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January 16, 2013

—Via Electronic Filing—

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
2011-2025 RESOURCE PLAN
DOCKET NO. E002/RP-10-825

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits the attached Reply Comments in the docket referenced above. We have electronically filed this document with the Commission, and copies have been served on the parties on the attached service lists.

Please contact me at james.r.alders@xcelenergy.com or (612) 330-6732 if you have any questions regarding this filing.

Sincerely,

/s/

JAMES R. ALDERS
STRATEGY CONSULTANT
REGULATORY AFFAIRS

Enclosures
c: Service Lists

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Phyllis A. Reha	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE APPLICATION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF OUR 2011-2025
INTEGRATED RESOURCE PLAN

DOCKET NO. E002/RP-10-825

REPLY COMMENTS

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the December 18, 2012 Comments of the Minnesota Department of Commerce, Division of Energy Resources in our Resource Plan proceeding. We appreciate the Department's analysis and recommendations on the size, type, and timing of the Company's next generation resource needs. We continue to be in general agreement with the Department on the size, type, and timing parameters for the competitive resource acquisition process scheduled to begin in March 2013. We continue to recommend that the Commission's Order:

- Set the need at 154 MW in 2017, 319 MW in 2018, and 443 MW in 2019; and
- Not specify the resource type, but let the process select the most cost effective proposals.

These recommendations are in line with the Department's recommended parameters. We are continuing to develop our proposal to meet the resource need identified here. Our proposal will consist of three combustion turbine units to meet generation needs in the 2017 to 2019 timeframe, providing flexibility that would allow the Commission to select all or portions of our proposal in combination with other projects to meet our customers' power requirements reliably and as cost effectively as possible.

We believe the competitive process approved in our 2004 Resource Plan – where the Company and other parties submit proposals concurrently, with the proposals reviewed in a contested case proceeding – is suited to the process in this case.

In addition, we have continued the discussions with Calpine on a confidentiality agreement for the competitive acquisition process. While we have not finalized a non-disclosure agreement, these discussions have been beneficial and position us well to be prepared to finalize an agreement once the Commission issues its Order regarding the competitive process.

We provide our Reply in the following sections:

- Size, Type, and Timing of Resource Need;
- Competitive Acquisition Process; and
- Update on Confidentiality Discussions.

A. Size, Type, and Timing of Resource Need

We appreciate the Department's thorough review and analysis of our resource plan modeling and assumptions. Based on their analysis, the Department recommends that the Commission require the Company to pursue up to 500 MW of natural gas fired (peaking and intermediate) capacity for implementation in the 2017 to 2019 time frame.

Our recommendation is consistent with these parameters. We continue to recommend that the Commission specify the estimated generation deficits by year – 154 MW in 2017, 319 MW in 2018, and 443 MW in 2019 – to provide project developers with specific guidance regarding the size and timing of our resource needs. Providing this guidance and the flexibility to offer the generating unit size of their choice to meet either all or part of the resource need will elicit as many proposals as possible that will result in the opportunity to select the most cost effective projects for our customers.

The Department also recommends that the specific type of capacity should be determined based upon actual bids submitted in the competitive acquisition process. We concur. Predetermining the best mix of peaking and intermediate generation based an analysis using resource planning level assumptions may not result in the most cost effective proposals. Thus, we continue to recommend that the Commission not specify the resource type, but let the process select the most cost effective generation portfolio to obtain the best outcome for our customers.

B. Competitive Acquisition Process

On December 21, 2012, in compliance with the Commission's November 30, 2012 Order in this docket, we filed our Competitive Resource Acquisition Process Notice Plan that outlines the steps we will take to announce the initiation of this process.

Our Notice Plan provides opportunity for participation of additional power producers across the region resulting in a least cost resource, or combination of resources, to meet the resource need identified in this proceeding.

The competitive resource acquisition process approved in our 2004 Resource Plan (Docket No. E002/RP-04-1752) was outlined in the Company's August 28, 2006 filing in that proceeding. In summary, when the Company is proposing a self-built alternative, the "Track 2" specifies a certificate of need-like process where:

- The Company submits a detailed filing regarding its proposal containing information as laid out in Minnesota rules and statutes governing certificate of need applications.
- On the same date interested competitors provide their proposals in similar certificate of need like detail, including proposed contract terms.
- A contested case is conducted before an administrative law judge, with findings and recommendations to be provided to the Commission.
- The Commission considers the developed record and issues its decision.

To develop a robust record upon which an administrative law judge can make a recommendation, we plan to use the same Strategist model that was used in the Resource Plan to compare the relative costs and benefit of all the proposed projects. We would provide our models to the Department to be used as they assess the projects, acting as an independent evaluator and developing testimony for the contested case. In addition, as in our Resource Plan proceeding, parties would be able to access the Strategist results and input assumptions through discovery to be able to assess how their proposal compares to the Company's proposal and to develop supporting testimony. Confidential information would be provided to parties under the terms of a non-disclosure agreement.

We expect that the contested case proceeding would take approximately six months and that the Commission could have a recommendation from the ALJ by approximately September 2013. This should provide sufficient time for the Commission to issue a decision and projects to begin construction in 2014.

C. Update on Confidentiality Discussions

As noted, we have continued discussions with Calpine regarding the mutual sharing of confidential information. We understand that by engaging in these discussions, Calpine is not waiving any argument as to how the competitive process should take shape. While we have not finalized a non-disclosure agreement, we believe working

toward an NDA now puts us in a good position to finalize the terms once the Commission makes its Resource Plan determinations in February.

Additional factors such as details that may be included in the Commission's Order and whether there are additional bidders could prompt either party to suggest further changes to the NDA. We have a tentative schedule for the next discussion with Calpine. We expect that the same model could be used by other participants in the process and will facilitate prompt exchange of discovery if a traditional contested case proceeding goes forward.

CONCLUSION

Based on the analysis and discussion presented in our Comments and Reply, we continue to recommend that the Commission:

- establish the size and timing of our generating resource need to be addressed in the competitive resource acquisition process at 154 MW in 2017, 319 MW in 2018, and 443 in 2019;
- provide participants in the competitive resource acquisition process the flexibility to offer peaking or intermediate resources or a combination of the two, as well as the flexibility to address all or a portion of the identified need;
- allow proposals in the competitive resource acquisition process from existing generators; and
- take no action at this time to reduce the estimated resource need based on demand response potential.

Xcel Energy is actively preparing the most cost effective proposal we can identify to meet the resource needs presented in our updated analyses. We intend to design our proposal in a modular fashion so that the Commission has flexibility to select three combustion turbines to meet the entire need identified or combine fewer units with other proposals if more cost effective. We also have flexibility to adjust the timing of our generation additions if evolving circumstances warrant. We look forward to Commission's consideration in the competitive acquisition process.

Dated: January 16, 2013

Northern States Power Company

CERTIFICATE OF SERVICE

I, Ketti Lindberg, hereby certify that I have this day served copies of the foregoing document or a summary thereof on the attached lists of persons:

xx by depositing a true and correct copy or summary thereof,
properly enveloped with postage paid, in the United States Mail
at Minneapolis, Minnesota; or

xx via electronic filing

DOCKET Nos. E002/RP-10-825; E002/CN-12-1240

Dated this 17th day of January, 2013

/s/

Ketti Lindberg

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