



2302 Great N. Drive
Fargo, ND 58102

May 22, 2014

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

**Re: Big Stone South-Brookings County 345 kV Transmission Line Advance
Determination of Prudence Variance**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, respectfully requests a variance from a previous Settlement provision¹ requiring the Company to file an Advance Determination of Prudence (ADP) for proposed transmission projects at least 50 miles in length. The variance would apply, in this case, to the 70 mile Big Stone South-Brookings County 345 kV Transmission Line.

The Company acknowledges its commitment to file ADPs for larger transmission projects under its 2008 rate Settlement. However, in this case the Company believes an ADP is unnecessary given that the impact on North Dakota rates is fairly insignificant. The Multi-Value Project (MVP) designation of this transmission line by the Midcontinent Independent System Operator (MISO) means that about nine percent of the line's overall \$225 million cost, or \$20.1 million, will be assigned to Xcel Energy's customers across its five-state NSP System. North Dakota's portion of the NSP System share is only about 4.9 percent, resulting in approximately \$130,000 in annual revenue requirements being assigned to our North Dakota customers.

In February, I discussed this issue with members of the Commission staff, Jerry Lein and Mike Diller. Both agreed that the project's MVP designation and relatively low rate impact in North Dakota make it harder to justify the time and resources needed for the Company to file, the staff to review, and the Commission to hear an ADP request in this situation. They concurred with our intent to file this letter requesting a

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

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variance from the ADP filing requirement. As an aside, we also understand that Ottertail Power Company has discussed with staff their decision to not file an ADP request for this project for similar reasons.

Please know that while the Company is seeking this variance, if the Commission prefers that instead an ADP be filed for this transmission line, we would be happy to make the filing.

Please feel free to contact me if the Commission requires additional information or has any questions.

Respectfully,



DAVID H. SEDERQUIST
SENIOR REGULATORY AND FINANCIAL CONSULTANT

cc: Illona Jeffcoat-Sacco
Mitch Armstrong