STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Northern States Power Company
Sale of Renewable Energy Credits
Tariff

Case No. PU-10-19

AFFIDAVIT OF SERVICE BY CERTIFIED & REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Cara DeSaye deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **9th** day of **September, 2010,** she deposited in the United States Mail, at Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Order

The envelope was addressed as follows:

James A. Alders
Director Regulatory Administration
Xcel Energy
414 Nicollet Mall 7th Fl
Minneapolis MN 55401

7010 1060 0001 0644 4109

Cara DeSaye further deposes and says that on the **9th** day of **September, 2010,** she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

The envelopes were addressed as follows:

David H Sederquist
Sr Consultant Regulation & Finance
Xcel Energy
2302 Great Northern Dr
Fargo ND 58102

SaGonna Thompson
Records Specialist
Xcel Energy
414 Nicollet Mall 7th Fl
Minneapolis MN 55401

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **9th** day of **September, 2010.**

Notary Public

SEAL

SHELLY A. BAUSKE
Notary Public
State of North Dakota
My Commission Expires July 22, 2016

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PUBLIC SERVICE COMMISSION

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ORDER

September 8, 2010

On January 4, 2010, Northern States Power Company (NSP) filed an Application for approval to implement a pilot program in North Dakota to sell excess Renewable Energy Credits (RECs) allocated to North Dakota jurisdictional customers and credit the applicable proceeds back to customers using the Fuel Cost Rider (FCR). NSP's FCR is the Automatic Adjustment Clause authorized by North Dakota Administrative Code Section 69-09-02-39, a tariff provision that provides for changes in rates reflecting changes in NSP's fuel costs.

On January 27, 2010, the Public Service Commission (Commission) suspended NSP's FCR filed with the Application to credit customers for the sale of RECs.

On April 6, 2010, the Commission held a Work Session to discuss NSP's Application.

On April 28, 2010, the Commission issued a Notice of Opportunity for Hearing (Notice) that provided until June 11, 2010 for receiving written comments or requests for a hearing. No responses were received. As identified in the Notice, the issue considered was whether or not to allow for a waiver of North Dakota Administrative Code Section 69-09-02-39 for the inclusion of the revenue from the sale of RECs in the FCR.

Under North Dakota Administrative Code Section 69-09-02-39, the revenue from the sale of RECs is not an includable item in the FCR. NSP requested that the Commission consider allowing the revenue from the sale of RECs to be included in the FCR under North Dakota Administrative Code Section 69-09-02-39(10).

NSP's proposed plan has four elements:

1. RECs are allocated among NSP's state jurisdictions in the same manner renewable energy is currently being allocated with approximately five percent of NSP's total RECs being allocated to North Dakota. NSP estimates the annual allocation to North Dakota ranging from 300,000 RECs to 450,000 RECs by 2015. One REC is

associated with each megawatt-hour of renewable energy produced or purchased. NSP estimated the market value of a REC currently at $1.50.

2. Beginning in the year 2015, NSP will document compliance with North Dakota's Renewable Energy Objective (REO) by retiring RECs from a pool of active RECs allocated to the North Dakota jurisdiction. It is assumed no RECs will need to be retired until 2015, when the REO has the goal for renewable energy of ten percent of retail sales.

3. NSP will attempt to sell all RECs allocated to North Dakota in excess of those needed for compliance with North Dakota's REO. It is assumed no RECs will be needed for compliance until the year 2015.

4. NSP proposes to return 85 percent of the applicable net revenue generated through REC sales to customers through a credit to the FCR and retain 15 percent of the net revenue as an incentive to maximize the value of REC's in an immature market. In NSP's like filing in South Dakota, the South Dakota Public Utilities Commission authorized NSP to retain ten percent of the net revenue as an incentive.

The Commission finds merit in NSP's Application for a pilot program in North Dakota to sell excess RECs allocated to North Dakota jurisdictional customers and returning the applicable proceeds back to customers. The Commission also finds good cause to grant NSP a waiver of the requirements of North Dakota Administrative Code Section 69-09-02-39 to allow NSP to credit revenue back to customers from the sale of RECs.

Order

The Commission Orders:

1. NSP shall implement a pilot program in North Dakota to sell excess RECs allocated to North Dakota jurisdictional customers.

2. All allocated RECs must be considered excess and no RECs may be considered needed for compliance until the year 2015.

3. NSP shall return to customers 90 percent of the applicable net revenue generated through REC sales and retain 10 percent of the net revenue as an incentive to maximize the value of RECs in an immature market.

4. NSP shall include revenue from the sale of RECs in its FCR for the duration of the pilot program or until the effective date of rates filed with NSP's next general North Dakota rate increase application, whichever occurs first.

5. NSP shall file an annual report with the Commission documenting the results of its REC sales. This report can be included as a part of its annual progress reporting requirement toward meeting the renewable energy and recycled energy objective as required under North Dakota Century Code Section 49-02-34.

PUBLIC SERVICE COMMISSION

Tony Clark	**Kevin Cramer**	**Brian P. Kalk**
Commissioner	**Chairman**	**Commissioner**