

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE)
APPLICATION OF NORTHERN) EL12-046
STATES POWER COMPANY FOR)
AUTHORITY TO INCREASE)
ELECTRIC RATES IN SOUTH)
DAKOTA**

**ANSWER OF NORTHERN STATES POWER COMPANY
TO PETITION TO INTERVENE
BY SHETEK WIND INC.**

Northern States Power Company (Xcel Energy or Company) respectfully submits this Answer to the Petition to Intervene dated September 6, 2012 by Shetek Wind Inc. (Shetek) in the above-captioned proceeding. A.R.S.D. § 20:10:01:15.02 provides that a person who is not an original party to a proceeding and who has an interest in a pending proceeding may petition the Commission for leave to intervene. Pursuant to A.R.S.D. § 20:10:01:15.05, the Commission shall approve a petition to intervene if it has been demonstrated that the petitioner is specifically deemed by statute to be interested in the matter involved, that the petitioner is specifically declared by statute to be an interested party to the proceeding, or that by the outcome of the proceeding the petitioner will be bound and affected either favorably or adversely with respect to an interest peculiar to the petitioner as distinguished from an interest common to the public or to the taxpayers in general. Shetek fails to meet the standard for intervention under A.R.S.D. § 20:10:01:15.05, and the Company respectfully requests that the Commission deny Shetek's Petition.

I. Shetek Does Not Meet The Standard for Intervention.

Shetek does not meet the standard for intervention in a rate proceeding under South Dakota law. Shetek is not deemed by statute to be interested in this matter and the outcome of this proceeding does not bind and affect, either favorably or adversely, any interest peculiar to Shetek. Shetek has no interest in the South Dakota retail electric service rates that will be determined by the Commission in this proceeding, much less does Shetek have an interest in South Dakota rates that is peculiar to Shetek. Rather, Shetek is focused on issues that relate to the Midwest Independent Transmission System Operator, Inc. (MISO) generation interconnection queue and wholesale energy supply.

In this case, Shetek claims that because it is an owner of and party to a 150 MW large generator interconnection agreement (LGIA) with MISO and the Company for an interconnection to be located in Southwestern Minnesota, that the consistent and appropriate treatment of the disposition of interconnection rights under a “net-zero” interconnection arrangement under the MISO Tariff is necessary to avoid adverse impacts on Shetek and generally generators within MISO.¹ Shetek further claims that the Commission’s decision in this case “may, directly or indirectly, affect the competitiveness of Shetek’s facilities.”²

But the retail rates for South Dakota customers determined in this proceeding do not and cannot affect Shetek. Shetek completely fails to establish how the Commission’s decision here will have any impact on it. Moreover, the Shetek motion fails to disclose to the Commission that Shetek is a party to a settlement that resolves all issues related to allegations of discrimination regarding the interconnection arrangement in question.

First, Shetek states its interest as the owner of and party to an LGIA for

¹ Pet. At 2.

² Pet. At 2-3.

a project proposed for Minnesota. To be clear, Shetek currently owns only a *proposed* wind generation development that, if constructed, would be *in Minnesota* and would interconnect to the Company's transmission system *in Minnesota*. Even if the Shetek facility were to be constructed at some time in the future, a matter that is speculative at this point, any retail electric service needs for the facility would be subject to the jurisdiction of the Minnesota Public Utilities Commission. Shetek also does not have any legally enforceable agreement to sell energy to Xcel Energy, and Shetek's proposed project has no impact on South Dakota rates.

While Shetek may claim to have a dispute relating to wholesale generation interconnection, there is simply no South Dakota interest here. This proceeding involves retail electric rates for South Dakota customers. Shetek has no specific interest that merits intervention. In fact, it appears that Shetek is not doing business in South Dakota, and it is not a South Dakota customer of the Company. Certainly the project about which Shetek complains has no connection to South Dakota.

Further, Shetek misstates the arrangement for interconnection rights for our Angus Anson facility. The Company has not "disposed of" its generation interconnection rights. Rather, the Company has fully retained its right to interconnect Angus Anson and to use the interconnection rights to serve our customers (or the MISO market) when the Angus Anson generation is needed. Xcel Energy has simply contracted for Prairie Rose Wind to use certain interconnection rights associated with our Angus Anson plant under specified circumstances. The "net zero" arrangement was made pursuant to MISO interconnection policies, and the LGIA is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC), not this Commission. This net zero arrangement has been conditionally accepted by FERC, subject to

future orders and compliance filings, and is the subject of a settlement to which Shetek was a party.

Nevertheless, even if Shetek's allegations were accepted as true for purposes of analysis, since Shetek's project is not a South Dakota ratepayer, Shetek has no interest in the electric service ratemaking treatment of the Angus Anson facility, much less an interest that is peculiar to Shetek. If there is any question regarding the Prairie Rose Wind interconnection arrangement at Angus Anson and the potential impact on the Company's costs or rates, the Commission Staff can adequately investigate and address the issue.

In addition, Shetek notes that there are three FERC dockets where the issue of a net zero interconnection has been considered.³ Shetek fails to disclose, however, that on August 27, 2012, a settlement agreement was filed with FERC, with both Shetek and the Company as parties, that resolve, subject only to FERC approval, all issues in FERC Docket Nos. EL11-53 (a Shetek complaint against MISO regarding the net zero interconnection policy) and ER12-188 (the Prairie Rose Wind LGIA docket, where Shetek intervened and protested). That settlement includes a determination that no discrimination occurred by MISO or the Company in granting the net zero interconnection at the Angus Anson plant to Prairie Rose Wind. A copy of the settlement agreement and FERC trial staff comments in support of the settlement agreement are included as Attachments A and B. In any case, a dispute before FERC regarding a wholesale generation interconnection issue does not provide any interest to Shetek that merits intervention in this South Dakota retail electric rate proceeding.

Further, the settlement reserves all issues related to other net zero interconnections to the third docket referenced, ER12-309, the MISO queue

³ Pet. At 2.

reform docket. As such, the application of the MISO net zero interconnection tariff to all other potential projects, and the implications for “the competitiveness of Shetek’s facilities,” will be decided in the MISO queue reform docket. However, shortly before filing its intervention here claiming potential impacts to the Shetek project, Shetek withdrew from participation in the MISO queue reform docket. A copy of Shetek’s notice of withdrawal in that docket is included as Attachment C.

The net zero interconnection issue is a legal question for FERC to resolve in the three FERC dockets cited in the Shetek motion. However, Shetek has agreed to a settlement in two dockets and formally withdrawn from the third docket. Further, there is nothing for this Commission to consider with respect to queue reform in the setting of retail rates for South Dakota customers. Shetek is simply attempting to litigate in this proceeding those FERC-jurisdictional issues that it has either settled or withdrawn from in the relevant proceedings at FERC.

II. Conclusion

The matter at issue in this case involves the setting of retail rates for our South Dakota retail electric customers. Shetek is not a retail customer of Xcel Energy in either South Dakota or Minnesota. As the owner of a *proposed* wind project to be both located and interconnected in Minnesota, Shetek has not

demonstrated that the outcome of this proceeding will bind and affect, either favorably or adversely, any interest peculiar to Shetek. Shetek does not meet the statutory standard for granting a motion to intervene in a utility rate case. The petition to intervene should be denied.

Respectfully,



Dated: 7/20/2012

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