

**PUBLIC DOCUMENT
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414 Nicollet Mall
Minneapolis, Minnesota 55401

July 26, 2013

—VIA ELECTRONIC FILING—

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

RE: PETITION FOR APPROVAL OF AMENDMENT TO POWER PURCHASE AGREEMENT
WITH LAURENTIAN ENERGY AUTHORITY I, LLC
DOCKET NO. E002/M-13-____

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits this Petition for Approval of an amendment to a Power Purchase Agreement (PPA) with Laurentian Energy Authority I, LLC.

Please note that certain portions of this Petition have been designated as Trade Secret information pursuant to Minnesota Statute § 13.37, subd. 1(b). In particular, the information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

We have served a copy of this filing on all parties on the Company's attached miscellaneous electric service list and the service list for Docket No. E002/M-09-913.

Please contact me at (612) 330-7529 or paul.lehman@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE & FILINGS

Enclosure
c: Service List

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STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy L. Wergin	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF AN AMENDMENT TO
THE LAURENTIAN ENERGY AUTHORITY
I, LLC POWER PURCHASE AGREEMENT

DOCKET No. E002/M-13-___

PETITION

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Petition for approval of an amendment to a Power Purchase Agreement with Laurentian Energy Authority I, LLC for biomass power at existing facilities in the cities of Hibbing and Virginia, Minnesota. This amendment incorporates provisions which satisfy new requirements enacted by the Minnesota Legislature in May 2013 (2013 Minnesota Session Laws, Chapter 57) under Minn. Stat. § 216B.2424, subd. 5a (the Biomass Statute). Specifically, the PPA amendment provides:

- an adjusted price for project energy beginning in 2014 over the remaining term of the PPA; and
- the addition of a fuel cost adjustment beginning in 2014.

In addition, consistent with the 2013 legislation, the PPA amendment provides that beginning with payments for 2012, Laurentian shall be paid for all energy delivered by the project to Xcel Energy, subject to thresholds based on scheduled deliveries.

Pursuant to the revised Biomass Statute, Provided as Attachment A to this filing, we request Commission approval of the amendment to the Laurentian PPA, provided as Attachment B to this filing.

I. SUMMARY OF FILING

A one-paragraph summary of the filing accompanies this Petition pursuant to Minnesota Rule 7829.1300, subp. 1.

II. SERVICE ON OTHER PARTIES

Pursuant to Minn. R. 7829.1300, subp. 2 and Minn. Stat. § 216.17, subd. 3, Xcel Energy has electronically filed this document. A summary of the filing has been served on all parties on the Company's miscellaneous electric service list and the service list from the last Laurentian PPA Amendment proceeding (Docket No. E002/M-09-913).

III. GENERAL FILING INFORMATION

Pursuant to Minnesota Rule 7829.1300, subp. 3, Xcel Energy provides the following information.

A. Name, Address, and Telephone Number of Utility

Northern States Power Company, doing business as:
Xcel Energy
414 Nicollet Mall
Minneapolis, Minnesota 55401
(612) 330-5500

B. Name, Address, and Telephone Number of Utility Attorney

James R. Denniston
Assistant General Counsel
Xcel Energy
414 Nicollet Mall, 5th Floor
Minneapolis, Minnesota 55401
(612) 215-4656

C. Date of Filing and Requested Date of Implementation

The date of this filing is July 26, 2013. Xcel Energy requests approval of the PPA amendment within 90 days as required under Minn. Stat. § 216B.2424, subd. 5a, paragraphs (e) and (f).

D. Statute Controlling Schedule for Processing the Filing

Minn. Stat. § 216B.2424, subd. 5a, paragraph (e) requires that the Commission act on this filing within 90 days of submission.

E. Utility Employee Responsible for Filing

Paul J Lehman
Manager, Regulatory Compliance & Filings
Xcel Energy
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
(612) 330-7529

IV. MISCELLANEOUS INFORMATION

Pursuant to Minn. R. 7829.0700, Xcel Energy requests that the following persons be placed on the Commission's official service list for this matter:

James Denniston Assistant General Counsel Xcel Energy 414 Nicollet Mall, 5 th Floor Minneapolis, MN 55401 james.r.denniston@xcelenergy.com	SaGonna Thompson Records Specialist Xcel Energy 414 Nicollet Mall, 7 th Floor Minneapolis, MN 55401 regulatory.records@xcelenergy.com
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Any information requests in this proceeding should be submitted to Ms. Thompson at the Regulatory Records email address above.

V. DESCRIPTION AND PURPOSE OF FILING

A. Description of Filing

Xcel Energy seeks approval of the Second Amendment to the Second Amended and Restated Biomass PPA for biomass generation resources from the Laurentian project. This amendment modifies the purchase price of the energy from the project and adds a fuel cost adjustment beginning in 2014 over the remaining term of the agreement. Additionally, the amendment provides that beginning with payments for 2012, Laurentian shall be paid for all energy delivered to Xcel Energy under the PPA, subject to thresholds based on committed energy production.

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We are filing this Petition in compliance with legislation passed in May 2013 that amended the Biomass Statute. The complete amended statute is provided as Attachment A. The relevant changes to the Biomass Statute are provided in legislative format below. Specifically, 2013 Minnesota Session Law, Chapter 57 provides, in pertinent part:

(e) Upon request by the project owner, the public utility shall agree to amend the power purchase agreement...The average price for energy in nominal dollars measured over the term of the power purchase agreement must not exceed ~~\$104~~ \$109.20 per megawatt hour ~~by more than five percent.~~

(f) With respect to the power purchase agreement...upon request by the project owner, the public utility shall agree to amend the power purchase agreement to include a fuel cost adjustment clause which requires the public utility to reimburse the project owner monthly for all costs incurred by the project owner during the applicable month to procure and transport all fuel used to produce energy for delivery to the public utility pursuant to the power purchase agreement to the extent such costs exceeded \$3.40 per million metric British thermal unit (MMBTU), in addition to the price to be paid for the energy produced and delivered by the project owner. Beginning with 2014, at the end of each calendar year of the term of the power purchase agreement, the project owner shall calculate the amount by which actual fuel costs for the year exceeded \$3.40 per MMBTU, and prior monthly payment for such fuel costs shall be reconciled against actual fuel costs for the applicable calendar year. If such prior monthly fuel payments for the year in the aggregate exceed the amount due based on the annual calculation, the project owner shall credit the public utility for the excess paid. If the annual calculation of fuel costs due exceeds the prior monthly fuel payments for the year in the aggregate, the project owner shall be entitled to be paid for the deficiency with the next invoice to the public utility.

(g) ...In addition, beginning with 2012, the public utility shall pay for all energy delivered by the project owner pursuant to the power purchase agreement at the full price for such energy in the power purchase agreement approved and amended pursuant to paragraph (e), provided that the project owner does not deliver more than 110 percent of the amount scheduled for delivery in any year of the power purchase agreement, and does not deliver, on average over any five consecutive years of the power purchase agreement, an amount greater than 105 percent of the amount scheduled for delivery over the five-year period.

In support of this filing, we provide the following information:

- Background
- Project Description
- Summary of Amended Terms of PPA
- Summary of Public Interest Considerations

A. Background

In 1994, the Minnesota Legislature approved a biomass mandate (Minn. Stat. 216B.2424) that required Xcel Energy to construct and operate, purchase, or contract to construct and operate 50 MW of farm grown closed-loop biomass energy by December 31, 1998, and an additional 75 MW of such biomass energy by December 31, 2002. Since enactment, the Biomass Statute has been amended several times including: 1) a reduction of the total biomass capacity requirement from 125 MW to 110 MW, and 2) a revision to the definition of biomass to include the use of turkey litter and biomass fuels other than closed-loop fuels as fuel sources. Today, Xcel Energy has PPAs in place for three projects to meet the 110 MW biomass mandate:

- FibroMinnesota, LLC (50 MW biomass facility using turkey litter)
- St. Paul Cogeneration (25 MW biomass facility using wood waste)
- Laurentian Energy (35 MW biomass facility using trees & wood waste)

Since enactment of the Biomass Statute, the Company has submitted and the Commission has approved a number of PPA amendments in order to achieve the goals of the Biomass Statute. The most recent amendment to the Laurentian PPA was approved by the Commission on November 10, 2009 in Docket No. E002/M-09-913. That amendment was also filed to comply with legislative changes to the Biomass Statutes (2009 Minnesota Session Laws, Chapter 110, Section 22), which provided for a PPA price increase.

Since the 2009 PPA amendment, several factors have contributed to the need for Laurentian to seek legislative changes for additional energy price increases and a fuel adjustment clause. Laurentian faces a complicated supply structure and has little ability to control fuel prices. Laurentian has experienced fuel supply and fuel pricing challenges almost since project completion, and specifically since the 2009 PPA amendment was approved. Since that time, biomass fuel prices have increased due to a reduction in the supply of qualifying biomass fuels and increased competition for those fuels. In addition, with increasing fuel costs and fixed energy pricing, Laurentian faced challenges with its business model.

The proposed PPA amendment addresses these issues. The energy price increase allows Laurentian to recover many of the near term cost increases it has experienced. The fuel cost recovery clause allows Laurentian to receive reimbursement of future fuel cost increases above the established threshold without the need to seek further energy price increases. While Laurentian approached the Company with proposed PPA amendments, we were not comfortable negotiating changes to the terms of the PPA without statutory changes. In response, Laurentian successfully sought legislative action on the issues addressed in the PPA amendment.

B. Project Description

The cities of Hibbing and Virginia, Minnesota (the City Utilities) each own and operate municipal coal-fired generating stations that have been refurbished to also burn biomass fuels. The plants provide thermal energy for district heating and cooling to businesses and residents of the cities, and related electricity. The Hibbing plant delivers approximately 20 MW of biomass Capacity and Energy to NSP under the PPA, and the Virginia plant delivers approximately 15 MW of biomass Capacity and Energy to NSP under the PPA. Each city is electrically interconnected to a substation, and then to a Minnesota Power transmission line. Energy is delivered to Xcel Energy in accordance with the MISO open access transmission tariff (OATT).

The two retrofitted plants began commercial operation in January 2007. A common site for quality control of fuel has been developed between the two City Utilities where the fuel is processed prior to delivery to the boiler sites. Fuel usage consists of closed-loop biomass, open-loop biomass and coal. The closed-loop fuel supply consists of trees and shrubs grown specifically for harvesting and use at the plant. The open-loop fuel supply consists of wood waste and tree trimmings and other clean wood waste derived from sources in close proximity to the plant.

C. Summary of Amended Terms of PPA

The proposed PPA amendment, provided as Attachment B to this filing, includes the following modifications to the agreement.

Effective January 1, 2014, Xcel Energy will purchase the output from the project over the remaining term of the agreement at a modified price as specified in Table I attached to the PPA amendment. The new PPA rates result in an average price of \$109.20 over the term of the PPA, consistent with the 2013 amendment to paragraph (e) of the Biomass Statute.

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The required addition of the fuel cost adjustment is addressed in Section 5.0 of the PPA amendment. The language in Section 5.0 is consistent with the new paragraph (f) of the Biomass Statute. Section 5.0 of the PPA amendment states that beginning in 2014, costs incurred to procure and transport fuel used to generate power purchased by Xcel Energy is subject to recovery by LEA if such costs exceed \$3.40 per MMBTU.

Consistent with new paragraph (g) of the Biomass Statute, Section 4.0 of the PPA amendment also addresses payments for energy delivered under the PPA. As specified in the original PPA, committed energy production will remain at **[TRADE SECRET BEGINS** **TRADE SECRET ENDS]**. Section 4.0 states that beginning in 2012, and over the remaining term of the contract, Xcel Energy shall purchase all net actual generation delivered by the project, subject to the thresholds based on the committed energy production. Once the Commission has approved the PPA amendment, we will pay the invoices to account for the 2012 net actual generation in excess of the committed energy production for which we had not previously paid the full energy price. The new law and proposed amendment effectively require payment for the actual 2012 production at the full energy price.

At the committed energy production level specified in the PPA, the new pricing results in an average annual increase of approximately **[TRADE SECRET BEGINS** **TRADE SECRET ENDS]** in payments from the Company to Laurentian under the amended PPA. This projected increase only considers the impact of the new pricing for committed energy production and does not include a projection of either the additional payments for net actual generation (subject to the defined thresholds) in excess of the committed energy production or the fuel cost adjustment.

D. Approval of the Amendment is in the Public Interest

Approval of this PPA amendment will help assure the continued operation of the Laurentian Energy project, and continued compliance with the state Biomass Statute. Xcel Energy is therefore requesting that the Commission approve this PPA amendment with Laurentian Energy.

VI. EFFECT OF CHANGE ON XCEL ENERGY REVENUE

As discussed earlier, upon Commission approval of the PPA amendment, we will make the required payments for 2012 production. These expenditures as well as all payments to Laurentian under the PPA will be collected from Xcel Energy customers through the fuel clause adjustment, as allowed by the Commission.

CONCLUSION

Xcel Energy requests that the Commission approve the PPA amendment with Laurentian Energy. This will allow the project to remain financially viable and continue current operations, as well as fulfill Xcel Energy's obligations under the Biomass Statute.

Dated: July 26, 2013

Northern States Power Company

Respectfully submitted by:

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE & FILINGS

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy L. Wergin	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF AN AMENDMENT TO
THE LAURENTIAN ENERGY AUTHORITY
I, LLC POWER PURCHASE AGREEMENT

DOCKET NO. E002/M-13-____

PETITION

SUMMARY OF FILING

Please take notice that on July 26, 2013, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission a petition for approval of an amendment to a Power Purchase Agreement with Laurentian Energy Authority I, LLC related to a biomass project at the Cities of Virginia and Hibbing, Minnesota.

SF521 REVISOR NB S0521-2

**SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE**

S.F. No. 521

(SENATE AUTHORS: TOMASSONI, Bakk, Saxhaug, Eaton and Sparks)

DATE	D-PG	OFFICIAL STATUS
02/18/2013	274	Introduction and first reading Referred to Environment and Energy
03/04/2013	464a 466	Comm report: To pass as amended Second reading
04/04/2013	1681 1681	Special Order Third reading Passed
05/08/2013	3403 3408 3408	Returned from House with amendment Laid on table Taken from table Senate concurred and repassed bill Third reading

1.1 A bill for an act
1.2 relating to energy; regulating a biomass mandate project and a proposed
1.3 high-voltage transmission line; amending Minnesota Statutes 2012, section
1.4 216B.2424, subdivision 5a.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2012, section 216B.2424, subdivision 5a, is amended to
1.7 read:

1.8 Subd. 5a. **Reduction of biomass mandate.** (a) Notwithstanding subdivision 5, the
1.9 biomass electric energy mandate must be reduced from 125 megawatts to 110 megawatts.

1.10 (b) The Public Utilities Commission shall approve a request pending before the
1.11 commission as of May 15, 2003, for amendments to and assignment of a power purchase
1.12 agreement with the owner of a facility that uses short-rotation, woody crops as its primary
1.13 fuel previously approved to satisfy a portion of the biomass mandate if the owner of
1.14 the project agrees to reduce the size of its project from 50 megawatts to 35 megawatts,
1.15 while maintaining an average price for energy in nominal dollars measured over the term
1.16 of the power purchase agreement at or below \$104 per megawatt-hour, exclusive of any
1.17 price adjustments that may take effect subsequent to commission approval of the power
1.18 purchase agreement, as amended. The commission shall also approve, as necessary, any
1.19 subsequent assignment or sale of the power purchase agreement or ownership of the
1.20 project to an entity owned or controlled, directly or indirectly, by two municipal utilities
1.21 located north of Constitutional Route No. 8, as described in section 161.114, which
1.22 currently own electric and steam generation facilities using coal as a fuel and which
1.23 propose to retrofit their existing municipal electrical generating facilities to utilize biomass
1.24 fuels in order to perform the power purchase agreement.

SF521

REVISOR

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2nd Engrossment

2.1 (c) If the power purchase agreement described in paragraph (b) is assigned to an
2.2 entity that is, or becomes, owned or controlled, directly or indirectly, by two municipal
2.3 entities as described in paragraph (b), and the power purchase agreement meets the
2.4 price requirements of paragraph (b), the commission shall approve any amendments to
2.5 the power purchase agreement necessary to reflect the changes in project location and
2.6 ownership and any other amendments made necessary by those changes. The commission
2.7 shall also specifically find that:

2.8 (1) the power purchase agreement complies with and fully satisfies the provisions of
2.9 this section to the full extent of its 35-megawatt capacity;

2.10 (2) all costs incurred by the public utility and all amounts to be paid by the public
2.11 utility to the project owner under the terms of the power purchase agreement are fully
2.12 recoverable pursuant to section 216B.1645;

2.13 (3) subject to prudence review by the commission, the public utility may recover
2.14 from its Minnesota retail customers the ~~Minnesota jurisdictional portion of the~~ amounts
2.15 that may be incurred and paid by the public utility during the full term of the power
2.16 purchase agreement; and

2.17 (4) if the purchase power agreement meets the requirements of this subdivision,
2.18 it is reasonable and in the public interest.

2.19 (d) The commission shall specifically approve recovery by the public utility of
2.20 any and all Minnesota jurisdictional costs incurred by the public utility to improve,
2.21 construct, install, or upgrade transmission, distribution, or other electrical facilities owned
2.22 by the public utility or other persons in order to permit interconnection of the retrofitted
2.23 biomass-fueled generating facilities or to obtain transmission service for the energy
2.24 provided by the facilities to the public utility pursuant to section 216B.1645, and shall
2.25 disapprove any provision in the power purchase agreement that requires the developer
2.26 or owner of the project to pay the jurisdictional costs or that permit the public utility to
2.27 terminate the power purchase agreement as a result of the existence of those costs or the
2.28 public utility's obligation to pay any or all of those costs.

2.29 (e) Upon request by the project owner, the public utility shall agree to amend the
2.30 power purchase agreement described in paragraph (b) and approved by the commission as
2.31 required by paragraph (c). The amendment must be negotiated and executed within 45
2.32 days of ~~May 20, 2009~~ the effective date of this act, and must apply to prices paid after
2.33 January 1, ~~2009~~ 2014. The average price for energy in nominal dollars measured over the
2.34 term of the power purchase agreement must not exceed ~~\$104~~ \$109.20 per megawatt hour
2.35 ~~by more than five percent~~. The public utility shall request approval of the amendment by
2.36 the commission within 30 days of execution of the amended power purchase agreement.

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2nd Engrossment

3.1 The amendment is not effective until approval by the commission. The commission
3.2 shall act on the amendment within 90 days of submission of the request by the public
3.3 utility. Upon approval of the amended power purchase agreement, the commission shall
3.4 allow the public utility to recover the costs of the amended power purchase agreement, as
3.5 provided in section 216B.1645.

3.6 (f) With respect to the power purchase agreement described in paragraph (b), and
3.7 amended and approved by the commission pursuant to paragraphs (c) and (e), upon request
3.8 by the project owner, the public utility shall agree to amend the power purchase agreement
3.9 to include a fuel cost adjustment clause which requires the public utility to reimburse the
3.10 project owner monthly for all costs incurred by the project owner during the applicable
3.11 month to procure and transport all fuel used to produce energy for delivery to the public
3.12 utility pursuant to the power purchase agreement to the extent such costs exceeded \$3.40
3.13 per million metric British thermal unit (MMBTU), in addition to the price to be paid for
3.14 the energy produced and delivered by the project owner. Beginning with 2014, at the end
3.15 of each calendar year of the term of the power purchase agreement, the project owner shall
3.16 calculate the amount by which actual fuel costs for the year exceeded \$3.40 per MMBTU,
3.17 and prior monthly payment for such fuel costs shall be reconciled against actual fuel costs
3.18 for the applicable calendar year. If such prior monthly fuel payments for the year in the
3.19 aggregate exceed the amount due based on the annual calculation, the project owner shall
3.20 credit the public utility for the excess paid. If the annual calculation of fuel costs due
3.21 exceeds the prior monthly fuel payments for the year in the aggregate, the project owner
3.22 shall be entitled to be paid for the deficiency with the next invoice to the public utility. The
3.23 amendment shall be negotiated and executed within 45 days of the enactment of this act
3.24 and shall be effective for fuel costs incurred and prices after January 1, 2014. The public
3.25 utility shall request approval of the amendment by the commission, and the commission
3.26 shall approve the amendment as reasonable and in the public interest and allow the public
3.27 utility to recover from its Minnesota retail customers the amounts paid by the public utility
3.28 to the project owner pursuant to the power purchase agreement during the full term of
3.29 the power purchase agreement, including the reimbursement of fuel costs pursuant to the
3.30 power purchase agreement amendment, pursuant to section 216B.1645, or otherwise.

3.31 (g) With respect to the power purchase agreement described in paragraph (b) and
3.32 approved by the commission pursuant to paragraphs (c) and (e), the public utility is
3.33 prohibited from recovering from the project owner any costs which were not actually and
3.34 reasonably incurred by the utility, notwithstanding any provision in the power purchase
3.35 agreement to the contrary. In addition, beginning with 2012, the public utility shall pay for
3.36 all energy delivered by the project owner pursuant to the power purchase agreement at

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2nd Engrossment

4.1 the full price for such energy in the power purchase agreement approved and amended
4.2 pursuant to paragraph (e), provided that the project owner does not deliver more than
4.3 110 percent of the amount scheduled for delivery in any year of the power purchase
4.4 agreement, and does not deliver, on average over any five consecutive years of the power
4.5 purchase agreement, an amount greater than 105 percent of the amount scheduled for
4.6 delivery over the five-year period.

4.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.8 Sec. 2. **TRANSMISSION LINE; CERTIFICATE OF NEED REQUIRED AND**
4.9 **EVIDENCE REQUIRED.**

4.10 (a) A high-voltage transmission line with a capacity of 100 kilovolts or more proposed
4.11 to be located within a city in the metropolitan area as defined in Minnesota Statutes,
4.12 section 473.121, subdivision 2, for which a route permit application was filed between
4.13 June 2011 and August 2011, and a certificate of need application was filed between June
4.14 2012 and August 2012, to rebuild approximately eight miles of 69 kilovolt transmission
4.15 with a high-voltage transmission line to meet local area distribution needs, must be
4.16 approved in a certificate of need proceeding conducted under Minnesota Statutes, section
4.17 216B.243. The certificate of need may be approved only if the commission finds by clear
4.18 and convincing evidence that there is no feasible and available distribution level alternative
4.19 to the transmission line. In making its findings the commission shall consider the factors
4.20 provided in applicable law and rules including, without limitation, cost-effectiveness,
4.21 energy conservation, and the protection or enhancement of environmental quality.

4.22 (b) Further proceedings regarding the routing of a high-voltage transmission line
4.23 described in this section shall be suspended until the Public Utilities Commission has
4.24 made a determination that the transmission line is needed.

4.25 **EFFECTIVE DATE.** This section is effective the day following final enactment and
4.26 applies to route permits and certificate of need applications pending on or after that date.

SECOND AMENDMENT TO POWER PURCHASE AGREEMENT

This Second Amendment to the Second Amended and Restated Biomass Power Purchase Agreement dated January 31, 2005 ("Amendment") is entered into June 28, 2013, by and between Northern States Power Company, a Minnesota corporation ("NSP") and Laurentian Energy Authority I, LLC, a Minnesota limited liability company ("Seller").

RECITALS

1. NSP and Seller entered into a Second Amended and Restated Biomass Power Purchase Agreement (the "PPA") dated January 31, 2005 pursuant to which Seller agrees to sell 35 MW of Net Actual Generation, Committed Capacity and associated Green Tags to NSP for a period of twenty years pursuant to the PPA, commencing January 1, 2007. NSP and Seller entered into a First Amendment to the PPA effective July 1, 2009, pursuant to which the Capped Price for certain years of the Term of the PPA were increased or otherwise adjusted (the PPA, as so amended, the "Amended PPA").
2. The Amended PPA requires Seller to use biomass fuels in certain amounts to generate electricity for sale to NSP, and also allows Seller to use coal or other fuels to supplement the biomass fuels, to the extent permitted by the Amended PPA. The Amended PPA sets forth expectations for delivery by Seller of Committed Capacity and Net Actual Generation to NSP.
3. Appendix A to the PPA includes a Table entitled "Energy Production and Capped Price" in which the column captioned "Capped Price" shows the fixed price to be paid by NSP to Seller for Net Actual Generation delivered by the Seller to NSP for each Contract Year of the Term.
4. Effective May 14, 2013, certain amendments to Minn. Stat. Section 216B.2424 were enacted which require NSP, among other things, to negotiate further amendments to the Amended PPA consisting of (i) increases to the Capped Price in future Contract Years, and (ii) the addition of a fuel adjustment clause which permits Seller to recover its costs to procure and transport fuel in excess of a defined cost threshold.
5. The Parties wish to amend the Amended PPA so as to incorporate provisions which satisfy the new statutory requirements.

NOW, THEREFORE, in consideration of the above recitals and the mutual promises described below and in the Amended PPA, NSP and Seller agree as follows.

AGREEMENT

1. All capitalized terms used herein shall have the meaning given to them in the Amended PPA, unless otherwise expressly defined in this Amendment.

2. NSP and Seller agree that the Amended PPA is amended as follows:

a. The "Energy Production and Capped Price" table in Appendix A to the Amended PPA is hereby deleted in its entirety and the new "Energy Production and Capped Price" table attached to this Amendment is substituted for the deleted table.

b. Section 1.66 is amended by deleting the words "up to" before the reference to "the Committed Energy Production" and replacing the deleted words with "including".

c. Section 2.2.1 is amended by deleting the text of clause (iv) in its entirety and replacing it with the following:

"the Net Actual Generation shall not exceed 110% of the Committed Energy Production in the Energy Production and Capped Price table under **Appendix A** for each Contract Year, provided, however, that the Net Actual Generation shall not exceed 105% of the Committed Energy Production in the Energy Production and Capped Price table under **Appendix A** on average over any five consecutive years of the Term; and".

d. Paragraph 5 of Section 1.0 of Appendix A is hereby deleted in its entirety.

e. Appendix A is amended by adding new Sections 4.0 and 5.0, which shall state as follows:

4.0 Net Actual Generation Purchased by NSP.

Beginning with the sixth Contract Year for calendar year 2012, and continuing for each Contract Year of the Term thereafter, NSP shall purchase all Net Actual Generation delivered by Seller to the Point of Delivery provided that (i) Seller does not deliver more than 110% of the Committed Energy Production for the applicable Contract Year as set forth in Table I of this Appendix, and (ii) Seller does not deliver more than 105% of the Committed Energy Production on average over any five consecutive Contract Years.

5.0 Fuel Cost Adjustment.

Beginning with the eighth Contract Year, which is calendar year 2014, Seller is entitled to recover from NSP costs incurred to procure and transport fuel used to generate the Net Actual Generation delivered and sold to NSP. The calculation of fuel costs eligible for reimbursement by NSP to Seller shall be made monthly by Seller and invoiced to NSP for payment, subject to an annual reconciliation for the full Contract Year. Seller's entitlement to reimbursement of its Eligible Fuel Recovery Costs is in addition to the Capped Price to be paid by NSP for Net Actual Generation sold and delivered by Seller to NSP pursuant to this Agreement.

Costs eligible for reimbursement by NSP to Seller include costs incurred by Seller to procure and transport fuel used to generate Net Actual Generation delivered and sold to NSP to the extent such costs for all such fuels in the aggregate for the applicable month exceed \$3.40 per million metric British thermal unit ("MMBTU") ("Eligible Fuel Recovery Costs"). Seller shall use commercially reasonable efforts to procure and transport fuel at a cost which is less than \$3.40/MMBTU subject to its other obligations with respect to use of Fuel set forth in this Agreement.

Commencing January 2014, Seller shall calculate for each month its Eligible Fuel Recovery Costs for the applicable month and whether such costs exceed \$3.40/MMBTU for the month. To the extent Seller's Eligible Fuel Recovery Costs, in the aggregate, exceed \$3.40/MMBTU for the applicable month, Seller may include the amount of such costs in its invoice to NSP for Net Actual Generation for the applicable month, and NSP shall pay the amount invoiced, subject to reconciliation at the end of the applicable Contract Year.

Within thirty (30) days after the end of any Contract Year in which NSP reimbursed Seller for any Eligible Fuel Recovery Costs for any month, Seller shall calculate its Eligible Fuel Recovery Costs for the Contract Year and determine whether and to what extent, the Eligible Fuel Recovery Costs, in the aggregate for the Contract Year, exceed \$3.40/MMBTU (the "Reconciliation"). If the amount of such Eligible Fuel Recovery Costs for the Contract Year in the aggregate does not exceed \$3.40/MMBTU, NSP shall be reimbursed by Seller for the total amount of monthly reimbursement payments made by NSP to Seller for the Contract Year. Such reimbursement shall be made within thirty (30) days of the completion of the Reconciliation. If the amount of such Eligible Fuel Recovery Costs for the Contract Year in the aggregate exceeds the sum of prior monthly reimbursement payments for Eligible Fuel Recovery Costs made by NSP to Seller during the applicable Contract Year, Seller shall invoice, and NSP shall pay, the difference with Seller's next monthly invoice to NSP.

3. This Amendment is subject to the approval of the Minnesota Public Utilities Commission ("MPUC"). NSP agrees to file for approval of this Amendment with the MPUC as soon as practicable after execution by both parties and, in any event, no later than thirty (30) days following execution of this Amendment, and to use commercially reasonable efforts to support its request for approval. Seller agrees to provide assistance to NSP, including without limitation, providing support for Seller's request for the PPA price increase set forth in this Amendment, and to support the request for approval before the Commission. In the event the MPUC declines to approve this Amendment or does not allow NSP to recover any portion of the payments to Seller resulting from the amended price schedule, then for a period of up to sixty (60) days commencing on the date of the written MPUC order, NSP and Seller shall negotiate in good faith to determine whether revisions to this proposed Amendment can be mutually agreed to by each Party that will satisfactorily address all issues raised in the MPUC's failure to approve the Amendment or NSP's related right to recovery. Any amendments mutually agreed to shall be subject to MPUC approval and the Parties agree to proceed to seek approval for any such revised Amendment in the same manner as set forth above. In the

event the MPUC fails to approve the Parties' revised Amendment or NSP's related right to recovery of any portion of the payments to Seller herein, this Amendment shall terminate without any further financial or other obligation by either Party under the Amendment.

4. Except as expressly amended herein, the terms and provisions of the PPA remain valid and effective.

5. This instrument may be executed in counterparts, and by the parties in separate counterparts, and each such counterpart shall represent a fully executed original as if signed by all parties, with all such counterparts together representing one instrument.

Laurentian Energy Authority I, LLC, a
Minnesota limited liability company

By: Quentin Bloomquist

Name: QUENTIN BLOOMQUIST

Its: PRESIDENT

Northern States Power Company, a
Minnesota corporation

By: Tim Kawakami

Name: Tim Kawakami

Title: Director, Purchased Power
and Wholesale Account
Management Xcel Energy Services
Inc., as agent for Northern States
Power Company

**PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED**

Docket No. E002/M-13-___

Attachment B

Page 5 of 5

TABLE I

ENERGY PRODUCTION AND CAPPED PRICE

<u>CONTRACT YEAR</u>	COMMITTED ENERGY <u>PRODUCTION</u> [TRADE SECRET BEGINS	Capped Price (for that year)
Contract Year 1		
Contract Year 2		
Contract Year 3		
Contract Year 4		
Contract Year 5		
Contract Year 6		
Contract Year 7		
Contract Year 8		
Contract Year 9		
Contract Year 10		
Contract Year 11		
Contract Year 12		
Contract Year 13		
Contract Year 14		
Contract Year 15		
Contract Year 16		
Contract Year 17		
Contract Year 18		
Contract Year 19		
Contract Year 20		

Total Contract Energy Production
(MWh) =

TRADE SECRET ENDS]

The Capped Price for curtailed energy purchased pursuant to Section 3.2(j) (ii) of this Agreement shall be determined as set forth in Section 3.2(j)(ii).

CERTIFICATE OF SERVICE

I, SaGonna Thompson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

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

xx electronic filing

**DOCKET NO. E002/M-09-913 AND
XCEL ENERGY'S MISCELLANEOUS ELECTRIC SERVICE LIST**

Dated this 26th day of July 2013

/s/

SaGonna Thompson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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