



414 Nicollet Mall
Minneapolis, MN 55401

May 11, 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 59505-0480

RE: IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER
COMPANY FOR DETERMINATION OF PRUDENCE TO DISCONTINUE THE
POWER PURCHASE AGREEMENT FOR THE OUTPUT OF THE 200 MW
COURTENAY WIND FARM
CASE NO. PU-15-_____.

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this Application for an Advance Determination of Prudence pursuant to North Dakota Century Code § 49-05-16 for a determination of prudence to discontinue the power purchase agreement for the 200 MW Courtenay Wind Farm Project.

The Courtenay Project is a 200 MW wind resource in Stutsman County, North Dakota that the Company identified for acquisition through its February 2013 Request for Proposals (RFP) for additional wind resources. On July 26, 2013, the Company requested an Advance Determination of Prudence (ADP) for purchasing the output of the Courtenay Project through a power purchase agreement (PPA) in Case No. PU-13-706. On February 26, 2014, the Commission granted the requested ADP.¹

¹ *Northern States Power Company Advanced Determination of Prudence – Courtenay Wind Project Application*, Case. No. PU-13-706, ORDER ADOPTING SETTLEMENT, Revised Second Amended Comprehensive Settlement Agreement at 22 (Feb. 26, 2014).

As described in the accompanying Application, circumstances surrounding the Courtenay Project have changed since the ADP was granted in Case No. PU-13-706 that justify the discontinuation of the PPA. Due to these changed circumstances, the Company is now proposing to develop, construct, own and operate the Courtenay Project itself. The Company's Application for an Advanced Determination of Prudence for its ownership and operation of the Courtenay Project was filed with the Commission on May 6, 2015 in Case No. PU-15-181.

The Company is making this Application in a new Case consistent with the Commission's precedent in Case No. PU-10-30.²

North Dakota Century Code § 49-05-16 (5) addresses the processing of an application of this type. It provides:

Following an initial commission order, the commission may, upon notice and hearing, if appropriate, in accordance with section 49-02-02 determine that continuation of a resource addition is no longer prudent or that its prior order should be modified. Expenses incurred in processing the case must be paid from the fee, including any previously made refund thereof, filed with the prudence determination application for the resource addition.

As described in the Application, the developer of the Courtenay Project can no longer perform its obligations under the PPA and therefore termination of the PPA is appropriate. As described in our Application in Case No. PU-15-181, the Company is seeking to preserve this North Dakota based project by developing, owning, and operating it itself. The Company believes that these circumstances support the termination of the ADP granted in Case No. PU-13-706 and the Company respectfully requests that the Commission grant the relief requested in this Application.

The Company notes that a filing fee of \$175,000 was provided in connection with the original ADP filing in Case No. PU-13-706. Staff has advised that approximately \$86,000 of that fee remains available from that proceeding.

² *Otter Tail Power Company – Discontinue Prudence Big Stone II – Application*, ORDER ADOPTING SETTLEMENT, Case No. PU-10-30 (June 25, 2010).

Mr. Darrell Nitschke

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Pursuant to the statute cited above, that amount can be applied to the processing of this request and we respectfully request that processing be expedited to address this request concurrently with Case No. PU-15-181. To the extent that the amount remaining from the original ADP is insufficient to expedite processing, the Company is prepared to provide additional funds immediately upon request.

An original and nine copies each of our Application are also being provided, along with the following:

- CD containing the Application.

We look forward to working with the Commission in the review of this filing.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style.

DAVID H. SEDERQUIST
Sr. Consultant, Regulation & Finance

Enclosure

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR DETERMINATION OF
PRUDENCE TO DISCONTINUE THE
POWER PURCHASE AGREEMENT FOR
THE OUTPUT OF THE 200 MW
COURTENAY WIND FARM

Case No. PU-15-_____

APPLICATION

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this Application for an Advance Determination of Prudence pursuant to North Dakota Century Code § 49-05-16 for a determination of prudence to discontinue the power purchase agreement for the 200 MW Courtenay Wind Farm Project.

The Courtenay Project is a 200 MW wind resource in Stutsman County, North Dakota that the Company identified for acquisition through its February 2013 Request for Proposals (RFP) for additional wind resources. On July 26, 2013, the Company requested an Advance Determination of Prudence (ADP) for purchasing the output of the Courtenay Project through a power purchase agreement (PPA) in Case No. PU-13-706. On February 26, 2014, the Commission granted the requested ADP.¹

As described in this Application, circumstances surrounding the Courtenay Project have changed since the ADP was granted in Case No. PU-13-706 that justify the discontinuation of the PPA. Due to these changed circumstances, the Company is now proposing to develop, construct, own and operate the Courtenay Project itself. The Company's Application for an Advanced Determination of Prudence for its

¹ *Northern States Power Company Advanced Determination of Prudence – Courtenay Wind Project Application*, Case. No. PU-13-706, ORDER ADOPTING SETTLEMENT, Revised Second Amended Comprehensive Settlement Agreement at 22 (Feb. 26, 2014).

ownership and operation of the Courtenay Project was filed with the Commission on May 6, 2015 in Case No. PU-15-181.²

In light of the changed circumstances described in this Application, and the Company's newly requested ADP for its ownership of the project in Case No. PU-15-181, the Company respectfully requests that the Commission terminate the ADP granted in Case No. PU-13-706 and determine that the Company's discontinuance of the PPA is prudent.

I. DESCRIPTION OF THE APPLICANT

Xcel Energy is a Minnesota corporation duly authorized to conduct business in the State of North Dakota as a foreign corporation. The Company conducts business in the State of North Dakota as a public utility subject to the jurisdiction and regulation of the Commission pursuant to Title 49 of the North Dakota Century Code. The name and address of Xcel Energy is:

Northern States Power Company
414 Nicollet Mall
Minneapolis, Minnesota 55401

Xcel Energy also operates in North Dakota from the following address:

Northern States Power Company
2302 Great Northern Drive
Fargo, North Dakota 58102

The Company's Certificate of Incorporation with amendments and Certificate of Authority were filed with the Commission on September 30, 2009 and October 12, 2009, respectively, in Case No. PU-09-664. Current Certificates of Good Standing issued by the North Dakota and Minnesota Secretaries of State were filed in the same case on January 13, 2014, and are incorporated herein by reference.

Xcel Energy has service territory in five upper Midwest states including North Dakota. We presently serve approximately 90,000 retail electric customers in and around Fargo, Grand Forks, and Minot, North Dakota. We own just over 250 miles of transmission lines and 14 substations in North Dakota.

² On April 30, 2015, the Company also filed an Application for a Certificate of Public Convenience and Necessity for its ownership and operation of the Courtenay Project in Case No. PU-15-175.

II. COMMUNICATIONS AND SERVICE

We respectfully request that the following persons be placed on the Commission's official service list for all official communications in this case:

David H. Sederquist
Senior Consultant, Regulation and Finance
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102
dave.sederquist@xcelenergy.com

SaGonna Thompson
Records Specialist
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

III. STATUTORY AUTHORITY

North Dakota Century Code § 49-05-16 (5) provides:

Following an initial commission order, the commission may, upon notice and hearing, if appropriate, in accordance with section 49-02-02 determine that continuation of a resource addition is no longer prudent or that its prior order should be modified. Expenses incurred in processing the case must be paid from the fee, including any previously made refund thereof, filed with the prudence determination application for the resource addition.

As described in this Application, the developer of the Courtenay Project can no longer perform its obligations under the PPA and therefore termination of the PPA is appropriate. As described in our Application in Case No. PU-15-181, the Company is seeking to preserve this North Dakota based project by developing, owning, and operating it itself.

The Company believes that these circumstances support the termination of the ADP granted in Case No. PU-13-706 and the Company respectfully requests that the Commission grant the relief requested in this Application.

The Company notes that a filing fee of \$175,000 was provided in connection with the original ADP filing in Case No. PU-13-706. Staff has advised that approximately \$86,000 remains available from that proceeding. Pursuant to the statute cited above, that amount can be applied to the processing of this request and we respectfully request that processing be expedited to address this request concurrently with Case No. PU-15-181. To the extent that the amount remaining

from the original ADP is insufficient to expedite processing, the Company is prepared to provide additional funds immediately upon request.

The Company is making this Application in a new Case consistent with the Commission's precedent in Case No. PU-10-30.³

IV. PRUDENCE OF DISCONTINUATION OF PPA

A. Changed Circumstances Justifying Discontinuance of the PPA and Termination of the ADP

The Courtenay Project was slated to be developed, constructed, owned, and operated by a subsidiary of Geronimo Wind Energy, LLC (Geronimo), a wind-project developer with whom the Company has transacted on several occasions. Geronimo undertook activities toward the realization of that project, with an initial anticipated in-service date of December 31, 2014. Activities in support of the Project included obtaining state and local permits needed to construct the Project, purchasing long-lead-time equipment such as the substation transformers and the Project transformers, and substantially developing the real estate rights necessary to construct the Project undertaking continuous activity on the Project sufficient to satisfy the relevant Production Tax Credit (PTC) requirements, and entering into a number of contractual relationships designed to facilitate successful development of the Project.

After approval of the PPA and initial activities, the Courtenay Project encountered several delays which adversely impacted the Project's development schedule and caused the Courtenay Project to fail to meet critical milestones and default under the PPA. It appears there were two primary causes for this circumstance. First, Geronimo priced the PPA assuming it would be able to fully utilize the North Dakota Income Tax Credit. The loss of the North Dakota tax benefit had a material adverse impact on the viability of the PPA pricing for the Project. Second, the Courtenay Project PPA price turned out to be insufficient to support the construction of the Project and precluded Geronimo from finding another equity partner who could fund the PPA structure on reasonable terms.

Geronimo has fallen into default under the PPA and has indicated it will not be able to perform under the PPA therefore making the resource addition under the

³ *Otter Tail Power Company – Discontinue Prudence Big Stone II – Application*, ORDER ADOPTING SETTLEMENT, Case No. PU-10-30 (June 25, 2010).

PPA unviable in its current form. Therefore, under the circumstances, the Company is justified in discontinuing its obligations thereunder.

B. No Effect on Settlement

The Commission's prior ADP granted in Case No. PU-13-706 was the result of a comprehensive settlement of Case Nos. PU-12-813, PU-13-706, PU-13-707, PU-13-708, PU-13-742, PU-13-743, PU-13-194, and PU-13-195. The Company believes that the request in this Application will have no impact on the other terms of that settlement and that the determination requested in this Application will only modify the portions of the settlement and the Commission's order adopting it as pertain only to Case No. PU-13-706. The Company understands that Advocacy Staff, the only other party to that settlement, concur with this assessment.

C. No Recovery of Abandonment Costs

Because the resource addition for which the Commission granted an ADP in Case No. PU-13-706 was to be acquired through a PPA, the Company has not incurred material development costs for that resource addition. Further, the Company will not seek to recover any abandonment costs for its development of the PPA under Case No. PU-13-706.

V. MOTION TO CONSOLIDATE CASES

Pursuant to North Dakota Administrative Code § 69-02-04-04, the Company respectfully moves the Commission to consolidate this Case for hearing with Case No. PU-15-181. Both Cases involve similar questions of law and fact and consolidation will not prejudice the rights of the parties or the public interest. Information provided by the Company in Case No. PU-15-181 further supports determination that discontinuation of the PPA for the Courtenay Project is prudent.

CONCLUSION

The Company respectfully request the Commission make a determination of the prudence of the Company's discontinuance of its PPA for the output of the Courtenay Wind Farm and terminate the ADP granted in Case No. PU-13-706.

Dated: May 11, 2015

Northern States Power Company

Respectfully submitted by:

/s/

DAVID SEDERQUIST
SR. REGULATORY/FINANCIAL CONSULTANT