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November 6, 2013

- Via Email and Federal Express -

Darrell Nitschke, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept 408
600 East Boulevard
Bismarck, ND 58505-0408

RE: NORTHERN STATES POWER COMPANY
ADVANCED DETERMINATION OF PRUDENCE – COURTENAY WIND
PROJECT APPLICATION
CASE No. PU-13-706

RE: NORTHERN STATES POWER COMPANY
ADVANCED DETERMINATION OF PRUDENCE – ODELL WIND
PROJECT APPLICATION
CASE No. PU-13-707

RE: NORTHERN STATES POWER COMPANY
ADVANCE DETERMINATION OF PRUDENCE – PLEASANT VALLEY WIND PROJECT
APPLICATION
CASE No. PU-13-708

RE: NORTHERN STATE POWER COMPANY
ADVANCE DETERMINATION OF PRUDENCE – BORDER WINDS
PROJECT APPLICATION
CASE No. PU-13-742

RE: NORTHERN STATE POWER COMPANY
150 MW BORDER WINDS PROJECT – ROLETTE COUNTY PUBLIC CONVENIENCE AND
NECESSITY
CASE No. PU-13-743

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, provides to the North Dakota Public Service Commission the Company's proposed Findings of Fact, Conclusion of Law and Order, and additional clarification with respect to the Company's proposed resource additions in these Cases. The Company will file Late Filed Exhibit 9 under separate cover.

37 PU-13-743 Filed 11/06/2013 Pages: 10
Proposed Findings of Fact, Conclusions of Law and Order
Northern States Power Company
Zeviel Simpser, Briggs & Morgan

38 PU-13-742 Filed 11/06/2013 Pages: 10
Proposed Findings of Fact, Conclusions of Law and Order

37 PU-13-708 Filed 11/06/2013 Pages: 10
Proposed Findings of Fact, Conclusions of Law and Order

37 PU-13-707 Filed 11/06/2013 Pages: 10
Proposed Findings of Fact, Conclusions of Law and Order

37 PU-13-706 Filed 11/06/2013 Pages: 10
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Proposed Findings of Fact, Conclusions of Law, and Order

Enclosed please find the Company's proposed Findings of Fact, Conclusions of Law, and Order for the above referenced Cases. The proposed findings demonstrate the prudence of the proposed resource additions based on the cost savings projected for the Company's customers over the lives of the resource additions.

Clarification of the Nature of Proposed Resource Additions

In light of the Commission's November 5, 2013 work session, the Company wishes to clarify the nature and the purpose of its proposed wind resource additions and their effect on the Company's proposed addition of natural gas fueled resources to its system in the 2017-2019 timeframe.

The proposed 750 MW of wind generation will not receive capacity accreditation from the Midcontinent Independent System Operation (MISO) until sometime in 2021, when the MISO Multi Value Project (MVP) portfolio is placed into service. When the MVP portfolio is placed into service, the Company expects some small percentage (around 10 percent) of the total installed capacity of these resource additions to receive capacity accreditation from MISO. Therefore, the proposed wind projects can serve energy resource needs only for the near future and we cannot use them to meet customer demand is met (i.e. as capacity resources). Even in the longer term, only about 10% of the installed amount of the wind resource additions, or about 75 MW, will count toward meeting capacity needs. That said, the cost effective pricing for these energy resources will provide energy cost savings for customers over the lives of the projects and therefore the Company believes them to be prudent.

In contrast, in Case Nos. PU-13-195 and PU-13-195 the Company has proposed to add up to 600 MW of gas fueled generation to its system to meet projected additional customer demand in the 2017-2019 timeframe. Unlike the wind additions which are essentially *energy* resources, the proposed natural gas fueled generation will receive capacity accreditation from MISO when placed in service and will be available to the Company to reliably meet customer demand as needed.

Because of the different nature of the proposed resource additions (that is the wind projects are energy resources, but the natural gas-fueled projects are capacity resources to meet customer demand and the lack of any capacity accreditation for the proposed wind resources until 2021, the addition of the proposed wind projects to the Company's system will not affect the need for the proposed natural gas fueled generation to meet the forecasted increase in customer demand in the 2017-2019 timeframe.

Please see Exhibit 3 (Wishart Direct), page 25 for a discussion of the impact of the proposed wind resource additions on our capacity needs in the 2017-2019 time frame.

B R I G G S A N D M O R G A N

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Please feel free to contact me at 612-977-8865 or zev.simpser@briggs.com or Mr. David Sederquist at (701) 241-8632 or dave.sederquist@xcelenergy.com should you have any questions or concerns.

Sincerely,

BRIGGS AND MORGAN, P.A.

/s/ Zeviel Simpser

Zeviel Simpser

ZS/ts

Enclosure

cc: Ryan Norrell (via email)
Mike Diller (via email)
Sarah Cardwell (via email)
Mitchell Armstrong (via email)
Jerry Lein (via email)

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Northern States Power Company **Case No. PU-13-706**
**Advanced Determination of Prudence – Courtenay
Wind Project Application**

Northern States Power Company **Case No. PU-13-707**
**Advance Determination of Prudence – Odell Wind
Project Application**

Northern States Power Company **Case No. PU-13-708**
**Advance Determination of Prudence – Pleasant Valley
Wind Project Application**

Northern State Power Company **Case No. PU-13-742**
**Advance Determination of Prudence – Border Winds
Project Application**

Northern State Power Company **Case No. PU-13-743**
**150 MW Border Winds Project – Rolette County
Public Convenience and Necessity**

Northern States Power Company’s Proposed Order on Advance Determination of Prudence

November ____, 2013

Appearances

Commissioners Brian P. Kalk, Randy Christmann, Julie Fedorchak.

Ryan Norrell, Legal Counsel, Public Service Commission, State Capitol, 600 East Boulevard Avenue, Bismarck, North Dakota 58505, Public Service Commission Advocacy Staff.

Mitchell D. Armstrong, Special Assistant Attorney General for PSC, 122 East Broadway Avenue, P.O. Box 460, Bismarck, North Dakota 58502, Public Service Commission Advisory Staff.

Kari Valley, Assistant General Counsel, Xcel Energy Services Inc., 414 Nicollet Mall, Fifth Floor, Minneapolis, Minnesota 55401 and Zeviel Simpser, Attorney, Briggs and Morgan P.A, 2200 80 S. 8 Street, Minneapolis, Minnesota 55402, attorneys for Northern States Power Company.

Preliminary Statement

On July 26, 2013, Northern States Power Company (NSP or Company) filed an application with the North Dakota Public Service Commission (Commission) seeking an advance determination of prudence (ADP) under North Dakota Century Code Section 49-05-16 for NSP's undertaking of three wind projects:

- a proposed power purchase agreement (PPA) for the 200 megawatt (MW) Courtenay Wind Project (Courtenay) to be located in Stutsman County, North Dakota in Case No. PU-13-706;
- a proposed PPA for the 200 MW Odell Wind Project (Odell) to be located near Mountain Lake, Minnesota in Case No. PU-13-707; and
- a proposed purchase of the 200 MW Pleasant Valley Wind Project (Pleasant Valley) to be located near NSP's existing Grand Meadow Wind Farm in southeastern Minnesota in Case No. PU-13-708.

On August 13, 2013, NSP filed an application for an ADP for the proposed purchase of the 150 MW Border Winds Project (Border Winds and collectively with Courtenay, Pleasant Valley and Odell, the Resource Additions) to be located in Rolette County, North Dakota in Case No. PU-13-742. Also on August 13, 2013, NSP filed an application for a Certificate of Public Convenience and Necessity for Border Winds in Case No. PU-13-743.

On September 25, 2013, the Commission issued a Notice of Consolidated Hearing consolidating for hearing Case Nos. PU-13-706, PU-13-707, PU-13-708, PU-13-742, and PU-13-743 and scheduling a hearing for October 31, 2013 in the Commission Hearing Room, Twelfth Floor, State Capitol, Bismarck, North Dakota. The Notice specified the issues to be considered were:

- (1) Are the PPAs reasonable and prudent and in the best interests of customers?
- (2) Is NSP's proposed investment in the Pleasant Valley Wind Project and the Border Winds Project prudent?
- (3) Whether the public convenience and necessity will be served by the purchase and operation of the facilities.
- (4) Whether the applicant is fit, willing, and able to provide service.

On October 2, 2013, NSP filed corrections to the ADP applications in the instant Cases.

On October 31, 2013, a public hearing was held as scheduled. Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. NSP is an investor-owned electric utility authorized to provide public utility service in North Dakota subject to the regulatory jurisdiction of this Commission.
2. On February 18, 2013, NSP issued a Request for Proposal (RFP) seeking up to 200 MW of wind additions. Proposals bid into the RFP were open to proposals of any size up to 200 MW and of various structures including ownership, PPA, or any combination thereof with no preference given to any particular type of structure.
3. The RFP generated proposals for fifty-seven projects comprising approximately 6,300 MW of distinct resources. Proposed project sites were located in Illinois, Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin.
4. NSP had its RFP audited and the audit report noted that the RFP process was rigorous, robust, and consistent.
5. Of the bids proposed, NSP selected the Courtenay, Odell, Pleasant Valley, and Border Winds Projects for a total acquisition of 750 MW of wind resources.
6. NSP selected more than the 200 MW originally sought in the RFP due to the opportunity to secure more resources at the attractive pricing due to the availability of federal production tax credits (PTC) for projects sufficiently started prior to the end of 2013.
7. On July 2, 2013, NSP entered into a PPA with Courtenay Wind Farm, LLC to purchase 200 MW of wind energy from the Courtenay Project located in Stutsman County, North Dakota. Consistent with NSP's commitments in Case No. PU-12-59 (the Prairie Rose ADP proceeding), the PPA was conditioned upon Commission approval.
8. On July 2, 2013, NSP entered into a PPA with Odell Wind Farm, LLC to purchase energy from the 200 MW Odell Project located near Mountain Lake, Minnesota. Consistent with NSP's commitments in Case No. PU-12-59, the PPA was conditioned upon Commission approval.
9. On July 12, 2013, NSP entered into a Purchase and Sale Agreement (PSA) with RES Americas Developments Inc. to purchase the 200 MW Pleasant Valley Project located near Austin, Minnesota. The PSA is structured so that RES Americas will transfer the limited liability corporation (LLC) which holds all of the assets comprising the project to NSP at which time NSP will merge the LLC into itself. Consistent with NSP's commitments in Case No. PU-12-59, the PPA was conditioned upon Commission approval.
10. On July 31, 2013, NSP entered into a Purchase and Sale Agreement (PSA) with RES Americas Developments Inc. to purchase the 150 MW Border Winds Project located in Rolette County, North Dakota. The PSA is structured so that RES Americas will transfer the limited liability corporation (LLC) which holds all of the assets comprising the project to NSP at which time NSP will merge the LLC into itself. Consistent with NSP's commitments in Case No. PU-12-59, the PPA was conditioned upon Commission approval.

11. NSP performed a rigorous and conservative analysis of the Courtenay, Odell, Pleasant Valley, and Border Winds Projects utilizing the Strategist modeling tool with additional inputs derived from independent energy market and gas price forecasting services, the ProSym modeling tool for resource dispatch simulation, and ProMod modeling tool to ensure transmission congestion charges were included in its analysis.
12. NSP stated at hearing that the wind integration assumptions provided in its Strategist modeling tool were sufficiently conservative to account for the unspecified costs of cycling its fossil fuel generating units as well as other unforeseen costs that could be caused by the Resource Additions.
13. The record reflects that the Midcontinent Independent System Operator (MISO) Generator Interconnection Procedures ensure that all of the Resource Additions can safely interconnect to the MISO transmission system.
14. Based on its analysis, NSP forecasts that the Courtenay Project, alone, will result in savings to customers of approximately \$58 million on a present value revenue requirements (PVRR) basis over the life of the Courtenay Project in its "Reference Case" analysis.
15. Based on its analysis, NSP forecasts that the Odell Project, alone, will result in savings to customers of approximately \$51 million on a PVRR basis over the life of the Odell Project in its "Reference Case" analysis.
16. Based on its analysis, NSP forecasts that the Pleasant Valley Project, alone, will result in savings to customers of approximately \$88 million on a PVRR basis over the life of the Pleasant Valley Project in its "Reference Case" analysis.
17. NSP has also analyzed the Courtenay, Odell and Pleasant Valley Projects as a portfolio of projects. Based on its analysis, NSP forecasts that these three projects, together, will result in savings to customers of approximately \$176 million on a PVRR basis. These expected costs savings are less than the total of the projected PVRR benefits of each individual project analyzed alone due to the amount of higher cost generation the projects, as a portfolio, displace.
18. Based on its analysis, which assumed the Courtenay, Odell and Pleasant Valley Projects were in-service, NSP forecasts that the Border Winds Project, when added to Pleasant Valley, Odell and Courtenay, will result in additional savings to customers of approximately \$43 million on a present value revenue requirements (PVRR) basis over the life of the Border Winds Project in its "Reference Case" analysis.
19. Based on its analysis, when all four projects are analyzed as on the system together, NSP forecasts that the total cost savings of all the Resource Additions would be approximately \$220 million over the life of all four projects.

20. NSP performed additional sensitivity analysis as part of its review of the Resource Additions, including looking at lower and higher natural gas future costs, and determined that under all scenarios analyzed, the portfolio of projects would provide cost savings to customers over their life.
21. The record reflects that the expected cost savings to customers result from the Resource Additions replacing corresponding amounts of higher marginal cost energy from other generating resources, when the Resource Additions are generating energy.
22. The costs of the Courtenay and Odell Projects would be recovered through NSP's Commission approved Fuel Cost Rider (FCR).
23. The investment-related and operation and maintenance costs of the Pleasant Valley and Border Winds Projects would be recovered through NSP's base rates.
24. As NSP-owned projects, the Pleasant Valley and Border Winds Projects present additional potential cost risk to customers. NSP has committed to working with Commission Staff to develop a mechanism to help mitigate such risks.
25. As of the date of this Order, there remains continued uncertainty with respect to the total interconnection costs for the Border Winds Project. A final determination of the planned interconnection costs that is higher than expected will affect the cost savings NSP has forecasted for this project, and if such costs exceed the contractual threshold, may result in the termination of the contract.

From the foregoing Findings of Fact, the Commission makes the following:

Conclusions of Law

1. The Commission has jurisdiction in this matter.
2. The Resource Additions will likely result in net cost benefits for NSP's customers over their useful life.
3. Pursuant to North Dakota Century Code Section 49-05-16, NSP's PPA for the Courtenay Project is rebuttably presumed to be prudent and such presumption has not been rebutted; consequently, NSP's PPA for the Courtenay Project is reasonable and prudent and in the best interest of customers.
4. NSP's PPA for the Odell Project is reasonable and prudent and in the best interest of customers.
5. NSP's proposed investment in the Pleasant Valley Wind Project is reasonable and prudent and in the best interest of customers.

6. Pursuant to North Dakota Century Code Section 49-05-16, NSP's ownership of the Border Winds Project is rebuttably presumed to be prudent and such presumption has not been rebutted; consequently, NSP's proposed investment in the Border Winds Project is reasonable and prudent and in the best interest of customers.

7. The Commission retains jurisdiction and oversight of these projects pursuant to North Dakota Century Code Section 49-05-16.

8. The public convenience and necessity will be served by NSP's purchase and operation of the Border Winds Project.

9. NSP is fit, willing, and able to provide service.

From the foregoing Findings of Fact and Conclusions of Law, the Commission issues the following:

Order

The Commission orders:

1. An advance determination of prudence for NSP's PPA for the Courtenay Project is GRANTED.

2. An advance determination of prudence for NSP's PPA for the Odell Project is GRANTED.

3. An advance determination of prudence for NSP's purchase and ownership of the Pleasant Valley Project is GRANTED.

4. An advance determination of prudence of NSP's purchase and ownership of the Border Winds Project is GRANTED.

5. NSP and Commission Staff shall develop terms and conditions to mitigate the impact of unforeseen costs of the Pleasant Valley and Border Winds Project. NSP and Staff shall provide updates as to the progress of such negotiations as they deem reasonable. NSP and Staff shall present proposed terms and conditions for Commission approval no later than June 1, 2015.

6. Upon determining the final interconnection costs for the Border Winds Project, NSP shall make a filing with the Commission indicating if it will proceed with the project or if it will exercise its option to terminate the contract, along with the analysis supporting such decision.

7. A certificate of public convenience and necessity for the Border Winds Project is GRANTED.

8. All other approvals as may be necessary for NSP to consummate the purchase of the Pleasant Valley and Border Winds Projects are hereby granted.

PUBLIC SERVICE COMMISSION

Randy Christmann
Commissioner

Brian P. Kalk
Chairman

Julie Fedorchak
Commissioner