

May 14, 2015

VIA EMAIL AND FEDERAL EXPRESS

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

RE: ADP STATUS UPDATE
BLACK DOG UNIT 6 AND RED RIVER VALLEY UNITS 1 AND 2
CASE NO. PU-13-194

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, provides the following status update to the North Dakota Public Service Commission regarding our proposed Black Dog Unit 6 and Red River Valley Units 1 and 2 projects. We submit this information pursuant to the Commission's February 26, 2014 ORDER ADOPTING SETTLEMENT in the above-referenced matter, and in accordance with Part 3 of Section 49-05-16 of the North Dakota Administrative Code (N.D.C.C.) which states:

A resource addition approved by the Commission is subject to reporting requirements until commercial operation of the resource addition. The public utility shall provide periodic reports, as directed by the commission, which must include a description of the status of the resource addition and any changes in material circumstances affecting the resource addition.

For context, we additionally include a procedural history of the regulatory proceedings in which these resources were proposed.

STATUS UPDATES

A. Black Dog Unit 6

In October 2014, we submitted a generator interconnection request for Black Dog Unit 6 to the Midcontinent Independent System Operator (MISO), which MISO subsequently accepted.¹ The next step in the process is for MISO to conduct a detailed interconnection study, which they initiate every six months. We expect to submit the \$1.1 million application, study, and milestone fees to initiate the Interconnection Study for the Black Dog Unit 6 in June 2015, which will allow Black Dog Unit 6 to participate in the MISO August 2015 interconnection study cycle.

On site at our Black Dog facility, we suspended coal operations at Units 3 and 4 in April 2015, and began teardown and demolition of the coal handling equipment for site remediation and preparation for construction of Unit 6. Later this year, we will initiate a Request for Proposal for the Unit 6 turbine.

B. Red River Valley Units 1 and 2

Our proposed Red River Valley Units were not approved in the Competitive Acquisition Process (CAP) proceeding in which they were proposed to meet our 2017-2019 resource need. We therefore do not intend to further pursue Red River Valley Units 1 and 2 at this time. We remain, however, committed to developing North Dakota based generation consistent with prudent resource planning principles and consistent with our commitments in the Second Revised Settlement the Commission adopted in its February 26, 2014 Order.

C. Procedural Background

As part of our 2010 Resource Plan, we identified a potential resource need of 150 MW in 2017, increasing up to 500 MW in 2019 timeframe. Because we proposed to construct our own facility to meet this need, the Minnesota Public Utilities Commission required that we undertake a Competitive Acquisition Process (CAP), which invites proposals from other entities to fulfill the identified resource need. On April 15, 2013, we submitted our proposal to construct three-215 MW natural gas-fired simple cycle combustion turbine generators to our system – proposing the first unit at our existing Black Dog location in Burnsville, Minnesota starting in 2017

¹ MISO Project Number J399.

(Black Dog Unit 6), and the second and third units at a new Red River Valley site (RRV Units 1 and 2) near Hankinson, North Dakota beginning in 2018 and 2019.² Several other entities also submitted proposals to fulfill the Company's identified resource need.

On April 26, 2013, we submitted an Application requesting an Advance Determination of Prudence (ADP) to the North Dakota Commission for our proposed addition of Black Dog Unit 6 and RRV Units 1 and 2. The Commission conducted a formal hearing on November 26, 2013, and effective December 16, 2013, consolidated the ADPs, along with several wind proceedings, for hearing on a settlement in the Company's then-pending rate case in Case No. PU-12-813. The Commission held a consolidated hearing on January 23, 2014 and on February 26, 2014 the Commission adopted a revised Second Amended Settlement Agreement containing the Commission's approval of the proposed ADPs for Black Dog 6 and RRV Units 1 and 2.

In parallel, the Minnesota CAP proceeding progressed, and the Company evaluated numerous combinations of resource proposals. On May 23, 2014, the Minnesota Commission issued an Order directing the Company's to negotiate draft agreements for three projects: (1) Geronimo Wind Energy's 100 MW distributed solar Aurora project; (2) Calpine Corporation's 345 MW combined cycle Mankato Energy Center expansion project; and (3) Invenergy Thermal Development's 209 MW Cannon Falls combustion turbine projects. The Order also required the Company to develop price terms for its 215 MW Black Dog Unit 6 combustion turbine project in the same timeframe. We submitted the draft Power Purchase Agreements and our Black Dog Unit 6 pricing information to the Minnesota Commission on September 23, 2014.

On September 23, 2014, we submitted the draft PPAs and confirmed that our Black Dog Unit 6 capital cost estimates for a 2018-2019 in-service date had not changed to the Minnesota Commission. We additionally provided an updated resource need assessment that indicated the Company's need had shifted forward in time, and informed the Minnesota Commission that due to the passage of time, no bidders, including Xcel Energy, would be able to meet a 2017 in-service date.

At its December 15, 2014 hearing, the Minnesota Commission selected the Aurora project, the Calpine project, and the Company's Black Dog project to meet the

² Docket No. E002/CN-12-1240.

Darrell Nitschke, Executive Director

May 14, 2015

Page 4

Company's identified resource need in the 2018-2019 timeframe – relying on the range of resource need assessments conducted over time in the CAP proceeding.

Please feel free to contact me at (701) 241-8632 if the Commission requires additional information or has any questions.

Respectfully submitted,



DAVID H. SEDERQUIST

SR. CONSULTANT, REGULATION & FINANCE