

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NORTH DAKOTA**

NORTHERN STATES POWER COMPANY  
ADVANCE PRUDENCE – 1,550 MW WIND PORTFOLIO  
APPLICATION

CASE NO. PU-17-120  
OAH FILE NO. 20170204

**FIRST REVISED SETTLEMENT AGREEMENT**

This First Revised Settlement Agreement (this Settlement Agreement) is entered into on this 21<sup>st</sup> day of September, 2017 by and between Northern States Power Company, a Minnesota corporation, doing business as Xcel Energy (Xcel Energy or the Company) and North Dakota Public Service Commission Advocacy Staff (Advocacy Staff and each of Xcel Energy or Advocacy Staff a "Party" and together, the "Parties"). The Parties enter into this Settlement Agreement to resolve all issues in the above referenced Case.

**BACKGROUND**

On March 29, 2017, Xcel Energy filed its Application for an Advanced Determination of Prudence (ADP) and supporting Direct Testimony with the North Dakota Public Service Commission (the Commission) for a portfolio of seven wind generating projects (each a Project and collectively the Projects or the Wind Portfolio), as follows:

Project Name	Size	Type	Location	In-Service Date
Foxtail	150 MW	Self-Build	Dickey County, ND	3Q 2019
Crowned Ridge	600 MW	Combined BOT* and PPA**	Codington County, SD	4Q 2019
Lake Benton	100 MW	BOT*	Pipestone County, MN	4Q 2019
Clean Energy #1	100 MW	PPA**	Mercer and Morton Counties, ND	4Q 2019
Blazing Star I	200 MW	Self-Build	Lincoln County, MN	4Q 2019
Blazing Star II	200 MW	Self-Build	Lincoln County, MN	3Q 2020
Freeborn	200 MW	Self-Build	Freeborn County, MN, and Worth and Mitchell Counties, IA	4Q 2020

\*BOT means "Build-Own-Transfer"

\*\*PPA means "Power Purchase Agreement"

The Company's Application and supporting Direct Testimony explained that the Wind Portfolio is a prudent opportunity for Xcel Energy to drive down overall system costs by taking advantage of the historically low cost wind generation. Over the life of the Wind Portfolio, Xcel Energy estimates that the savings from the Projects on a present value of revenue requirements (PVRR) basis (exclusive of externality costs) will amount to approximately \$1.6 billion for the entire NSP System or approximately \$85 million for our North Dakota customers.

On June 30, 2017, the Commission issued a Notice of Hearing in this proceeding, setting a Public Hearing on September 26, 2017. The issue to be considered at hearing is whether the Company's proposed resource additions are prudent.

On August 1, 2017, Advocacy Staff filed the Direct Testimony of Mr. James Heidell. Mr. Heidell undertook his own independent analysis of the Wind Portfolio and under conservative assumptions estimated the PVRR savings of the Wind Portfolio to be \$1.417 billion. In light of this, Mr. Heidell recommended the requested ADP be granted with the following conditions: (1) North Dakota ratepayers should not have to pay any additional costs if the Company fails to obtain the full Production Tax Credit (PTCs) for any of the Projects comprising the Wind Portfolio; (2) recovery of construction, interconnection, and transmission costs for the four Company Self-Build Projects should be limited to no more than the amount budgeted by the Company in aggregate (adjusted for any Projects not constructed); (3) construction costs for the two Build-Own-Transfer (BOT) Projects should be limited to no more than the amount budgeted by the Company in aggregate (adjusted for any projects not constructed); (4) a financial incentive to the Company should be created whereby if the Projects collectively are constructed and interconnected below budget, the savings are shared, with 60% going to North Dakota rate payers and 40% being retained by the Company; (5) in conjunction with monthly fuel cost adjustment filings to the Commission, the Company should provide monthly reports of curtailment and negative pricing observations at each of the Projects, and any known reasons for observed curtailment and negative pricing; and (6) the Company should provide quarterly construction progress reports until the last Project is in service, indicating the development status of each Project.

On September 5, 2017, the Company submitted Rebuttal Testimony of Company Witness Mr. Aakash Chandarana recognizing that both the Company and Advocacy Staff have determined that the Wind Portfolio is prudent and agreeing with all of Mr. Heidell's proposed conditions except one. More specifically, the Company disagreed with Mr. Heidell's proposed 60%/40% financial incentive as inconsistent with the Company's proposed symmetrical cost cap.

In light of the material agreement between the Parties, Advocacy Staff and Xcel Energy have engaged in settlement discussions. This Settlement Agreement is the result of those discussions. Consequently, for the mutual promises made to each other, and for other good and valuable consideration, the Parties agree as follows:

## TERMS OF SETTLEMENT

### A. Advanced Determination of Prudence.

The Parties agree that the Projects, as described in the Application, are reasonable and prudent resource additions to the integrated NSP System and therefore that they meet the criteria for an ADP. The Parties therefore agree that an ADP for each of the projects comprising the Wind Portfolio be granted subject to the following conditions:

1. The Foxtail, Blazing Star I, Blazing Star II, and Freeborn Projects (collectively, the Self Build Projects) are prudent up to the Company's budgeted aggregate capital expenditure cost (i.e. excluding Allowance for Funds Used During Construction (AFUDC) and other customary adders) for the Self Build Projects as referenced in the Supplemental Direct Testimony of Mr. Aakash Chandarana (Self Build Expenditure Amount), as may be adjusted due to the cancellation of a particular project through subtraction of the budgeted cost of the cancelled project from the Self Build Expenditure Amount. The foregoing finding of prudence up to the Self Build Expenditure Amount does not imply that any costs above the Self Build Expenditure Amount are imprudent.
2. The Lake Benton and non-PPA portion of the Crowned Ridge Projects (collectively, the BOT Projects) are prudent up to the Company's budgeted aggregate capital expenditure cost (i.e. excluding AFUDC and other customary adders) for the BOT Projects as referenced in the Supplemental Direct Testimony of Mr. Aakash Chandarana (BOT Expenditure Amount and, collectively with the Self Build Expenditure Amount, the "Expenditure Amounts"), as may be adjusted due to the cancellation of a particular project through subtraction of the budgeted cost of the cancelled project from the BOT Expenditure Amount. The foregoing finding of prudence up to the BOT Expenditure Amount does not imply that any costs above the BOT Expenditure Amount are imprudent.

3. The Clean Energy #1 and non-BOT portion of the Crowned Ridge Project (collectively, the PPA Projects) are prudent under their contract terms without condition.

**B. Ratemaking.**

Pursuant to N.D.C.C. § 49-05-16, the ADPs granted in Section A, above, are binding for ratemaking purposes. Xcel Energy may seek to reflect the capital additions or PPA costs of the Wind Portfolio, as applicable, in its North Dakota rates through its Fuel Cost Rider (FCR), a general rate case, other applicable riders, or other ratemaking mechanisms that may be applicable and available. For the avoidance of doubt, Xcel Energy may include in rates the costs of purchased power for the PPA Projects and include in rate base the capital additions for the BOT Projects and Self Build Projects calculated from the Company's actual capital expenditures for the BOT Projects and Self Build Projects up to the BOT Expenditure Amount and Self Build Expenditure Amount, as applicable.

In the event the aggregate capital expenditures for the BOT Projects exceed the BOT Expenditure Amount and/or the aggregate capital expenditures for the Self Build Projects exceed the Self Build Expenditure Amount, Xcel Energy may include in rate base the capital additions for the BOT Projects and Self Build Projects calculated from capital expenditures equivalent to the BOT Expenditure Amount and Self Build Expenditure Amount, as applicable, pursuant to the ADPs granted in Section A, above. Xcel Energy may also seek approval from the Commission to include in rate base the capital additions calculated from the capital expenditures in excess of the Expenditure Amounts upon a showing to the Commission that the capital expenditures above the Expenditure Amounts are reasonable and prudent. The burden of proof to demonstrate the reasonableness of capital expenditures above the Expenditure Amounts shall be on Xcel Energy.

**C. Production Tax Credits.**

North Dakota ratepayers will not have to pay any additional costs if the Company fails to obtain the full Production Tax Credit (PTCs) for any of the projects comprising the Wind Portfolio.

**D. Reporting.**

Xcel Energy agrees to provide the following reports:

1. The Company will provide quarterly construction progress reports until the last Project is in service, indicating the development status of each Project.

2. In conjunction with monthly Fuel Cost Rider filings to the Commission, the Company will provide curtailment and negative pricing information at each of the Projects, and any known reasons for observed curtailment and negative pricing.
3. On at least an annual basis, and as more frequently as may be advisable, Xcel Energy shall file a letter with the Commission in this Case advising whether the trade secret information must remain trade secret or if it may be made public.

**E. Other Terms and Conditions.**

1. Basis of Settlement. This Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. This Settlement Agreement does not establish any principle or precedent for this or any future proceeding.
2. Support for Settlement. The Parties agree to affirmatively support and advocate for the Commission's adoption of this Settlement Agreement without modification. Notwithstanding any other provision of this Settlement Agreement, this Section E.2. shall be binding on the Parties as of the date first written above.
3. Effect of Settlement Negotiations. All offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in this Case or otherwise, except as provided by law or by mutual agreement of the Parties. In the event the Commission does not adopt this Settlement Agreement, it shall not constitute part of the record in this proceeding and no part thereof may be used by any Party for any purpose in this Case or in any other.
4. Applicability and Scope. This Settlement Agreement shall be binding on the Parties, and their successors, assigns, agents, and representatives. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not constitute an agreement, admission, or determination by any of the Parties as to the merits of any specific allegation or contention made by the Parties in this Case. This Settlement Agreement supersedes all previous settlements in this proceeding.

5. Effective Date. This Settlement Agreement shall be effective on the date of the Commission Order approving this Settlement Agreement.
6. Modification. If the Commission modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if either Party files a letter with the Commission within three (3) business days of the date of such order stating that a condition or modification to this Settlement Agreement is unacceptable to such Party.
7. Counterparts. This Settlement Agreement may be executed in counterparts by Xcel Energy and Advocacy Staff, each of which when so executed will be an original, but all of which together will constitute one and the same instrument.

### CONCLUSION

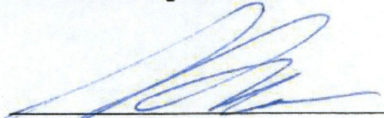
The Parties have agreed to the foregoing terms to resolve all outstanding issues in the above captioned proceeding. These terms are a result of negotiations between the Parties, are in the public interest, and will result in just and reasonable rates. For these reasons, the Parties urge the Commission to approve this Settlement Agreement.

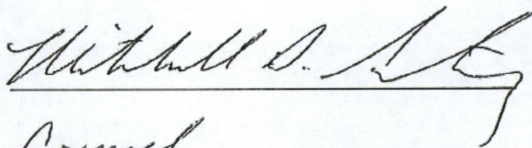
[SIGNATURE PAGE FOLLOWS]

Authorized representatives of the Parties having caused this Settlement Agreement to be duly executed as of the date first set forth above.

Northern States Power Company,  
a Minnesota corporation

North Dakota Public Service Commission  
Advocacy Staff

By:  \_\_\_\_\_

By:  \_\_\_\_\_

Its: DP Rates & Regulatory Affairs

Its: Counsel

[SIGNATURE PAGE TO FIRST REVISED SETTLEMENT AGREEMENT  
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