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November 8, 2011

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

**PUBLIC SERVICE COMMISSION**

**Re: Otter Tail Power Company  
Advance Determination of Prudence -  
CapX2020 Group 1 Application  
Case No. PU-09-676**

**Northern States Power Company  
Advance Determination of Prudence -  
CapX2020 Group 1 Application  
Case No. PU-09-678**

Dear Mr. Nitschke:

Pursuant to Section 6(d) of the Settlement on Continued Prudence in the above referenced cases, Northern States Power Company, a Minnesota corporation ("Xcel Energy"), and Otter Tail Power Company ("Otter Tail" and, collectively with Xcel Energy, "Applicants") provide to the North Dakota Public Service Commission (the "Commission") the following update on the status of the cost allocation methodology applicable to the Brookings Project.

Applicants have agreed to provide timely updates to the Commission as to the status of the cost allocation methodology applicable to the Brookings Project while such methodology is under review by the Federal Energy Regulatory Commission and the courts. Below, please find an update of the most recent activity.

Darrell Nitschke, Executive Director

November 8, 2011

Page 2

1. *Order on Rehearing*

On October 21, 2011, the Federal Energy Regulatory Commission (“FERC”) issued its Order Denying in Part and Granting in Part Rehearing, Conditionally Accepting Compliance Filing, and Directing Further Compliance Filings in Docket Nos. ER10-1791-001; ER10-1791-002 (“MVP Rehearing Order”).<sup>1</sup> In the MVP Rehearing Order, FERC upheld the Multi Value Project (“MVP”) cost allocation methodology proposed by the Midwest Independent Transmission System Operator, Inc. (“MISO”) and approved by the FERC in its December 16, 2010 Order Conditionally Accepting Tariff Revisions in Docket No. ER10-1791-000 (“MVP Order”).<sup>2</sup>

Specifically, the MVP Rehearing Order held that the MVP Order is consistent with the principles of cost causation and consistent with other precedent relating to cost allocation methodologies, including *Illinois Commerce Commission v. FERC*.<sup>3</sup> The MVP Rehearing Order also upheld the rate design for the MVP usage rate as an energy charge. Additionally, the MVP Rehearing Order made no changes to the assessment of the MVP usage rate to export transactions and wheel-through transactions and continued the exemption for transactions crossing the MISO seam with the PJM Interconnection. The MVP Rehearing Order also addressed several other issues such as joint ownership, effective date of the MVP Order, and certain generator interconnection issues that do not impact the MVP cost allocation methodology as is applicable to the Brookings Project. Last, the MVP Rehearing Order required certain compliance filings be made with respect to the definition of the MVP portfolio.

Based on the terms of the MVP Rehearing Order, the cost allocation methodology for MVPs will remain the same as proposed by MISO and approved by FERC. Consequently, Applicants believe that the MVP Rehearing Order did not cause a material modification of the MVP cost allocation methodology.

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<sup>1</sup> *Midwest Independent Transmission System Operator, Inc.*, 137 FERC ¶ 61,074 (2011).

<sup>2</sup> *Midwest Independent Transmission System Operator, Inc.*, 199 FERC ¶ 61,221 (2010).

<sup>3</sup> 576 F.3d 470 (7th Cir. 2009).

Darrell Nitschke, Executive Director  
November 8, 2011  
Page 3

2. *Petitions for Review*

On October 27, 2011, Hoosier Energy Rural Electric Cooperative, Inc. and Southern Illinois Power Cooperative filed a petition for review of the MVP Order and the MVP Rehearing Order with the Court of Appeals of the Seventh Circuit. Also on October 27, 2011, the Illinois Commerce Commission filed a separate petition for review of the MVP Order and MVP Rehearing Order with the Court of Appeals for the Seventh Circuit. On October 31, 2011, MISO and a group of MISO Transmission Owners filed separate petitions for review with the Court of Appeals for the District of Columbia Circuit. These filings commence the appeals process for the MVP Order and the MVP Rehearing Order. Consistent with Section 6(d) of the Settlement on Continued Prudence, Applicants will continued to provide prompt updates to the Commission as the appeals process continues.

Please feel free to contact Mr. Dave Sederquist at (701) 241-8632, or Mr. Dean Pawlowski at (218) 739-8947 if the Commission requires any additional information.

Respectfully,

/s/ James R. Alders  
James R. Alders  
Director of Regulatory Administration  
Xcel Energy Services Inc. on behalf of  
Northern States Power Company

/s/ Dean Pawlowski  
Dean Pawlowski  
Principal Engineer  
Otter Tail Power Company

cc: Illona Jeffcoat-Sacco  
Matt Dorsett  
Mitch Armstrong