



414 Nicollet Mall
Minneapolis, Minnesota 55401

January 31, 2012

—VIA E-MAIL & U.S. MAIL—

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
Department 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

RE: IN THE MATTER OF AN APPLICATION FOR ADVANCE DETERMINATION OF
PRUDENCE FOR TWO PRAIRIE ISLAND NUCLEAR PLANT PROJECTS: NEW UNIT
2 STEAM GENERATORS AND UNITS 1 AND 2 EXTENDED POWER UPRATES.
CASE No.: PU-10-127

Dear Mr. Nitschke:

On April 19, 2010, Northern States Power Company submitted the above-referenced application for an Advance Determination of Prudence (“ADP”). Since that time your Staff has reviewed the application and conducted discovery. We have discussed potential settlement conditions as a part of this proceeding as well. However, as summarized below, we believe developments impacting the extended power uprate (“EPU”) project since the filing of this application warrant: (1) a suspension of this proceeding; and (2) a Company update in order to allow a complete evaluation of the prudence of the EPU project at the Prairie Island Nuclear Plant.

As part of the ADP application, the Company described how increasing production at Prairie Island through an EPU was the most economical solution to reliably produce additional electricity. This conclusion was based in part upon a comprehensive cost benefit analysis which demonstrated power production costs would be significantly lower with continued and increased generation at Prairie Island compared to alternatives.

Since our ADP application was filed, we have made significant progress in the engineering and procurement process, which has allowed us to refine our cost estimates and expected performance of the EPU program. As described in our December 1, 2011 Resource Plan Update, while we have already achieved 18 of the

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164 MWs planned in the EPU, we have also determined that achieving 29 MWs of the 164 MWs would not be cost-beneficial. In addition, we now anticipate the implementation of the EPU will be delayed one or two refueling cycles to: (1) accommodate the NRC's request for more complete final design information to be included in our application instead of in parallel with the NRC staff's review; and (2) accommodate a slightly longer review period due to NRC staff's workload since the Fukushima Daiichi incident.

Before we proceed further with the Prairie Island EPU project we believe it would be appropriate to present our additional analysis in more detail. This will provide an opportunity for the Commission and other interested parties to understand the current cost projections, MW amount, timing, and risks, and will help the Commission determine whether granting an ADP for the PI EPU continues to be in the public interest.

It is important to note that this re-evaluation of the Prairie Island EPU project does not impact our ADP request for the Unit 2 steam generator replacement project scheduled for implementation in 2013. One major milestone for that project has been achieved when in June 2011 the NRC approved operating license extensions for Units 1 and 2 to operate until 2033 and 2034 respectively.

In light of the above, we respectfully request the Commission suspend the current proceeding to provide the Company with an opportunity to update our ADP filing with more current information regarding the EPU. We anticipate providing an update in early second quarter 2012 and will work with your Staff to establish a schedule for considering the update and bringing a recommendation before the Commission for its consideration.

Please feel free to contact me at 612-330-5641 with any questions.

Sincerely,

/s/

BRIAN R. ZELENAK
MANAGER, REGULATORY ADMINISTRATION