

**Exhibit \_\_\_\_ (KM-1)**  
**Schedule 8**

- Non Public Document – Contains Trade Secret Data  
 Public Document – Trade Secret Data Excised  
 Public Document

Xcel Energy

Docket No.: EL11-019

Response To: South Dakota Public  
Utilities Commission

Data Request No. 4-18

Date Received: January 6, 2012

---

Question:

For questions 4-1 through 4-17 please refer to Xcel's 2007 IRP referenced on page 8 of Witness McCarten's direct testimony:

Regarding its response to 1-28, Xcel states:

“Additional renewables were necessary over time to meet the combined policies of other states even if not driven by the Minnesota Renewable Energy Standard. Nobles was judged to be a cost competitive resource during the project selection process. Additions of wind generation also provide some hedge against the possibility of future regulation of greenhouse gas and associated costs.”

- a. Please demonstrate what additional resources would have been needed for South Dakota.
- b. Was there any cost assumptions associated with potential regulation of greenhouse gases that were included in the Strategist? If so, please explain in detail.

Response:

- a. Prior to the addition of Nobles the Company produced and purchased enough renewables to meet approximately 10.3 % of South Dakota retail sales (after allocating renewable energy among jurisdictions). For planning purposes energy consumption was projected to grow at 1.1% at the time. With that kind of growth the percentage of retail sales from renewables would have dropped below 10%, the South Dakota Renewable Energy Objective, within a few years. Since renewable energy is allocated among jurisdictions, approximately 5% of the output of any renewable addition is typically credited to South Dakota and, over time, sizable additions would be required to maintain a goal of 10% of retail sales in South Dakota..

b. We presume the subject of your question (b.) is our analysis of the addition of the Nobles wind project to our system. Our analysis looked at the cost effectiveness of the addition of the Nobles Wind Project to our system with and without assumptions about the effect of greenhouse gas regulation in the future. The analysis compared Nobles to other alternatives utilizing the Strategist model. One set of the simulations was done without greenhouse gas or other externality values. A second set of simulations was done with varying levels of greenhouse gas costs and other externality costs. The Company included a cost for CO<sub>2</sub> of \$17/ton starting in 2012 and escalating at 2% annually. The company also ran sensitivities with the price of CO<sub>2</sub> at \$4/ton and \$30/ton. The assumptions are described further in Attachment A to Data Request response 1-25 at pages 34 to 35.

---

Preparer: James Alders  
Title: Director Regulatory Administration  
Department: Regulatory Policy, NSPM  
Telephone: 612-330-6731  
Date: January 31, 2012