

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

Xcel Energy

Docket No.: EL12-046

Response To: SDPUC

Data Request No.

Requestor:

3-001

Date Received: August 2, 2012

Question:

Referring to the Black Dog Amortization adjustment:

- a. Please provide the rationale for including the costs related to an abandoned project when there is no direct benefit to ratepayers as a result this expenditure.
- b. Please provide a detailed breakdown of the \$891,000 of costs that were written off.
- c. Please refer to the footnote on work paper PF53-2. Please provide a detailed breakdown of the costs that have future value when the project is re-started.
- d. Why is it appropriate to use a two-year amortization period for the recovery of the repowering abandoning costs?
- e. Please provide a detailed and thorough explanation of the change in forecasted energy needs from 2010 to 2011 that lead NSP to decide that the project was no longer needed. When does NSP forecast a capacity need to repower Black Dog?

Response:

- a) The Black Dog Amortization Adjustment is discussed in Mr. Kramer's direct testimony on pages 68 and 69, the Company in good faith, prudently incurred cost on a repowering project designed to meet its projected needs based upon its 2010 Resource Plan (Docket No. E002/RP-10-825). The Company subsequently filed an update to the 2010 Resource Plan indicating that the Black Dog Repowering project was no longer needed at this time and the project would be evaluated in future resource plan filings. The Company filed requests on December 7, 2011 to withdraw the Black Dog certificate of need application and the companion generation site permit and transmission line route permit. The result of delaying the project caused the Company to incur a write-off of certain project costs that will not retain their value when the project is continued into the future. Since these costs were prudently incurred

at the time given that the project was designed to meet the Company's resource needs, it is appropriate to seek recovery from ratepayers for these costs. If the demand forecast had continued to support the need for the project, we would have continued with the work. It was prudent to discontinue the work once the demand forecast changed.

- b) See Attachment A for a breakdown of the calculation of the \$891,000.
- c) See Attachment A for a breakdown of the costs that have future value.
- d) The Company felt a two year amortization was appropriate given the amount being requested. If the Company does not file another rate case within this amortization period, we would work with the South Dakota staff to refund any amount over collected.
- e) The initial decision to pursue a 700 MW combined cycle project with a 2016 in-service date at the Black Dog site was based on our August 2010 Resource Plan. In this filing, we identified a capacity need of almost 500 MW in 2016. In December 2011, we filed an update to our Resource Plan including an updated peak load forecast. This new forecast was almost 600 MW lower in 2016 as a result of continued economic recession and the loss of some wholesale customers. In addition to a reduction in the peak load forecast, the total energy requirements forecast also fell significantly. This impacted the Company's assessment of the type of resource needed. Analysis using our power production model, Strategist, indicated that with lower energy requirements and lower natural gas prices, the value of intermediate type resources (such as combined cycle) was significantly diminished and peaking resources would likely result in the lowest possible cost for customers. In August 2012, the Company submitted reply comments to our Resource Plan indicating the need for new natural gas capacity is expected in the 2017-2019 time frame and is likely to be in the 400 MW – 600 MW range. The type of the needed resource may either be peaking or intermediate depending on the pricing of actual project proposals. See Attachment B for the peak and energy forecasts used in the August 2010 Resource Plan and the December 2011 Resource Plan Update.

Preparer: Thomas Kramer \ Steven Wishart
Title: Principal Rate Analyst \ Director
Department: Revenue Requirements – North \ Resource Planning
Telephone: 612-330-5866 \ 612-330-6128
Date: September 24, 2012

Exhibit___(JPT-14)
Page 3 of 6

Northern States Power Company, a Minnesota Corporation
Electric Utility - State of South Dakota
Analysis of Black Dog Work Order Costs
12/31/2011

Docket EL12-046
SDPUC Data Request 3-001
Attachment A
Page 1 of 1

CAR Item Description	Scope	Estimated Shelf Life*	PTD Costs	% Retained**	Retained Value	Reim-bursable ***	Cost to be written off
		years		(b)	(c) = (a)*(b)	(d)	(e) = (a)-(c)-(d)
Project Mgmt & Oversight							
Project Management	Internal Labor and Expenses for Xcel Energy E&C Project Management Staff developing project, preparation of procurement package permitting, scheduling	5.0	142,535	20.00%	28,507		114,028
Project Controls and Admin	Internal Labor and Expenses for Xcel Energy E&C Project Controls and Admin Staff project planning and schedule development and tracking permitting, procurement, and conceptual design support.	3.0	166,505	0.00%	0		166,505
Engineering & Technical Services	Internal Labor and Expenses for Xcel Energy E&C Project Engineering and Tech Services Staff, includes preparing of procurement package cooling system planning, general project planning, permitting support	5.0	303,949	25.00%	75,987		227,962
AICC (Trevor Odden)	External Labor costs for consulting on project layout, geotechnical engineering, procurement, and general planning	5.0	51,160	100.00%	51,160		0
CPS Midwest (Carl Sannes)	External Labor costs for consulting on project layout, procurement, general project planning, permitting, and scheduling	4.0	381,775	100.00%	381,775		0
Construction Management	Internal Labor and expenses for Xcel Energy E&C Construction Staff for project planning and schedule development, including permitin procurement, and conceptual design support.	3.0	38,174	0.00%	0		38,174
Plant Operations, Operator Training Allowance	Internal Labor and expenses for Xcel Energy Plant Staff, developing project, specifications, permitting support	3.0	33,206	0.00%	0		33,206
Xcel General Services / Support Depts							
Environmental Services	Internal Labor and expenses for Xcel Energy Environmental Policy and Services Staff, including , permitting, and procurement	7.0	130,570	50.00%	65,285		65,285
Production Resources	Internal Labor and expenses for Xcel Energy Production Resources Staff to support procurement	7.0	5,885	10.00%	589		5,297
Procurement / Sourcing	External Labor costs for Sourcing Support services for consultant and equipment procurement contracts	5.0	25,916	100.00%	25,916		0
Merjent	External Labor costs for preparing portions of the site permit	7.0	48,023	100.00%	48,023		0
Wenck (Environmental Consulting Services)	External Labor Costs for preparing the air permit, includes calculations, modeling, applications, and supporting documents	7.0	169,591	100.00%	169,591		0
BARR (Site Permit/Plume Modeling)	External Labor costs for preparing portions of the site permit and preparing plume models	7.0	100,784	100.00%	100,784		0
Regulatory	Internal Labor and expenses for Xcel Energy Regulatory Staff including permitting support.	3.0	45,285	0.00%	0		45,285
Siting and Land Rights	Internal Labor and expenses for Xcel Energy Siting and Land Rights Staff including site permitting support	7.0	10,647	15.00%	1,597		9,050
Legal Dept Consultant (Briggs & Morgan)	External Labor for Legal Consultants including site permitting support	3.0	76,806	0.00%	0		76,806
Consulting/Prof Services							
S&L (Repowering Study Units 3&4)	External labor and expenses for conceptual engineering, estimating, procurement, project planning and permitting	Indefinite	412,613	100.00%	412,613		0
Braun (Geotechnical Investigation)	External labor and expenses for site geotechnical investigations	Indefinite	42,509	100.00%	42,509		0
Excel Engineering - HV Electrical Interconnection	External labor and expenses for 345kV electrical interconnection studies	5.0	53,780	100.00%	53,780		0
Interconnection App/Plan (MISO)	Fees paid to MISO for interconnection studies and applications	1.0	425,650	0.00%	0	400,087	25,563
License Fees & Permits	Fees paid to government agencies for air, water, and other permits	Zero	68,863	0.00%	0		68,863
Purchasing OH	Purchasing Load Charges	Zero	15,022	0.00%	0		15,022
Admin and General, E&S	Administrative and General Overhead Expenses	-	40,662	0.00%	0		0
AFUDC	Allowance for Funds Used During Construction	-	100,287	0.00%	0		0
TOTAL COSTS			2,890,194		1,458,116	400,087	891,043

Reconcile to Write-Off Amount

Retained Value	1,458,116
Reimbursible from MISO	400,087
Reverse E&S	40,662
Reverse AFUDC	100,287
Net Write-off	<u>891,043</u>

*Shelf Life is based on the following assumptions:

1. Project would not change technical design during time on shelf. This includes CTG/CTG/HRSG type, size, location, ratings, emissions, etc.
2. Project would not be subject to new or revised environmental permitting requirements beyond those that exist in late 2011
3. Fees paid to government and other outside agencies that would require paying again once the project is removed from the "Shelf" are a shelf life of zero

** Percentage retained value is based on an estimate of the prorated amount of effort that the specific category expended to support the categories for which 100% value is retained

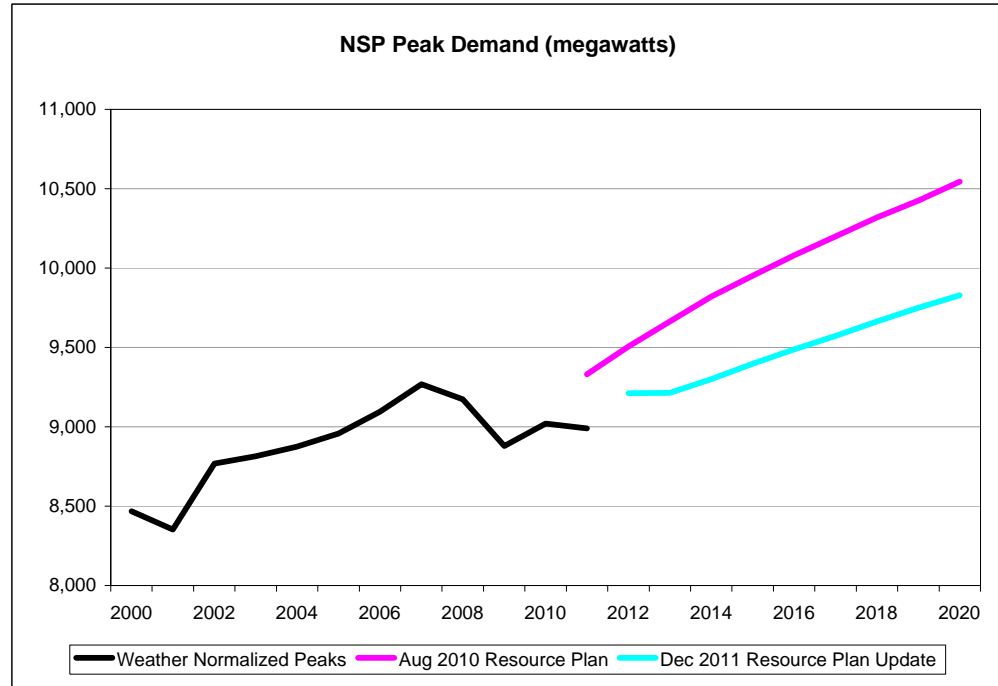
Costs are based on the time and expense that each particular category consumed while supporting, coordinating, reviewing, and generally managing the work for which full value is retained under a separate line item. Examples include management efforts on procurement documents, permitting documents, and conceptual design with the A/E firm (S&L Repowering Study Units 3 & 4)

*** Reimbursable represents amounts paid to MISO for interconnection studies and applications. NSPM will request refund from MISO once order received from MPUC approving the cancellation of project.

**Northern States Power Company, a Minnesota corporation
Electric Utility - State of South Dakota
Peak Demand Forecast**

**Docket EL12-046
SDPUC Data Request 3-001
Attachment B
Page 1 of 2**

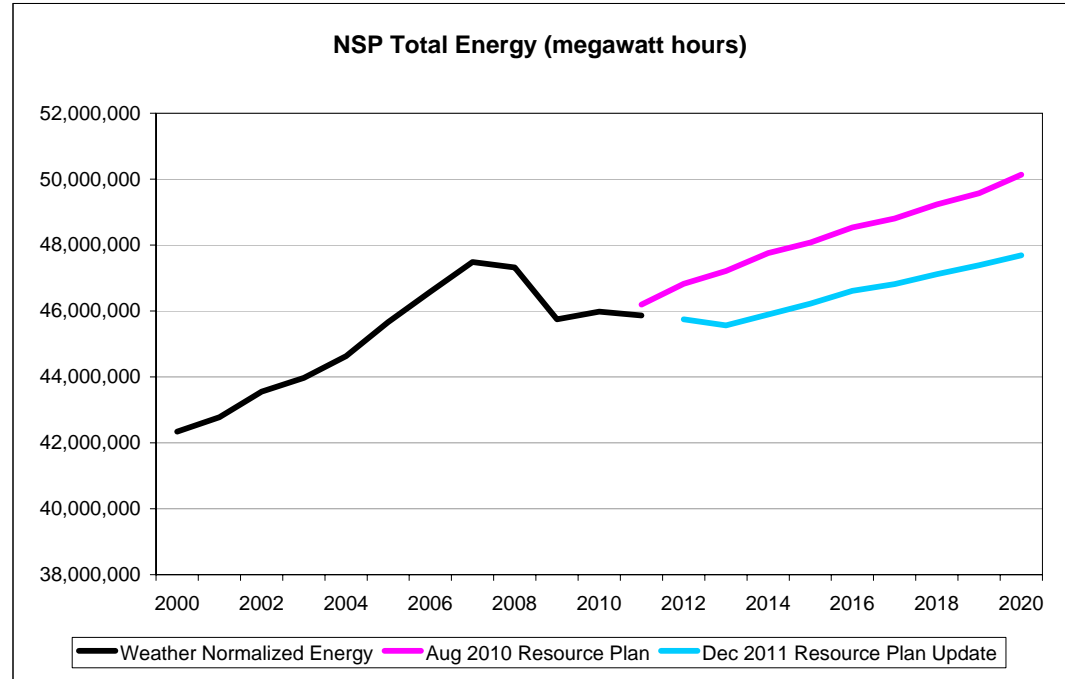
	Actual Peaks	Weather Normalized Peaks	Aug 2010 Resource Plan	Dec 2011 Resource Plan Update
2000	8,189	8,468		
2001	9,236	8,353		
2002	8,924	8,768		
2003	8,868	8,814		
2004	8,655	8,876		
2005	9,104	8,958		
2006	9,859	9,095		
2007	9,473	9,267		
2008	8,694	9,173		
2009	8,609	8,879		
2010	9,131	9,021		
2011	9,623	8,989	9,330	
2012			9,506	9,213
2013			9,664	9,213
2014			9,821	9,301
2015			9,951	9,397
2016			10,081	9,489
2017			10,199	9,573
2018			10,318	9,664
2019			10,426	9,750
2020			10,545	9,829



**Noorthern States Power Company, a Minnesota corporation
Electric Utility - State of South Dakota
Total Energy Forecast**

**Docket EL12-046
SDPUC Data Request 3-001
Attachment B
Page 2 of 2**

Year	Actual Energy	Weather Normalized Energy	Aug 2010 Resource Plan	Dec 2011 Resource Plan Update
2000	41,966,980	42,335,969		
2001	42,402,262	42,774,587		
2002	43,301,543	43,557,912		
2003	43,263,270	43,969,117		
2004	43,520,145	44,635,143		
2005	46,069,798	45,661,207		
2006	46,486,501	46,584,228		
2007	47,951,259	47,480,702		
2008	47,144,934	47,324,178		
2009	45,224,347	45,748,110		
2010	46,422,293	45,976,872		
2011	46,286,487	45,864,909	46,191,286	
2012			46,823,815	45,749,794
2013			47,213,690	45,558,816
2014			47,756,996	45,888,762
2015			48,076,670	46,227,019
2016			48,530,467	46,609,389
2017			48,803,217	46,816,430
2018			49,230,611	47,112,041
2019			49,568,829	47,387,856
2020			50,137,716	47,688,637



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

Xcel Energy

Docket No.: EL12-046

Response To: South Dakota Public
Utilities Commission

Data Request No. 6-8

Date Received: August 24, 2012

Question:

Please refer to the Black Dog Amortization adjustment and the reply comments filed on August 13, 2012, by NSP for its 2010 Resource Plan, Minnesota Docket No E002/RP-10-825. NSP requested the Minnesota Commission approve the following recommendation on page 2 of the filing:

- Revise the scope of the Black Dog Repowering Proceeding (Docket E002/CN-11-184) to identify the best plan to meet the resource need of 400 to 600 MW over the years of 2017 to 2019; and
- Direct the Administrative Law Judge for the Black Dog Repowering Proceeding to protect the disclosure of confidential information related to bids from competing parties.

If the Minnesota Commission approves these recommendations, will those actions change the proposed Black Dog Amortization adjustment? Please explain.

Response:

No, any actions taken by the Minnesota Commission would not change the Black Dog amortization adjustment in this case. The adjustment is limited to seeking recovery of the South Dakota portion of the prudently incurred costs for the Black Dog repowering project that were written off during the 2011 test year. The amount included in the test year would not change. Please also see Mr. Kramer's Direct Testimony at pages 68 and 69.

Response By: Thomas E. Kramer
Title: Principal Rate Analyst
Department: Revenue Requirements – North
Telephone: 612-330-5866
Date: August 31, 2012