



Judy M. Poferi
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April 22, 2011

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PUBLIC SERVICE COMMISSION

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

RE: RESOURCE PLAN UPDATE
CASE NO. PU-10-580

Dear Mr. Nitschke:

This letter updates the North Dakota Public Service Commission (“Commission”) on Northern States Power Company–Minnesota’s (“Xcel Energy”) plans regarding wind development in North Dakota after the termination of our contracts with enXco Development Corporation for the Merricourt wind project. Xcel Energy is committed to fulfilling our commitment to secure 200 MWs of North Dakota wind resources and seeks to do so in the most efficient and cost-effective manner possible. To that end, we outline several options and present our proposal for next steps.

OPTIONS

In general, we see three options for securing North Dakota wind resources for our system in a reasonable timeframe:

- *Issue an Expedited Request for Proposals (“RFP”) for North Dakota Wind.* Under this approach, we would issue an RFP for North Dakota–exclusive wind resources in an effort to bring the project into service prior to the current expiration of the Production Tax Credit (“PTC”), currently slated for December 31, 2012. We believe we could issue such an RFP within a month and would seek a quick turnaround for proposals. In light of this timing, we expect that parties would propose into the process either the output of existing projects or projects already well underway in development.
- *Secure a project (either Power Purchase Agreement (“PPA”) or utility-owned) at a cost competitive with current market conditions.* As the Commission is aware, last fall we issued an RFP for up to 200 MWs of wind resources to go in service by the end of 2012, and we are currently in negotiations for wind resources stemming from this process. We also have recently concluded other wind RFP processes and as a result, we have current information regarding the market price of wind resources. We thus could seek through competitive negotiations a project outside of a strict RFP process and still

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Northern States Power Company
Judy M. Poferi, President and CEO

have the market test for reasonable costs. To the extent we can identify a willing seller at a cost comparable to our RFP result, we would seek to negotiate either an ownership project or PPA and then seek the needed approvals from the various state commissions. If we pursued this path, we would file regular updates with the Commission regarding our progress.

- *Pursue projects under a longer time frame.* Both of the above options would seek to add the North Dakota wind to our system by the end of 2012 to ensure we retain the benefit of the PTC. The timing of the options discussed above is likely to result in only existing or near-ready projects to be available to participate. To the extent the Commission would prefer we ensure the development of new North Dakota wind projects, we could issue an RFP for wind resources with an in-service date beyond the 2012 timeframe, as we work with other interested parties to secure the continuation of the PTC through at least 2013.

We note that, under any of these options, enXco would be encouraged to participate with a suitable North Dakota project. Any such proposal would be evaluated in light of current market conditions and against any competing proposals. enXco has expressed interest in exploring alternative resolutions to our termination of the Merricourt contracts. While the second option may be particularly well-suited for such a resolution, we believe each of the options offers the opportunity for such resolution to occur within the context of a process that ensures the most cost-effective and competitive resource for our customers.

NEXT STEPS

Having considered these options, we believe the best course of action for us would be to attempt to pursue competitive negotiations in an effort to secure a resource at a cost that is competitive with current market conditions, and that would be in-service before the December 2012 expiration of the PTC. If we have not made sufficient progress on this effort, we would then plan to issue by August 1, 2011 a new RFP for up to 200 MWs of North Dakota wind resources. This process may yield projects with either pre- or post-2012 in-service dates. If the only competitive proposals are post-2012, we will assess how best to proceed, consistent with customer interests and regulatory requirements, and keep the Commission informed as we proceed. We believe this two-step approach positions us best to achieve our goal of fulfilling our commitment for North Dakota wind resources in a timely and effective manner: the first step would allow us to achieve this goal quickly, if possible; the second step will ensure we initiate a more formal process to identify and select projects, if needed. We will notify the Minnesota Commission of this intent as well and in any event, we would bring any resulting proposal to our state commissions for approval.

In keeping with our settlement in our most recently concluded electric rate case, we filed a Resource Plan for the Commission's consideration. Consistent with that commitment, we also expect to file by April 29, 2011 an update to this Plan to provide additional information regarding the results of our 2010 Wind RFP. We believe this information will be useful to the Commission as it considers our proposed course of action.

As always, we are interested in any feedback or questions from the Commission on our proposed course of action to fulfill our commitment to secure North Dakota wind resources. We will keep you informed as we proceed with our proposed course of action.

Please contact me if you have any questions or comments regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Judy Poferl". The signature is written in a cursive style with a large, prominent "J" and "P".

L.M.

JUDY M. POFERL
PRESIDENT AND CEO
NSP – MINNESOTA