own through a build-transfer process with our selected development partner, enXco Development Corporation. The 201 MW Nobles Wind Project, to be located in southwestern Minnesota, is planned to become operational in December 2010. The 150 MW Merricourt Wind Project, to be located in southeastern North Dakota, is planned to become operational in December 2011. At the same time, we also filed petitions with the North Dakota Public Utilities Commission for a Certificate of Public Convenience and Necessity for the Merricourt project and for an Advanced Determination of Prudence for both wind projects.

While the acquisition process that resulted in the Nobles and Merricourt Wind Projects was designed to acquire up to 500 MW, we decided to pursue two projects at this time primarily due to current uncertain economic conditions. Like virtually all sectors of the economy, current conditions are affecting the renewable energy sector. This uncertain and more costly financing environment has impacted the business development plans of the participants. Additional uncertainty regarding longer-term tax policy support and the potential form of Federal stimulus initiatives have also impacted plans and project economics.

While current economic conditions have impacted project development, evolving circumstances may also offer potential opportunity to partner and support attractive projects. By electing to pursue the two projects selected in the RFP, we have preserved some flexibility to invest further should opportunity arise. We continue to actively monitor the wind power development market for economic investment opportunities and we continue to engage developers and other market participants in partnership dialogue. We recognize that any projects we may propose will need to be demonstrated to be reasonable and prudent, and meet the reasonable cost standard identified by the OES in its comments on our Renewable Energy Plan.

We are on track for meeting the States' renewable energy standards and objectives as presented in our Renewable Energy Plan. Operational integration of the Grand Meadow Wind Project is well underway. Project management relating to the development of the Nobles and Merricourt Wind Projects is in progress. Support of the permitting and regulatory approval processes is underway. We look forward to exploring and procuring additional renewable resources to meet customers' needs. As we identify projects that we believe could benefit our customers and our shareholders, we will bring them to the Commissions in the states we serve for consideration.

We have committed to add 200 MW of wind in North Dakota. Our proposed Merricourt project, if approved, would fulfill 150 MW of that commitment. We are continuing to take steps exploring our opportunities for fulfilling the remaining 50 MW. To this end, we are considering opportunities to partner with others and/or issue a North Dakota solicitation for proposals to identify projects and facilitate our selection. The changing market may offer opportunities to secure additional North Dakota wind resources at cost-effective prices.

#### IV. REVISED ACTION PLAN AND FILING DATE

In summary, we have modified our action plan to reflect the deferral of the 2011 peaking facility and the capacity expansion at Sherco Units 1 and 2. Consistent with our initial action plan, we propose to continue to move forward with our Manitoba Hydro Extension negotiations and our Black Dog Repowering investigation, and will bring these issues to the Commission for approval in the appropriate forums. Other resource additions will be considered more fully in our next resource plan.

We respectfully request that the Commission approve our 2007 Resource Plan and our revised five-year Action Plan as follows:

- *Significantly increase DSM goals to meet legislative requirements by striving to achieve a 1.15% DSM goal in 2010, 1.2% in 2011 and 1.3% in 2012.*
- *Install sufficient renewables to meet the Minnesota RES and other states' renewables policies.*
- *Obtain NRC and Minnesota approvals for additional dry cask storage and power uprates at Prairie Island and Monticello.*
- *Pursue capacity expansion at our Sherco 3 coal-fired unit.*
- *Continue to investigate repowering at Units 3 and 4 of our Black Dog Plant.*
- *Initiate a new proceeding for approval of a 375 MW intermediate and 350 MW peaking resource from Manitoba Hydro that would begin in 2015.*
- *Initiate a proceeding for 160 MW peaking resource in 2010 or 2011 that would be placed in service in 2013 or 2014.*
- *Continue and support efforts to ensure that sufficient transmission resources are available to get needed power from generating plants in this resource plan to load.*

Commission approval of this Action Plan, including our long-term DSM goals, will allow for closure of the 2007 Resource Plan and continued implementation of items requiring near-term action. At the same time, we plan to start developing a new 15-year Resource Plan that will fully evaluate the effects of current conditions and future projections on our long-range plans.

Current economic conditions have resulted in increased volatility for many of the assumptions we use in our planning. We hope to have a better understanding of where the economy is going by the third or fourth quarter of this year. To balance the need for more stable information with the timely development of a new plan, we propose that the Commission establish a filing date of August 1, 2010 for our next Resource Plan.

## V. CONCLUSION

The 2007 Resource Plan before the Commission is designed to implement major legislative policies related to renewables, energy conservation and carbon reduction while maintaining a reliable system at a reasonable cost. Intervenor comments on our Resource Plan demonstrated broad support for many of our proposals, and we believe the remaining issues can be resolved in the proceedings seeking approval for specific resource additions. As we move forward with a new plan, we commit to working with our stakeholders including the Commissions of neighboring states to incorporate their issues and ideas into our planning process.

Dated: February 9, 2009

Respectfully Submitted by:  
Northern States Power Company

/s/

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JAMES ALDERS  
DIRECTOR, REGULATORY ADMINISTRATION

CERTIFICATE OF SERVICE


I, Nancy A Haley, 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/RP-07-1572; E-002/M-07-1558

Dated this 9th day of February 2009.

  
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In the Matter of Xcel Energy's 2008-2022  
Integrated Resource Plan

E002/RP-07-1572

9-4-2008

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Xcel Energy: In the Matter of Xcel Energy's  
Renewable Energy Plan

Docket No. E002/M-07-1558

01-14-09

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**CERTIFICATE OF SERVICE**

I, Nancy A Haley, hereby certify that I have this day served copies of the foregoing document on the attached list of persons by delivery by hand or by causing to be placed in the U.S. mail at Minneapolis, Minnesota.

**Case No. PU-07-776**

Dated this 9th day of February 2009

  
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Nancy A Haley

In the Matter of the Application by Northern States  
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