

**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

NORTHERN STATES POWER COMPANY  
ADVANCE PRUDENCE – 302.4 MW DAKOTA RANGE  
WIND APPLICATION

CASE NO. PU-17-372

**SECOND SETTLEMENT AGREEMENT**

This Second Settlement Agreement (this Settlement Agreement) is entered into on this 19th day of September, 2018 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 Cases.

**BACKGROUND**

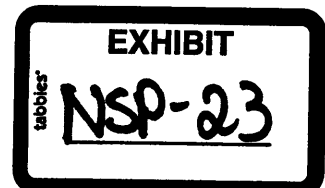
On July 9, 2018, the Commission consolidated for hearing the 1,550 MW Wind Portfolio (Case No. PU-17-120) and the 302.4 MW Dakota Range Wind (Case No. PU-17-372) ADP Application proceedings because the cases involve similar questions of law and fact. As a result, this Settlement Agreement applies to both of these cases.

**A. 1,550 MW Wind Portfolio**

On March 29, 2017, in Case No. PU-17-120, 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 Wind Portfolio), as follows:

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Exhibit NSP-23 – Second Settlement Agreement  
Northern States Power Company

74 PU-17-372 Filed 10/11/2018 Pages: 9  
Exhibit NSP-23 – Second Settlement Agreement  
Northern States Power Company



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, 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; Worth, Mitchell Counties, IA	4Q 2020

\* "Build-Own-Transfer"

\*\* "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 historically low-cost wind generation. At the time of filing, Xcel Energy estimated that over the life of the Wind Portfolio, the Wind Portfolio Projects would provide savings on a present value of revenue requirements (PVRR) basis (exclusive of externality costs) of 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 was 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 just over \$1.4 billion. In light of this, Mr. Heidell recommended the requested ADP be granted with certain conditions.

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.

In light of the material agreement between the Parties, Advocacy Staff and Xcel Energy engaged in settlement discussions. The Parties ultimately entered into a settlement agreement as a result of those discussions, which was filed with the Commission on September 19, 2017, and updated shortly thereafter in the First Revised Settlement Agreement filed on September 22, 2017.

On March 19, 2018, the Company and Advocacy Staff jointly requested that the Commission postpone Case No. PU-17-120 and withdrew the parties' First Revised Settlement Agreement so that the Application could be updated to reflect the impacts of the 2017 Tax Cuts and Jobs Act (TCJA) along with other significant modifications to the Wind Portfolio. The Commission approved the joint request on April 11, 2018.

On May 18, 2018, Xcel Energy filed a Supplement to its Application for ADP to provide updated economic data and modeling reflecting the impacts of the TCJA and other changes to the portfolio. The Supplement explained that the net impact of the changes result in a PVRR savings of \$1.4 billion system-wide and about \$75 million for Xcel Energy's North Dakota customers. This compares to the PVRR savings presented in the initial Application of \$1.6 billion system-wide and \$85 million to North Dakota customers. Hence, all of the projects remain cost-effective and will result in substantial and lasting benefits for customers.

On August 20, 2018, Advocacy Staff filed the Supplemental Direct Testimony of Mr. James Heidell. Mr. Heidell reviewed the Wind Portfolio Application, exhibits, the Supplement, and the information produced in discovery, and determined that the Company's estimate of \$1.4 billion PVRR savings for the Wind Portfolio is reasonable. 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) in conjunction with monthly Fuel Cost Rider 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 (5) the Company should provide quarterly construction progress reports until the last Project is in service, indicating the development status of each Project.

These conditions mirror those that the Company agreed to in the First Revised Settlement Agreement. As a result, the Parties continue to agree that the Wind Portfolio is prudent and on the implementation of the conditions suggested by Mr. Heidell.

**B. 302.4 MW Dakota Range Wind**

On October 10, 2017, in Case No. PU-17-372, NSP filed an application for an ADP to build, own, and operate the proposed 302.4 Dakota Range I and II wind projects near Watertown, South Dakota ("Dakota Range"). On February 5, 2018, Xcel Energy filed a request to postpone the proceedings while the Company evaluated impacts of the TCJA on Dakota Range. On March 23, 2018, the Company filed a Supplement to the Dakota Range ADP Application to update the Commission on the effects of the TCJA and other changes to the project and provide updated economic data and modeling. Based upon this new information, the Company projected that the Dakota Range I and II projects would produce a PVRR savings of \$167 million system-wide and \$9 million for North Dakota customers.

On July 30, 2018, Advocacy Staff filed the Direct Testimony of Mr. Heidell. Mr. Heidell concluded that the project is prudent because it would lower electricity costs for the Company's North Dakota customers, and recommended that the Commission approve the Dakota Range ADP Application with the following conditions: (1) recovery of construction, interconnection, and transmission costs for the Dakota Range I and II Projects should be limited to no more than the amount budgeted by the Company in aggregate with recovery of any supplemental construction cost subject to Commission review; and (2) the North Dakota ratepayers should not have to pay any additional costs if the Company fails to obtain 100 percent of the PTCs available to the Project.

In light of the material agreement between the Parties, Xcel Energy and Advocacy Staff have engaged in settlement discussions for both the Wind Portfolio and Dakota Range cases. 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 Wind Portfolio and Dakota Range Applications, 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 and the Dakota Range I and II projects be granted subject to the following conditions:

1. The Foxtail, Blazing Star I, Blazing Star II, Freeborn, and Dakota Range I and II Projects (collectively, the Self Build Projects) are prudent up to the amount identified in Table 1, Line 5 of the Joint Stipulation of

Capital Expenditure Costs filed in the above referenced Cases (Joint Stipulation) (Self Build Expenditure Amount) as may be adjusted due to the cancellation of a particular Self Build Project through subtraction of the budgeted capital expenditure cost of the cancelled project as identified in the Joint Stipulation 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 amount identified in Table 2, Line 3 of the Joint Stipulation ("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 BOT Project through subtraction of the budgeted cost of the cancelled project as identified in the Joint Stipulation 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 and Dakota Range, as applicable, in its North Dakota rates through its Fuel Cost Rider, 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/or the 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

the 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 and 80 percent PTCs (the full amount available) for Dakota Range.

**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 maybe advisable, Xcel Energy shall file a letter with the Commission in these Cases 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 these Cases 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 these Cases 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 these Cases. This Settlement Agreement supersedes all previous settlements in these proceedings.
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 proceedings. 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.

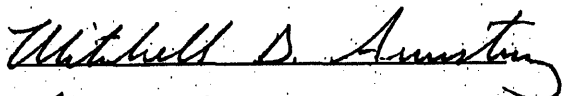
**[SIGNATURE PAGE FOLLOWS]**

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: FVP of Policy & Regulatory Affairs

Its: Counsel

[SIGNATURE PAGE TO SETTLEMENT AGREEMENT  
CASE NOS. PU-17-120 AND PU-17-372]