



414 Nicollet Mall  
Minneapolis, MN 55401

July 27, 2011

–VIA EMAIL AND U.S. MAIL–

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

**RECEIVED**

JUL 27 2011

**PUBLIC SERVICE COMMISSION**

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

Dear Mr. Nitschke:

In an April 22, 2011 letter, following the termination of the Merricourt Wind Project last spring, we provided the Commission an overview of our plans to pursue a new wind powered generating resource in North Dakota. In this letter we offer an update, reporting the progress we have made in that endeavor.

As we outlined earlier, the first stage of our plan has been to investigate whether there might be viable, cost effective, wind power projects in North Dakota that can be put in service before the end of 2012 so that federal tax incentives can be utilized to the benefit of our customers. If the first stage of our plan was unsuccessful we indicated we then planned to move to a more formal competitive bidding process at the beginning of August.

We are currently in competitive negotiations with a short list of developers that we believe are capable of meeting our project objectives in a cost effective manner.

Xcel Energy made contacts with developers based on the offers in our 2010 competitive bidding process and our general knowledge of the wind power market in our region. We also received a number of unsolicited inquiries from developers. Several potential projects were identified and developers were contacted. We have gone through a process of seeking clarifying information and assessing the viability and risks of project implementation by the end of 2012 as well as project cost. We have narrowed our effort to a short list of projects we believe can meet our development objectives at a cost consistent with current market conditions. Each

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of the proposals utilizes the build/transfer development model similar to those the Company has previously used.

We are now focused on completing a short, intensive period of competitive negotiation with the short listed vendors. We are working with each to establish the terms of a development agreement in sufficient enough detail so that we can make a selection and progress to final contract negotiations as quickly as possible.

Concurrent with these efforts we are also in negotiations with enXco to determine whether the concerns, including avian issues, which led to the termination of the Merricourt Wind Project, can be addressed to warrant consideration of this project at the same time we evaluate projects from the short listed vendors. During the past several weeks both companies have had productive discussions related to addressing, among other things, avian concerns.

Due to the short period of time available to complete a new wind project before federal tax incentives expire, and the fact that we have productive ongoing discussions, we believe our time will be more effectively spent concluding negotiations rather than beginning an RFP process. The same compressed time frame will likely create a need for a more expedited review process in the event that we are able to reach an agreement.

We will provide you additional updates during the next weeks so that you can monitor our progress and prepare for our subsequent filings.

Please feel free to contact me at (612) 330-6270 or [allen.krug@xcelenergy.com](mailto:allen.krug@xcelenergy.com).

Sincerely,

ALLEN D. KRUG  
MANAGING DIRECTOR,  
GOVERNMENT AND REGULATORY AFFAIRS