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March 28, 2016

Darrell Nitschke, Executive Director  
North Dakota Public Service Commission  
State Capitol Building, Dept. 408  
600 East Boulevard  
Bismarck, ND 59505-0480

**Re: Request for Variance from Settlement Obligation to File an  
Advance Determination of Prudence for the  
La Crosse-Madison 345 kV Transmission Line**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, respectfully requests a variance from a previous Settlement provision<sup>1</sup> requiring the Company to file a request for an Advance Determination of Prudence (ADP) for each proposed transmission project at least 50 miles in length. The variance would apply, in this case, to a Multi-Value Project (MVP) located in Wisconsin and approved by Midwest Independent System Operator (MISO) as part of its 2011 MISO Transmission Expansion Plan (MTEP). The Company believes the ADP commitment applies to this project, but that filing an ADP is not necessary in this case given that MISO has determined that this project is an MVP and approved within the MTEP. The NSP System will only be allocated about 9 percent of the related costs, of which only 5 percent is allocated to our North Dakota jurisdiction. Thus, the impact on North Dakota rates will be relatively insignificant.

The \$581 million project<sup>2</sup>, called the LaCrosse-Madison Transmission Line, is being jointly developed with American Transmission Company (ATC) and involves construction of a new 182 mile, 345 kV transmission line. As shown in red on the attached map, the line begins just north of LaCrosse at NSPW's Briggs Road Substation in Onalaska, Wisconsin, connecting at ATC's North Madison substation north of Madison, Wisconsin. As indicated in bright green on the map, the line then terminates at ATC's Cardinal substation in Middleton, Wisconsin which is just east of Madison. Northern States Power-Wisconsin and ATC will share ownership of the Briggs Road to North Madison segment (NSPW's ownership portion of this line is 37percent) and ATC will own and have responsibility for

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<sup>1</sup> Order adopting Settlement in Case No. PU-07-776 issued December 31, 2008.

<sup>2</sup> Including Allowance for Funds Used During Construction (AFUDC)

the North Madison to Cardinal section. The Company was required to obtain a Certificate of Public Convenience and Necessity (CPCN) for this project from the Public Service Commission of Wisconsin (PSCW). The PSCW issued an order granting the CPCN in Docket No. 5-CE-142 on April 23, 2015. Construction on the line will commence in 2016 and it is expected to be in-service in 2020.

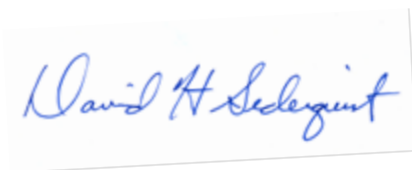
As stated previously, approximately 9 percent of the line's overall annual revenue requirement will be assigned to Xcel Energy's customers across its five-state NSP System. North Dakota's portion of the NSP System share is about 5.2 percent, which will result in estimated annual revenue requirements being assigned to our North Dakota customers of about \$80,000 in 2017, increasing to approximately \$400,000 by 2020.

In January, I discussed this project with Jerry Lein and Mike Diller of the Commission staff. Both appeared to agree that the project's MVP designation, approval in MTEP, and relatively low rate impact in North Dakota make it harder to justify the time and resources needed for the Company to file an ADP, the staff to review it, and the Commission to hear such a request in this situation. Staff suggested that we consider requesting a variance from the ADP filing commitment. The Company filed a similar ADP variance request for the 70 mile multi-value Big Stone South-Brookings County 345 kV Transmission Line on May 22, 2014.

We appreciate the Commission's consideration of this request for a variance from the requirement to file an ADP for this particular MVP transmission line. While the Company seeks to avoid engaging the staff and Commission in a potentially unnecessary proceeding, it acknowledges that if the Commission prefers instead to have an ADP filed for this transmission line, we would be happy to oblige.

Please feel free to contact me if the Commission and staff require additional information or have any questions.

Respectfully,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style and is contained within a light blue rectangular box.

David H. Sederquist  
Sr. Consultant, Regulation and Finance

cc: Illona Jeffcoat-Sacco  
Jack Schuh  
Mike Diller