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October 23, 2012

—Via Electronic Filing—

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

Re: **Northern States Power Company
Advanced Determination of Prudence –
Prairie Island Nuclear Plant Life Extension &
Extended Power Uprate Application
Case No. PU-10-127**

Dear Mr. Nitschke:

Enclosed for filing in the above referenced case, please find Northern States Power Company's (Xcel Energy or the Company) October 22, 2012, Supplement to the Notice of Changed Circumstances and Petition regarding the extended power uprate (EPU) at the Prairie Island Nuclear Generating Plant as filed with the Minnesota Public Utilities Commission (MPUC).

Consistent with the Company's commitments to provide this information to the North Dakota Public Service Commission (Commission), we are making this filing to provide additional information with regard to our currently pending petition for Advance Determination of Prudence (ADP) in the above referenced case. We hope this information will provide further context for our request that the Commission move forward with consideration of an ADP for the replacement of the Unit 2 steam generators as part of the larger Prairie Island life extension project, but postpone consideration of an ADP for the Extended Power Uprate Project. We look forward to continued discussions with respect to our ADP request for the Prairie Island projects.

Please note that on October 25th, the MPUC will hold Oral Arguments regarding the Company's Resource Plan and the Company's Notice of Changed Circumstances for the EPU. We understand that the MPUC is currently scheduled to act on our resource plan, including the EPU matter, on November 1st. We have requested

additional opportunity be provided to interested parties to comment on our supplement before taking action on the Prairie Island matter. MPUC meetings can be monitored via a webcast link provided on the Commission's webpage.

The October 25th meeting agenda (which includes links to the staff briefing papers) can be accessed at:

http://www.puc.state.mn.us/puc/calendar/week/20121025_AGN

The November 1st meeting agenda can be accessed at:

http://www.puc.state.mn.us/puc/calendar/week/20121101_AGN

The MPUC webcast can be viewed using the links on the meeting agenda webpages accessed with the links above, see the top left corner for a box titled "Watch Webcast."

Please contact me at 701-241-8632 or dave.sederquist@xcelenergy.com or Jim Alders at 612-330-6732 or james.r.alders@xcelenergy.com if you have any questions regarding this submission.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive, flowing style.

DAVID H. SEDERQUIST
SR. REGULATORY CONSULTANT

Enclosure

c: Mike Diller
Chris Marohl



414 Nicollet Mall
Minneapolis, MN 55401

October 22, 2012

—Via Electronic Filing—

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: SUPPLEMENTAL FILING - NOTICE OF CHANGED CIRCUMSTANCES
PRAIRIE ISLAND EXTENDED POWER UPRATE
DOCKET NOS. E002/CN-08-509; E002/RP-10-825; E002/CN-11-184

Dear Dr. Haar:

Enclosed for filing is a Supplement to our March 30, 2012 Notice of Changed circumstances and Petition filed in Docket No. E002/CN-08-509 regarding the extended power uprate at the Prairie Island Nuclear Generating Plant.

We recognize that the Commission has noticed this proceeding for argument on October 25, 2012, along with our pending Resource Plan and Black Dog Certificate of Need dockets (Docket Nos. E002/RP-10-825 and E002/CN-11-184). We apologize for submitting this additional supplement so near to that date. However, new information is available that we believe is relevant and material to the Commission's decision, and we want to provide this information to ensure the Commission and stakeholders are fully informed before deciding this important case.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list for this docket. To ensure interested parties in our Resource Plan (Docket No. E002/RP-10-825) and Black Dog Certificate of Need (Docket No. E002/CN-11-184) proceedings are aware of this submission; we also are electronically filing this Supplement in those dockets.

Please contact me at Christopher.B.Clark@xcelenergy.com or 612-215-4593 or Jim Alders at James.R.Alders@xcelenergy.com or 612-330-6732 if you have any questions regarding this filing.

Sincerely,

/s/

CHRISTOPHER B. CLARK
MANAGING DIRECTOR
REGULATORY AFFAIRS

Enclosures
c: Service Lists

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Phyllis A. Reha	Commissioner
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE APPLICATION OF
NORTHERN STATES POWER COMPANY FOR
A CERTIFICATE OF NEED FOR THE PRAIRIE
ISLAND NUCLEAR GENERATING PLANT
FOR AN EXTENDED POWER UPRATE

DOCKET NO. E002/CN-08-509

SUPPLEMENTAL FILING

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits this supplement to our March 30, 2012 Notice of Changed Circumstances and Petition regarding the extended power uprate at our Prairie Island nuclear generating plant (PI). We recognize that the Commission has noticed this proceeding for argument on October 25, 2012, along with our pending Resource Plan and Black Dog Certificate of Need dockets (Docket Nos. E002/RP-10-825 and E002/CN-11-184). We apologize for submitting this additional supplement so near to that date. However, new information is available that we believe is relevant and material to the Commission's decision, and we want to provide this information to ensure the Commission and stakeholders are fully informed before deciding this important case.

This new information stems from our most recent refueling outage at PI, where the extended outage allows us to modify the schedule for future refueling outages. This change further and materially reduces the anticipated benefits of the PI uprates, which had already been substantially reduced from those predicted in the Certificate of Need case authorizing the uprates.

We believe that it is important that parties have the opportunity to review and comment on this new information. To that end, we respectfully suggest a procedural schedule to allow for comment and reply before the Commission decides this case. We believe such a process can be accommodated concurrent with our next resource acquisition process, such that the PI decision can inform the final amount and timing

of our next resource need. As such, we do not believe that other resource planning decisions need be delayed while the PI proceeding continues.

We present this supplement in three main sections. First, we provide the supplemental information, highlighting the impact on our prior analysis. Next, we discuss the relationship of the PI decision to our future resource acquisition process to assess the available alternatives to the uprates. Finally, we provide our revised assessment of total benefits and risks of the project and our recommendations for the Commission to consider.

A. Supplemental Information

1. Background

Once we received Commission approval for the PI Certificate of Need, we sought approval from the Nuclear Regulatory Commission (NRC) to begin using new fuel assemblies to support operation at the uprate levels. These new assemblies essentially make more fuel available so that the plant can either support the increased capacity of the uprate or can operate for longer periods between refueling outages. We received NRC approval and began loading the new fuel assemblies in Unit 1 in 2009 and in Unit 2 in 2010.

Due to issues unrelated to the uprate, the spring 2012 Prairie Island Unit 2 refueling outage extended approximately two months longer than typical. This schedule change, coupled with the additional fuel available in the new assemblies, allows us to revise the future schedule for refueling and extend significantly the time between refueling outages.

2. Impact

Given the opportunity to extend future refueling cycles, we analyzed both the optimal schedule and impact for our customers. Our analysis indicates that we can extend upcoming refueling cycles by six months in the near term.

These extended operating periods would allow us to eliminate one refueling outage over the life of the plant. Absent taking a mid-cycle outage to implement the uprate, this revised schedule also delays the earliest opportunity to implement the uprate by six months. We estimate the total customer savings of taking full advantage of available fuel prior to implementation of the EPU to be approximately \$35 million on a present value basis (PVRR).

Given this information, we further considered the impacts of operating the plant at these longer cycles through its remaining life, rather than using the increased availability of fuel for the uprate. Essentially, such a change would allow us to continue to operate on 24-month fuel cycles, rather than 18-month cycles that will be required once the uprates are implemented. Under either approach, we would schedule the outages for spring or fall, such that replacement power costs are minimized. This analysis shows that this approach would eliminate two refueling outages for each unit over the remaining life of the plant, at an estimated customer savings of \$75 million on a present value basis.

We then assessed the total benefits of the uprates by incorporating the revised fuel cycles into our Strategist modeling. This analysis indicated that the total benefits of the uprates decline to \$10 million PVRR, compared to the \$50 million estimated in our March filing. Appendix A includes an updated matrix of sensitivity analyses so that one can compare the benefits under both the March assumptions and these updated assumptions.

We note that, in light of the total system costs, \$10 million PVRR is not a meaningful difference. In essence, before considering risk factors, the Strategist model does not draw a clear distinction between the two scenarios, thus no longer identifies a clear benefit associated with implementation of the uprates.

3. Other Risk Factors

Our March filing identified various issues that could impact the ultimate benefits of this project to customers. Those included possible changes to the project itself (such as the final cost, the length of the regulatory approval process, and the ultimate performance of the uprates) and external factors (such as the cost and availability of alternatives and future carbon regulation). From this information, we concluded that while there were benefits to the project, there was more downside risk – that is, risks that would reduce the benefits customers would receive from the project – than upside risks.

In general, there have not been significant changes to these issues that would cause a change in our March assessment. However, there are two items of note: first, we have updated our assessment to reflect the Commission's recent decision regarding when carbon costs should be assessed (that is, carbon is incorporated into the analysis beginning 2017, as opposed to 2012). Second, we remain and in fact are somewhat

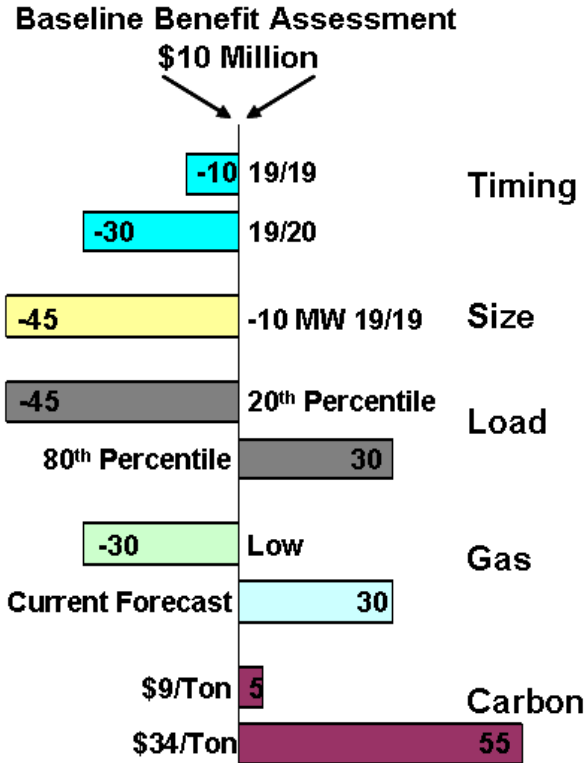
increasingly concerned about the timing of the federal approval process, once we submit a license application

As the parties are aware, the NRC continues to commit substantial resources to assessing the Fukushima Daiichi incident and responding with new requirements. On more than one occasion, NRC staff has cautioned that licensing dockets – and particularly uprate dockets - may take longer, given their current priorities. Our monitoring of other licenses proceedings and the overall budget and staffing of the NRC confirms this result. We believe that this situation will continue to evolve as the NRC proceeds with its Fukushima response, but we believe the most likely result is that it will take longer to get approval of uprate applications.

In addition, our monitoring of other proceedings indicates that the NRC staff has steadily required additional design detail for the acceptance of license amendment requests. It is conceivable that additional requirements that come out of the three uprate applications currently pending with the NRC. In addition, our experience with our license application for the Monticello uprates demonstrates that the process can be extended considerably as the result of issues that have not surfaced in previous proceedings.

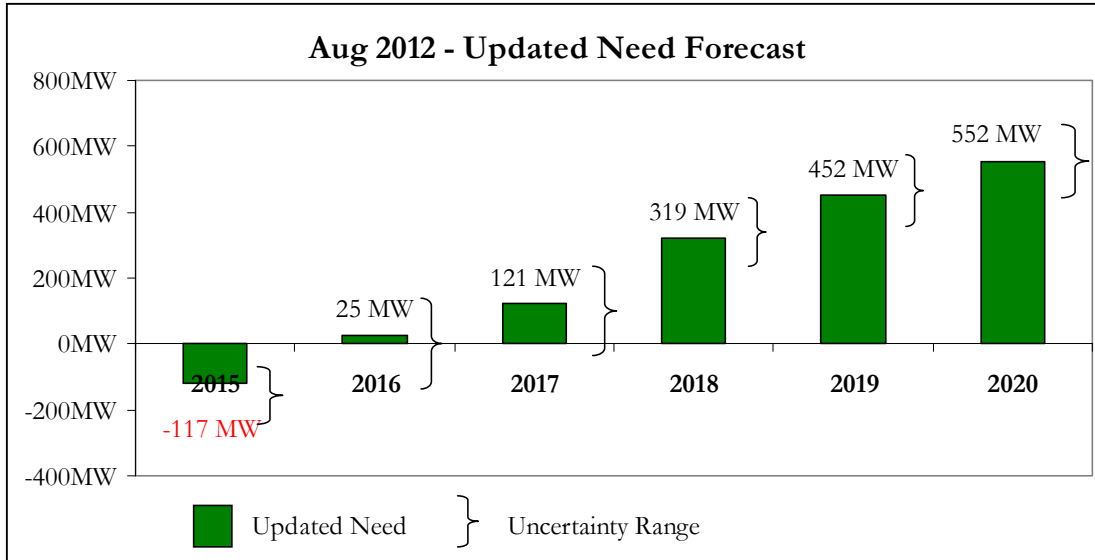
Thus, while we believe we can successfully obtain the necessary license amendment to operate safely at higher power levels, the regulatory schedule is likely to be longer and is not completely within our control. We thus remain concerned that the NRC may not be able to adhere to the schedules we presented in our March filing. A one-cycle delay in implementation would reduce the benefits of the project by approximately \$10 million, which would eliminate the revised expected benefits of the project.

Taken together, we provide the below diagram assessing the range of benefits and risks of our project, relative to the updated base Strategist run. This diagram incorporates the revised fuel cycle information in the base, and then assesses the range of risks that can affect these results, including the impacts of the Commission's revised carbon assumptions.



B. Resource Acquisition Alternatives

Our pending Resource Plan provides a good framework for determining the proper mix of generation to continue to reliably meet customer demand. Recommendations in that proceeding have generally found a need for new resources in the 2017 – 2019 timeframe, with a competitive resource acquisition process commencing in early 2013. We believe that process can readily accommodate the Commission’s PI uprate decision. Our updated plan agreed with the Department of Commerce’s recommendation of a 400 to 600 MW need, which would accommodate a decision to not proceed with the uprates. As shown in our August 13, 2012 Resource Plan Reply Comments, we provide our assessment of resource need below.



The pending Black Dog Certificate of Need proceeding offers the most expedient path for initiating the resource acquisition process. The contested case associated with the new competitive process will develop a record regarding the most cost-effective generation additions and best timing to meet the projected need. The outcome of this process could include a combination of proposals from participants in the proceeding. That process can get underway with participants submitting projects for consideration in advance of the Commission deciding the uprate case; so long as an ultimate determination of need is available before extensive assessment of proposals is made, there should be no harm to the process. Thus, assuming the Commission decides the uprate case first quarter 2013, there should be no delay in the competitive acquisition proceeding. As a result, we conclude that a decision not to proceed with the uprates would in no way pose risk to customers of an insufficient supply to meet their needs.

C. Assessment

We brought this case before the Commission last March in light of changed circumstance regarding the PI project. While we believe – and parties have confirmed – that changes in the size and timing of the uprates would not have changed the Commission’s original Certificate of Need decision, other recent changes warranted careful review of whether the project should continue to proceed. Such review was particularly important since we were on the verge of dedicating significant resources to the licensing process. While there were still projected benefits to proceeding, there was also risk that the project would not ultimately achieve the expected results. Consequently, we wanted the Commission to affirm that – after hearing input from the parties – proceeding with the project remained in our customers’ best interests.

While this case has been pending, circumstances have continued to evolve and – as anticipated – indicate that the benefits of the project are even less than expected last March. At this point, we believe it is reasonable to conclude that further investment in the project will not benefit our customers.

Key factors to reaching this conclusion include:

- *An anticipated benefit of \$10 million PVRR is not significant in resource planning terms.* We believe that this amount is well within the range that can be considered neutral for customers.
- *Including carbon benefits in the evaluation does not significantly change this assessment.* Using the Commission’s guidelines, the carbon benefit of the uprates ranges from \$5 to \$55 million PVRR. Total benefits of only \$15 million PVRR at the low end of this range does not provide a meaningful distinction from the alternative, and it is conceivable that the risks we have identified could erode the benefits even at the mid-point or higher end of this range.
- *We believe it is far more likely that benefits will be further reduced as the project proceeds.* The NRC is refocusing resources to thoroughly evaluate the implication of the Fukushima Daiichi incident. While the primary risk is the timing of license approval, other project risks are also more likely negative than positive. Across the country, actual costs of uprate projects have come in higher than anticipated at project outset. Generally speaking, this result occurs because – once implementation is underway and plant personnel are able to access those areas that would have been inaccessible during operations – scope changes and associated added costs are likely to occur. In fact, several nuclear projects currently under construction are experiencing cost increases of 30, 50, and even 100 percent over initial estimates. We understand these differences occur due to scope changes stemming from the NRC license amendment process, the completion of detailed engineering during subsequent stages of development, and the discovery of latent condition issues that emerge as the project accesses various areas and components of the plant that are typically inaccessible. Thus, risk remains that the 15% contingency built into our estimates is not adequate, as the complexity of nuclear capital projects brings to bear more risks than other capital projects.
- *We need to carefully manage our costs and projects in these challenging economic times to the benefit of our customers.* Absent a compelling benefit to customers, we believe that delaying significant capital outlays until closer to when customers use them is appropriate, particularly given the current economic environment. We already face a significant need for continued capital investments to meet reliability

needs and to comply with new requirements; if we can reduce our projected costs for the next several years by delaying new generating resources that don't offer a compelling long-term benefit, customers will benefit. Additionally, the carbon benefit estimates are more uncertain since they rely heavily on potential cost savings a decade or more in the future to offset the cost of the project for customers in the near term.

- *Unlike most other resource decisions, delays in a decision on the uprates will further erode customer benefits.* Typically, the benefits of a particular resource increase the closer its implementation matches customer need. For the uprates, however, the opportunity for customer benefits is time-sensitive in a different way, as the benefits can only be achieved over the remaining life of the PI plant. As a result, any delay in implementation shortens the period over which the project can produce benefits for customers, so the decision of whether to proceed can't be held in abeyance to continue to monitor events and execute when most valuable to customers. Likewise, any delay in timing will only further reduce the benefits customers receive from the project, and we see substantial timing risk associated with the licensing process – risks that could not have been anticipated previously.
- *Customers will still benefit from our well-balanced, diverse portfolio.* Our successful efforts to extend the lives of our nuclear plants ensure that our supply portfolio will remain well-balanced. We strongly believe that a diversified supply mix benefits our customers by – among other things – minimizing fuel and environmental risks. While not pursuing the uprates would have some impact on our future mix, it is not significant: nuclear will still contribute roughly 30 percent of our supply, we will not be overly reliant on natural gas (the likely next resource addition), and wind will continue to provide a valuable hedge against volatility in natural gas pricing.

Based on these considerations, we conclude that the risks of the project outweigh the expected benefits, and customers would be better off if this project did not proceed.

We recognize, however, that others can reasonably weigh these risks differently. Most significant are the risks of future carbon regulation and natural gas costs, factors that influence any resource decision. The Commission's recent decision on carbon values for use in resource planning further reduces the magnitude of the effect of carbon in the simulation, but there is an environmental benefit to the project that is difficult to capture in the analysis. Further, we have already made a sizable investment

(approximately \$71 million¹) in the project pursuant to the original Certificate of Need decision and prior to these changes and risks developing. By any measure, we believe the decision is a close call.

It is important to be clear that we remain willing to continue proceeding with the project, should the Commission decide. Our intention has always been for the Commission to weigh the risks and give direction as to whether it remains in the public interest. Should the Commission reach that decision, we are willing to proceed with the project.

Should the Commission elect to proceed, we believe it is important for certain clarifications to be well-understood. First, in all likelihood, such a decision would fully commit us to completion of the project since large expenditures and resource commitments must be made in the near term. Second, it would be important for the Order to recognize that, given the uncertainties detailed throughout this proceeding, our cost estimates are not reasonable benchmarks to judge the ultimate prudence of the project, once completed. We propose to provide periodic updates and updated cost and schedule information as development proceeds, so that the final regulatory review of the project is fully informed.

CONCLUSION

We appreciate the Commission's willingness to consider this additional information and apologize that it is being submitted so close to oral arguments. We supply it because we believe it is both relevant and material to this important resource decision, and the information was not previously available.

We believe parties should be able to review and comment on this additional information and provide the Commission with their recommendations. We believe a 60-day comment period with 20 days for replies would be reasonable, after which the Commission can take up the matter for final decision. Given the expected timing of a competitive resource acquisition process, we believe a decision in first quarter of 2013 would still allow that process to secure resources to fully meet our customers' future needs, even if the PI updates do not proceed.

¹ Includes project expenditures of approximately \$59 million and allowance for funds used during construction (AFUDC) of \$12 million applied under processes approved by FERC and the Commission. Project expenditures noted in the March filing with the Commission exclude AFUDC.

Given that this proceeding initiated as a Changed Circumstance filing that provided the retrospective analysis outlined by Commission rule, we respectfully ask that the Commission's Order in this proceeding include the following Order Point:

- As required under Minn. R. 7849.0400, subp. 2(H), had the changes in the timing and size of the project been known at the time the Certificate of Need was issued, the Commission would not have made a different decision, thus expenditures to comply with the Commission's Certificate of Need Order were necessary.

Further, based on the most recent information available, we believe that the risks of the PI uprates outweigh the expected benefits, and that proceeding is not in our customers' best interest. Should the Commission agree, we believe it should order that:

- Based on new information and developments, continued pursuit of the PI uprates is no longer in customers' interests and should not proceed. The Company will instead ensure that the upcoming competitive resource acquisition process secures sufficient resources to meet customer needs absent the uprates.
- The Company should provide the Commission an informational filing regarding accounting treatment of the already-incurred project costs and propose regulatory treatment in its next rate case proceeding.

As the Commission is aware, we expect to file a rate case in the Fall of 2012, prior to a Commission Order in this docket. Given this timing, we believe an informational filing on the accounting and consideration in the following rate case, currently anticipated to be in late 2013 with a 2014 test year, would be appropriate.

Finally, should the Commission decide that the project proceed, we respectfully request the Commission's Order explicitly recognize the outstanding cost and schedule risk and set a compliance requirement for periodic project development reports so that a future determination of project implementation prudence is fully informed. We suggest requiring an update every six months after the Order is issued.

We appreciate the careful consideration of this case by the Commission and parties, and look forward to a constructive resolution.

Dated: October 22, 2012
Northern States Power Company

Prairie Island Extended Power Uprate Supplemental Filing October 2012

Updated Strategist Analysis

To quantify the economic impact of potential changes to the run cycles and outage schedules at Prairie Island, the Company updated the Strategist analysis performed for the March 2012 Changed Circumstance Petition. We began with the same base Strategist files that were used in March and updated Prairie Island's outage schedule, associated O&M, and fuel cost estimates to reflect the updated fuel cycle information. No other model assumptions were changed.

The updated Strategist analysis shows that the estimated net benefits of the EPU project are lower than what was presented in our March filing. On average, the net PVRR benefit has fallen \$76 million for the 2016/17 EPU and \$38 million for the 2017/18 EPU. The reason the two in-service dates are impacted so differently by the revised outage schedules is that delaying the EPU to 2017/2018 still allows for longer run cycles until the implementation of the EPU, and one full refueling outage can be eliminated. In our March filing, all of the Strategist scenarios and sensitivities showed significant net benefits from the EPU project. However after the model was updated many of the scenarios show a net cost increase and others are much closer to breakeven. The following table compares the Strategist results from the March filing to our updated analysis.

PVRR DELTA S 2012-2050, 7.56%, \$millions	March 2012 Change Of Circumstance			Sept 2012 Strategist Update		
	Base Case 2	Case 2	Case 3	Base Case 2	Case 2	Case 3
	No EPU LCM 2016	EPU 2016-17	EPU 2017-18	No EPU LCM 2016	EPU 2016-17	EPU 2017-18
Base Case	BASE	(\$79)	(\$75)	BASE	(\$3)	(\$38)
EPU less 10MW	BASE	(\$29)	(\$24)	BASE	\$43	\$7
Low Gas -20%	BASE	(\$19)	(\$18)	BASE	\$55	\$18
Low Load 20th Percentile	BASE	(\$32)	(\$30)	BASE	\$41	\$6
Low Capital	BASE	(\$104)	(\$99)	BASE	(\$28)	(\$62)
High Gas +20%	BASE	(\$134)	(\$128)	BASE	(\$56)	(\$89)
High Load 80th Percentile	BASE	(\$108)	(\$104)	BASE	(\$30)	(\$66)
Late CO2 - 3 Source	BASE	(\$152)	(\$148)	BASE	(\$72)	(\$107)
High CO2 - \$34/ton	BASE	(\$152)	(\$144)	BASE	(\$68)	(\$104)
Low CO2 - \$9/ton	BASE	(\$90)	(\$85)	BASE	(\$10)	(\$47)
No Markets	BASE	(\$98)	(\$94)	BASE	(\$24)	(\$58)
High Externalities	BASE	(\$92)	(\$88)	BASE	(\$14)	(\$50)
Low Externalities	BASE	(\$81)	(\$77)	BASE	(\$5)	(\$40)

In our March filing, Strategist estimated a slight net cost associated with delaying the EPU until 2017/18. However in this update, due to the elimination of one refueling outage, the delayed scenario is now clearly the lower cost strategy for the EPU. Finally the three key risk factors that were modeled in Strategist (smaller project size, low gas, and lower load) all result in net system cost increases.

Reconciliation to the \$50million PVRR Benefit in March Filing

In our March filing, a net benefit of \$50 million for the EPU was referenced. The \$50 million figure represented the mid point between the base assumptions and the low gas sensitivity rounded to the nearest ten million. The equivalent value in the revised Strategist analysis is \$10 million. The following table illustrates how these two values were calculated and also show how the estimated \$35 million benefit from delaying the project was derived.

PVRR \$millions	March COC EPU 2016/17	Sept Update EPU 2016/17	Sept Update EPU 2017/18	Sept Updates Cost of Delay 2016/17 to 2017/18
Base Assumptions	(\$79)	(\$3)	(\$38)	(\$35)
Low Gas	(\$19)	\$55	\$18	
Midpoint Rounded to Nearest \$10M	(\$50)	\$30	(\$10)	