2302 Great Northern Drive
PO Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

October 24, 2016

—Via Electronic Filing—

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

RE: ADVANCE DETERMINATION OF PRUDENCE WAIVER
CASE NO. PU-16-___

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, respectfully requests a waiver from a previous Settlement Agreement provision[1] requiring the Company to file an Advance Determination of Prudence (ADP) for generation resources and power purchase agreements (PPA) that are at least 50 MW and allocable to its North Dakota jurisdiction.

The Company recently issued a Request for Proposals (RFP) for up to 1,500 MW of wind generation that would be acquired through Purchased Power Agreements (PPA). Xcel Energy also filed today a petition with the Minnesota Public Utilities Commission (MPUC) for approval to construct 750 MW of wind generation resources. The Company seeks a waiver from the requirement to file ADPs for any resources that would be added because the procedural complexities of these wind acquisition dockets and their overlap with the Company's impending Resource Treatment Framework (RTF) proceeding will likely drive resource outcomes different from those contemplated in the filed ADPs.

The Company issued the RFP on September 22, 2016, seeking additional wind capacity through Purchased Power Agreements (PPAs) and/or Build-Own-Transfer (BOT) proposals. All submitted projects must have an interconnection location within the Midcontinent Independent System Operator (MISO) footprint, and in a state where Xcel Energy customers are located, including Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin. The selected wind resources need to achieve commercial operation prior to December 31, 2020 in order to qualify for 100% of the current Production Tax Credit.

[1] Order adopting Settlement in Case No. PU-07-776 issued December 31, 2008.

As previously stated, today the Company filed a petition with the MPUC for approval of a self-build proposal for approximately 750 MW of wind generation resources located in both North Dakota and Minnesota. The Company's petition contains project details necessary to evaluate our proposal in accordance with the factors listed below, including our estimate of final project costs.

Other interested parties must submit responses to the Company's RFP by October 25, 2016. After receiving bids in response to our RFP, the Company will evaluate the bids and select projects for contract negotiation that are consistent with the best interest of our customers. We will evaluate the bids based on the factors that we have typically considered in the past, such as:

- Levelized cost;
- Financial capability;
- Project schedule;
- Project design;
- Project risks;
- MISO queue position status;
- Interconnection and network upgrades;
- Energy production profile;
- Site control;
- Project output delivery plan;
- Expected turbine availability;
- Pricing options;
- Project development milestones;
- Exceptions to standard contract terms and conditions; and
- Other relevant factors

After completion of the bid evaluation, the Company will file any successfully negotiated contracts with the MPUC for approval in early 2017. Concurrent with our submission of contracts from the RFP process, we will also supplement our self-build petition to provide a comprehensive and detailed analysis of our self-build proposal and its competitiveness with bids received in response to the RFP. The Company has requested the MPUC complete deliberations on this issue before July 2017 to keep the projects on track to ensure qualification for 100 percent of the PTC.

The Company acknowledges its commitment under its 2008 rate Settlement to file ADP's for generation projects greater than 50 MW and allocable to North Dakota. However, in

this case the Company believes that it would not be a good use of Company and Commission time or resources to develop, submit, and review one or more ADPs that may not reasonably reflect final resource outcomes. Furthermore, the RTF proceeding in 2017 may ultimately result in the jurisdictional assignment of resources such that their costs would not be allocable to North Dakota.

The Company's waiver petition notwithstanding, if the Commission prefers that an ADP be filed, the Company will gladly oblige.

Please feel free to contact me if the Commission requires additional information or has any questions about this waiver request.

Respectfully,

David H. Sederquist
Sr. Consultant, Regulation and Finance

cc: Illona Jeffcoat-Sacco
Pat Fahn