STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Northern States Power Company **2013 Electric Rate Increase** **Application**	**Case No. PU-12-813**
Northern States Power Company **Advanced Determination of Prudence – Courtenay Wind Project** **Application**	**Case No. PU-13-706**
Northern States Power Company **Advanced Determination of Prudence – Odell Wind Project** **Application**	**Case No. PU-13-707**
Northern States Power Company **Advanced Determination of Prudence – Pleasant Valley Wind Project** **Application**	**Case No. PU-13-708**
Northern States Power Company **Advanced Determination of Prudence – Border Winds Project** **Application**	**Case No. PU-13-742**
Northern States Power Company **150 MW Border Winds Project – Rolette County** **Public Convenience And Necessity**	**Case No. PU-13-743**
Northern States Power Company **Advance Determination of Prudence – NG Generators** **Application**	**Case No. PU-13-194**
Northern States Power Company **Red River Valley NG Units 1 & 2 – Hankinson, ND** **Public Convenience And Necessity**	**Case No. PU-13-195**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **EX PARTE COMMUNICATION** was, on 4 October 2017, served on the following by electronic mail:

Zeviel T. Simpser Briggs and Morgan, P. A. zsimpser@briggs.com	Amanda Rome Briggs and Morgan, P. A. amanda.rome@xcelenergy.com

Dave Sederquist
Xcel Energy
dave.sederquist@xcelenergy.com

John Schuh, Advocacy Counsel
North Dakota Public Service Commission
jschuh@nd.gov

Dated this 4th day of October 2017.

Illona A Jeffcoat-Sacco

Illona Jeffcoat-Sacco
General Counsel
North Dakota Public Service Commission

Hamre, John G.

From:	Cardwell, Sara J.
Sent:	Wednesday, October 04, 2017 3:11 PM
To:	-Grp-PSC Public Utilities; Eberl, Stacy L.; Jeffcoat-Sacco, Illona; -Grp-PSC Commissioners
Subject:	Articles on the RTF Proceeding

In case you have been getting calls – you must be as I see Brian is even quoted in one of these articles, the articles are creating interest as AARP has called Xcel Energy & SNL asked for a link to the case today.

http://www.minotdailynews.com/life/business/2017/10/xcel-energy-proposes-creating-separate-nd-company/
http://www.inforum.com/news/4337708-xcel-energy-proposes-legal-separation-nd-operations

The same article from the forum is also in the Duluth MN paper – they must be owned by the same company.

Sara Cardwell
Public Utility Analyst
North Dakota Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480
(701)328-4153
scardwell@nd.gov

200 PU-13-743 Filed 10/04/2017 Pages: 10
Ex parte communication

188 PU-13-742 Filed 10/04/2017 Pages: 10
Ex parte communication

184 PU-13-708 Filed 10/04/2017 Pages: 10
Ex parte communication

185 PU-13-707 Filed 10/04/2017 Pages: 10
Ex parte communication

185 PU-13-706 Filed 10/04/2017 Pages: 10
Ex parte communication

206 PU-13-195 Filed 10/04/2017 Pages: 10
Ex parte communication

189 PU-13-194 Filed 10/04/2017 Pages: 10
Ex parte communication

344 PU-12-813 Filed 10/04/2017 Pages: 10
Ex parte communication
Public Service Commission Advocacy Staff
Sara Cardwell, Advocacy Staff

Minot Daily News

Xcel Energy proposes creating separate ND company

Submitted Photo Xcel Energy crews work on a electrical line in Minot.

Xcel Energy is proposing to gradually split its North Dakota and Minnesota electric utility operations into separate companies because of disagreements over regulatory and policy priorities.

North Dakota's largest utility, Xcel Energy has filed documents with the North Dakota Public Service Commission, which has contracted with a consultant to review the case. The commission also referred the case to an administrative law judge. PSC advocacy are expected to submit testimony on Oct. 1 under a procedural schedule that projects a commission order next June or July.

Documents also have been filed with the Minnesota Public Utilities Commission. MPUC adopted a tentative schedule that is dependent on whether the commission controls the case or refers it to an administrative law judge. The tentative schedule projects a commission order by September of October of 2018.

Xcel Energy began discussing the split with regulators in 2016 and put forth a plan in a filing last January.

"The proposal that we filed with the public utility regulatory commissions in both Minnesota and North Dakota is called a 'Resource Treatment Framework,' and commissioners in both states are reviewing the material," Xcel said in a prepared statement. "We expect that this process will take considerable time. Over the past several years, a number of resource selection proceedings in Minnesota and North Dakota have resulted in divergent outcomes and we believe that similar issues may arise in the future. We have provided several framework options for consideration by regulators and stakeholders in each state. We recommended a legal separation based on our conclusion that it will provide more certainty and flexibility into the future than other options, but we continue to be open to further discussion and development of other solutions. However, under all potential frameworks customers would continue to be served by Xcel Energy.

"We're committed to working with stakeholders in both states to resolve past disputes and to provide a framework into the future that continues to provide safe, reliable power and good economic value to all of our customers. This proceeding allows stakeholders to provide input on our proposals and we appreciate the engagement we have received to date," Xcel stated.

The company notes it has successfully managed its integrated system for nearly a century, but in the past two decades, the legal, regulatory, and policy priorities have been diverging in the states served, specifically Minnesota and North Dakota.

Because of these differing priorities, North Dakota regulators are increasingly denying rate increases that would have Xcel's North Dakota customers share in project costs, according the company, which sees *"unbridgeable disagreements"* continuing in the future.

An example is the North Dakota PSC's denial of cost recovery for Aurora, Xcel's $250 million solar power project, last year. Under a 2013 state law, investor-owned utilities like Xcel are required to get 1.5 percent of their electricity from the sun by 2020. Xcel asked the Minnesota PUC to recover the costs denied by North Dakota and was turned down.

Xcel stated it envisions development of large amounts of wind energy resources and sees a role for solar and other emerging technologies.

"We believe that this path to a cleaner and more nimble fleet is both in the best interests of our customers and consistent with our business plans. We also recognize that this path is consistent with Minnesota's legal and regulatory priorities. We appreciate, however, that this path may not be embraced in North Dakota," Xcel wrote in its filing. *"It is unclear if our North Dakota stakeholders share our vision or if we can implement a transformation of the NSP System in a manner that can gain acceptance in both Minnesota and North Dakota."*

Headquartered in Minneapolis, Xcel's operations include four wholly-owned utility subsidiaries that serve six electric and natural gas customers in eight states: Minnesota, North Dakota, South Dakota, Wisconsin, Michigan, Colorado, Texas, and New Mexico. These utility subsidiaries, referred to as operating companies, are Northern States Power Company-Minnesota, Northern States Power

Company-Wisconsin, Public Service Company of Colorado and Southwestern Public Service Company.

Together, these operating companies service almost 3.5 million electric customers and almost two million gas customers. Gas customers would not be affected by the proposed separation of Xcel's electric utility.

Xcel serves about 93,000 electric and 24,000 gas customers in North Dakota. It serves electrical customers around Minot, Fargo and Grand Forks through the integrated NSP System that altogether serves five states.

Minnesota customers comprise about 75 percent of the overall load served by the NSP System. Wisconsin customers make up about 15 percent and North Dakota customers 5 percent, with South Dakota and Michigan making up the remainder.

Xcel Energy stated its North Dakota customers benefit from being part of a large, integrated system.

"The current status quo allows our North Dakota customers to obtain the benefits of the NSP System without paying their fair share. Over time, this ultimately leads to free rider issues and fundamental interjurisdictional inequities. Second, we cannot allow five percent of the NSP System to retain a veto on resource decisions," Xcel stated.

Xcel proposes to set up a *"Legacy System"* that would continue to serve North Dakota in the mid-term as the transition occurs to a separate system.

"First, and most importantly, continued service from the Legacy System allows our North Dakota customers to retain the portions of the NSP System that they have long supported and have paid for. Second, continued service from the Legacy System will be least impactful to North Dakota rates," Xcel noted.

The company added that planning and developing a stand-alone 500-megawatt system for North Dakota will take time, while establishing a new operating company will be expensive. It indicated it hopes to complete the necessary work, with all the state and federal regulatory approvals, by 2020.

The new company, Northern States Power Company-Dakotas, would continue to be part of the Xcel Energy corporate family. It would be a regulated utility with its own corporate structure, operating expenses, fuel costs and rate base. It also would be distribution-only, with generation and transmission remaining with NSP-Minnesota.

COMMENTS

0 Comments Sort by Oldest

Add a comment...

Facebook Comments Plugin

Minot Daily News

NEWS
Local News
Obituaries
Daily Records
Financial Markets
North Dakota News

SPORTS
Local Sports
Sports Columns
North Dakota Sports
National Sports

OPINION
Editorials
Letters to the Editor
Community Columnists
National Columnists

LIFE
Arts & Entertainment
Food
#Living
Weekender

CONTACT
Subscribe
Submit News
Advertise
Contact Us

Xcel Energy proposes legal separation for ND operations

By John Hageman on Oct 3, 2017 at 3:23 p.m.

8

Xcel Energy / Special to The Forum

BISMARCK—Citing "fundamental disagreements" between regulators in North Dakota and Minnesota, Xcel Energy has proposed creating a separate company to serve its North Dakota electric customers.

In documents filed with the North Dakota Public Service Commission in July, the utility recommended a "legal separation" to create an operating company that would still be part of Xcel Energy but would be a separately regulated utility in North Dakota. A consultant for the three-member PSC, however, predicted this week the move would result in higher rates for customers and recommended the commission deny the request.

The Northern States Power System serves more than 1.6 million electric customers in Minnesota, the Dakotas,

LATEST

On the brink of eviction, Minn. community rallies to help save Navy veteran's rental home
8 min ago

Bison picked to finish sixth in Summit League women's basketball
9 min ago

Federal agency proposes delaying methane rule
11 min ago

Three people hurt in Minn. crash between ATV, SUV
15 min ago

Here are the 33 stores that will be closed on Thanksgiving day in 2017
18 min ago

Arguments against gun silencer bill are 'an overreaction,' Kevin Cramer says
39 min ago

Olson taking foundation he learned at NDSU football to Indiana State
45 min ago

Car dealers take on carmakers over legislation
56 min ago

more

Wisconsin and Michigan. The new company, known as NSP-Dakota, would be an electric distribution company, and gas operations would continue as they are today.

"We're committed to working with stakeholders in both states to resolve past disputes and to provide a framework into the future that continues to provide safe, reliable power and good economic value to all of our customers," Minneapolis-based Xcel Energy said in a statement. "This proceeding allows stakeholders to provide input on our proposals and we appreciate the engagement we have received to date."

In testimony filed with the PSC in July, Aakash Chandarana, Xcel's regional vice president for rates and regulatory affairs, said the "regulatory paradigm in North Dakota will apparently no longer permit the company to recover certain costs that are incurred for the NSP System that are incompatible with North Dakota's energy priorities."

An application attached to Chandarana's testimony also pointed to legislative mandates like Minnesota's renewable energy standard as one source of disagreement between the two states. He said Xcel's move to create a "cleaner and nimbler fleet," including the closure of two coal-fired units in Minnesota, is in the best interest of its customers and is consistent with its business plans.

"We also recognize that this path is consistent with Minnesota's legal and regulatory priorities," Chandarana said. "We appreciate, however, that this path may not be embraced in North Dakota."

North Dakota regulators have called into question several Xcel investments or initiatives, the company said, including the Aurora solar energy project in Minnesota. The PSC previously said North Dakota customers shouldn't have to help pay for the project to help Xcel meet a mandate from Minnesota policymakers.

Xcel is the largest utility in North Dakota, according to Chandarana's testimony, but North Dakota customers only make up about 5 percent of the

NSP System. Minnesota customers, meanwhile, make up about 75 percent of the system.

Xcel believes it could form a new operating company and receive regulatory approvals by 2020.

James Heidell, a Denver-based consultant for the PSC, argued against allowing the separation in testimony filed Monday. He said there "are no long-term benefits for the service and convenience of the public in North Dakota and there is substantial likelihood of increased costs."

The one-time cost of implementing a legal separation was pegged at between $8 million and $15 million, according to Heidell's testimony.

Brian Kroshus, the North Dakota public service commissioner whose portfolio includes the Xcel proposal, said there's a hearing planned for January. He declined to say whether he or the commission would oppose the proposal.

"We have to weigh out the pros and cons for North Dakota ratepayers," Kroshus said.

John Hageman

John Hageman covers North Dakota politics from the Forum News Service bureau in Bismarck. He attended the University of Minnesota in the Twin Cities, where he studied journalism and political science, and he previously worked at the Grand Forks Herald and Bemidji Pioneer.

Jhageman@forumcomm.com
(701) 255-5607