



414 Nicollet Mall
Minneapolis, MN 55401

November 7, 2018

—Via Electronic Filing—

Darrel Nitschke, Executive Secretary
North Dakota Public Service Commission
State Capitol, 600 East Boulevard Ave.
Bismarck, ND 58505

RE: INFORMATIONAL LETTER – ACQUISITION OF MANKATO ENERGY CENTER

Dear Mr. Nitschke:

Northern States Power Company (NSP), doing business as Xcel Energy, wishes to inform the North Dakota Public Service Commission in advance of our forthcoming request for an Advance Determination of Prudence (ADP) regarding the acquisition from Southern Company¹ of the 375 MW Mankato Energy Center (MEC I) and the 345 MW expansion project, Mankato Energy Center II (MEC II).

Xcel Energy currently has power purchase agreements (PPAs) for these combined cycle natural gas units to supply capacity and energy to the NSP integrated system. The existing facility, MEC I, was completed in 2006 and has operated since that time under a 20-year PPA with NSP to supply capacity and energy. The capacity and energy from the MEC II expansion project is committed to NSP under a second 20-year PPA with a planned in-service date of June 2019.

This proposed agreement will provide a number of benefits to our customers over the life of the plant as compared to the current PPAs. These benefits include: reduced costs, increased planning flexibility, and risk mitigation associated with the PPA expiration and the potential for higher prices for replacement power.

MEC I and MEC II are, and will be, integral parts of our generation resource portfolio, and this transfer of ownership is consistent with our current 2016-2030 Upper Midwest Resource Plan which included the output of these two units as PPAs in our long-term plans. It is also consistent with our commitment to cleaner energy as this dispatchable generation is important to the integration of the cost-effective renewable resources we are adding to our system.

¹ In 2016, Calpine sold MEC I and MEC II, including its rights and obligations under the corresponding PPAs with Xcel Energy, to Southern Company's subsidiary Southern Power.

Our upcoming ADP filing will:

- Provide an overview of the existing plant and expansion project as well as the related historic regulatory proceedings;
- Describe the transfer of ownership proposal, including an analysis of risks associated with the transaction and our mitigation actions; and
- Provide a detailed cost effectiveness/strategist analysis discussion, comparing the economics of the proposal to the initial PPA

The purchase agreement was recently signed and our ADP application is currently being finalized. It will be submitted within the next few weeks; however, we wanted to advise you of this acquisition and forthcoming filing to align with other public announcements both from Xcel Energy as well as Southern Company.

Please contact Dave Sederquist at dave.sederquist@xcelenergy.com or (701) 241-8632 if you have any questions regarding this filing. Thank you.

Sincerely,

/s/

AAKASH H. CHANDARANA
REGIONAL VICE PRESIDENT
RATES AND REGULATORY AFFAIRS