

January 16, 2015

PUBLIC DOCUMENT

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/AI-14-759

Dear Mr. Wolf:

Attached are the **PUBLIC Comments** of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Approval of New Administrative Services Agreements Between Northern States Power Company (Xcel) and Xcel Energy Transmission Development Company, LLC and Xcel Energy Southwest Transmission Company, LLC.

The filing was submitted on September 3, 2014. The petitioner is:

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

The Department recommends that Xcel provide additional information in reply comments. The Department will provide its final recommendations after reviewing the information. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

JOHN KUNDERT
Financial Analyst
651-539-1740

NANCY CAMPBELL
Financial Analyst
651-539-1821

CHRIS SHAW
Rates Analyst
651-539-1823

JK/NA/CS/ja
Attachments

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**PUBLIC COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES**

DOCKET No. E002/AI-14-759

I. SUMMARY OF REQUEST

On September 3, 2014 Northern States Power Company d/b/a Xcel Energy (Xcel, NSP-MN, or the Company) requested approval from the Minnesota Public Utilities Commission (Commission) regarding two proposed Administrative Services Agreements (ASAs), one with Xcel Energy Transmission Development Company, LLC (XETD) and the other with Xcel Energy Southwest Transmission Company, LLC (XEST) (Transcos). XETD was created to pursue opportunities to build, own and operate transmission facilities outside the Company's traditional retail service territories in the Midcontinent Independent System Operator (MISO) region. XEST was created to pursue opportunities to build, own and operate transmission facilities in the Southwest Power Pool (SPP) region outside of the Company's traditional retail electric service territory and bordering on the MISO region.¹ Thus, Xcel requests that the Commission find the proposed ASAs to be in the public interest and to approve the two agreements for regulatory purposes effective August 28, 2014.

The filing also contains a significant amount of information that summarizes the legal and policy landscape for electric transmission at the federal level, specifically at the Federal Energy Regulatory Commission (FERC). It also explains Xcel's rationale for developing a stand-alone transmission holding company, Xcel Energy Transmission Holdings LLC (XET).² Attachment 1 to these comments includes a schematic that uses the information in Table 1 of the Company's filing and visually represents the current legal and organizational landscape described in the filing. As for the filing itself, Attachments D through F2 provide the policy, accounting and legal framework for the Company's current stand-alone transmission company initiative.

¹ Xcel states that XEST is pursuing an ASA with NSP-MN due to the potential for the construction of new transmission in SPP's service footprint in large part due to the Western Area Power Administration's (WAPA) decision to join SPP. According to the Company, NSP-MN's staff has extensive knowledge of WAPA's system in western Minnesota, North and South Dakota, Iowa and Montana. The Company discusses this issue on page 7 of Attachment D to the petition.

² XETD and XEST are XET subsidiaries.

Both ASAs are similar in that they are brief agreements (5 pages in length). Their sole function is to govern the relationship between NSP-MN and the respective transmission development entity, XETD or XEST. In addition, Xcel states that the proposed ASAs are similar in structure and content to ASAs the Commission has approved in prior dockets, specifically the ASA approved in Docket No. E002/AI-14-165.

II. DEPARTMENT ANALYSIS

A. REGULATORY REQUIREMENTS FOR AFFILIATED-INTEREST AGREEMENTS

Minnesota statutes dictate the requirements necessary to be met for affiliated service agreements. Minn. Stat. § 216B.48, subd. 3 states:

No contract or arrangement, including any general or continuing arrangement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial or similar services, and no contract or arrangement for the purchase, sale, lease or exchange of any property, right, or thing, or for the furnishing of any service, property, right or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interested at defined in subdivision 1, clauses (1) to (8), or any arrangement between a public utility and an affiliated interest as defined in subdivision 1, clause (9), made or entered into after August 1, 1993, is valid or effective unless and until the contract or arrangement has received the written approval of the commission. (Emphasis added)

Minnesota Stat. §216B.48, subd. 3 provides two tests to be applied by the Commission in cases of affiliated –interest contracts; the burden of proof for satisfying these tests rests with the Company:

The commission shall approve the contract or arrangement made or entered into after that date only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest. . . . The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility.

Additionally, Minn. Stat. §216B.48, subds. 4 to 6 govern affiliated-interest transactions in regards to contract amount, applicability in determining rates and costs, and the Commission’s ongoing authority, as provided below.

Subd. 4. Contract not exceeding \$50,000.

The provisions of this section requiring the written approval of the commission shall not apply to transactions with affiliated interests where the amount of consideration involved is not in excess of \$50,000 or five percent of the capital equity of the utility whichever is smaller; provided, however, that regularly recurring payments under a general or continuing arrangement which aggregate a greater annual amount shall not be broken down into a series of transactions to come within the aforesaid exemption. Such transactions shall be valid or effective without commission approval under this section. However, in any proceeding involving the rates or practices of the public utility, the commission may exclude from the accounts of such public utility any payment or compensation made pursuant to the transaction unless the public utility shall establish the reasonableness of the payment or compensation.

Subd. 5. Applicability to determining rates and costs.

In any proceeding, whether upon the commission's own motion or upon application or complaint, involving the rates or practices of any public utility, the commission may exclude from the accounts of the public utility any payment or compensation to an affiliated interest for any services rendered or property or service furnished, as above described, under existing contracts or arrangements with the affiliated interest unless the public utility shall establish the reasonableness of the payment or compensation.

Subd. 6. Commission retains continuing authority over contract.

The commission shall have continuing supervisory control over the terms and conditions of the contracts and arrangements as are herein described so far as necessary to protect and promote the public interest. The commission shall have the same jurisdiction over the modifications or amendment of contracts or arrangements as are herein described as it has over such original contracts or arrangements. The fact that the commission shall have approved entry into such contracts or arrangements as described herein shall not preclude disallowance or disapproval of payments made pursuant thereto, if upon actual experience under such contract or arrangement it appears that the payments provided for or made were or are unreasonable.

In Docket No. E, G-999/CI-98-651 the Commission provided minimum filing requirements that must be satisfied within 30 days of executing a contract or arrangement with an affiliate.³ These filing requirements are also detailed in Minn. Rules pt. 7825.2200(B). The Department of Commerce (Department or DOC) concludes that the Company addressed the statutory filing requirements and included information regarding requirement, authority, and location within the filing in Table 2, on page 16 of the petition.

B. ANALYSIS OF THE PROPOSED ADMINISTRATIVE SERVICES AGREEMENTS

In its review of an agreement between a utility and its affiliate, the Department addresses the merits of the agreement, and also the ability of the Department to verify, after provision or acquisition of goods or services, that the utility's ratepayers were not or in this instance, will not be subsidizing operations of the affiliate. In this evaluation, the Department considers whether:

- the agreement affects operating costs and rate levels;
- the price is reasonable;
- the agreement affects the competitive situation; and,
- the agreement impairs effective regulation.

The Department addresses the topics in order.

1. *Effect on Operating Costs and Rate Levels*

Xcel explained in the filing that it recognized in the process of developing a stand-alone transmission company affiliate that the use of Company personnel or Service Company (XES) personnel could have an impact on its ongoing electric rate case, Docket No. E002/GR-13-868.⁴ Xcel stated that an allocation of costs related to the stand-alone transmission company initiative within XES was not contemplated at the time the Company's 2014 corporate budget was prepared (mid-2013).⁵ That budget formed the basis for the level of XES expenses that were included in NSP-MN's forecasted 2014 revenue requirement.⁶ Xcel also indicated that "a portion of the Service Company labor costs included in the 2014 Test Year relate to labor that is in fact providing support to the Transco entities in 2014."⁷

³ In the Matter of a Commission Investigation into Procedures for Reviewing Public Utility Affiliated Interest Contracts and Arrangements, ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES (September 14, 1998)

⁴ Petition at page 12.

⁵ For the Department's purposes, the term "Stand Alone Transmission Initiative" includes Xcel Energy Incorporated's (XEI) decision to create Xcel Energy Transmission Holdings, LLC as a stand-alone first-tier subsidiary and XET's subsequent decision to develop XETD and XEST to develop transmission projects.

⁶ *Ibid.*

⁷ *Ibid.*

Xcel also explained that it has been recording and tracking costs related to its Transco initiative at the Service Company level since April 2014. As of the filing date, the Company had identified \$736,000 in costs related to efforts on Transco-related work orders. Xcel also noted that there were no charges by Company personnel to Transco work orders through July 2014.

Xcel proposed to submit compliance filings by May 29, 2015 and May 31, 2016 that will identify the amount of direct labor that was billed to Transco work orders in 2014 and 2015. The Company proposed to defer these annual amounts and include them as an adjustment in its next electric rate case.

The Department's understanding of Xcel's proposal is that the Company is essentially recognizing that the forecasted amount of XES-related expenses it included in NSP-MN's 2014 and 2015 revenue requirements were or will be slightly higher than the actual amounts XES has or will incur given this proposed change (*ceteris paribus*). The Company's proposal is not to modify its forecasted 2014 and 2015 revenue requirements in Docket No. E002/GR-13-868, given this information. Rather, Xcel is proposing to track the amount of costs allocated to the Transco initiative at the service company level and then defer the revenue associated with those costs in 2014 and 2015 and credit that amount of deferred revenue towards the revenue requirement in its next general rate case.

The Department agrees that it would be reasonable to establish a tracker account for these revenues, including a carrying charge set at short-term interest rates, which is the same level as is currently being used for other tracker accounts. Given that Xcel has a transmission cost recovery rider (TCR), credits to ratepayers would not need to wait until Xcel's next rate case since they could be used as an offset to costs recovered in Xcel's TCR.

This same mechanism would apply to transmission-related costs currently included in NSP-MN's forecasted 2014 and 2015 expenses that could be allocated to XES, XET, XETD, or XEST. The Department notes that any ratebase items should include revenues to cover all costs, including those for allowance for funds used during construction, construction work in progress and overall rate of return (as appropriate given the stage of construction).

As a result, approval of the two ASAs would have no impact on the current levels of operating costs and rate levels in 2015 due to the deferred nature of the revenue recognition mechanism and carrying charge. In addition, approval of the ASAs could have a minor beneficial effect on the Company's operating costs as they will be calculated in its next general rate case by allowing the allocation of transmission-related costs at either the Service Company or Company level to XETD and XEST and not to NSP-MN. The Department would also request that Xcel address the possibility of using its TCR as the mechanism for returning any deferred revenues resulting from the Transco initiative to NSP-MN's ratepayers in its reply comments.

2. Reasonableness

Xcel explained in the filing that XEST and XETD would reimburse the Company for the fully allocated costs of providing services.⁸ The Company identified the protocol to use to determine the price XETD and XEST would pay for services rendered by NSP-MN: fully allocated cost. That protocol appears reasonable from the Department's perspective, since it is consistent with the approach the Commission required to be used in its cost-allocation determinations in Docket No. G,E999/CI-90-1008.

Xcel Energy also provided some additional information on this issue in response to DOC Information Request No. 3⁹ which asked in subpart (a):

Is it the intent of the ASAs (specifically section 3.02 above) to provide mostly transmission labor and transmission equipment from NSPM to the two Transcos XETD and XEST at fully allocated cost basis? Please explain and support your response.

Xcel replied:

Yes, the intent of the ASA is to allow NSPM to provide transmission employee labor, contract labor, goods and services to XETD and XEST on an as available basis and at fully allocated cost. Fully allocated costs include direct charges plus applicable overheads. XETD and XEST would be charged for NSPM operating company transmission labor, goods and services in the same manner NSPW is being charged under the ASA approved in Docket No. E002/AI-14-165.

In DOC Information Request No. 4 the Department asked whether the two ASAs were identical except for the name of the affiliates. The Company responded in the affirmative.

Given the responses provided, the Department believes the cost-recovery mechanism described in the two ASAs is reasonable at this time. As noted above, the Commission has ongoing authority over the affiliated-interest contracts: "The fact that the commission shall have approved entry into such contracts or arrangements as described herein shall not preclude disallowance or disapproval of payments made pursuant thereto, if upon actual experience under such contract or arrangement it appears that the payments provided for or made were or are unreasonable."

⁸ *Ibid* at 14.

⁹ DOC Information Request Nos. 3 and 4 are attached to these *Comments* in Attachment 2.

3. *Competitive Situation*

Minn. Rules pt. 7825.2200(B) (5) states:

- a. if invitations for sealed written public proposals for the furnishing of the service sought under the contract or agreement have been made, a summary of the terms of the proposals received, including the name of each bidder or representative of a bidding group; and as an exhibit to the petition, a copy of each proposal received;
- b. if invitations for sealed written proposals have not been made, an explanation of the decisions to that effect will be submitted.

This criterion does not appear to be relevant in this instance.

4. *Impairment of Effective Regulation*

The Department cannot identify any term or condition in the two ASAs that would impair effective regulation in the near term. The Company's ratepayers may very well benefit from the creation of a tracker and deferred account as discussed above that could lower Xcel's revenue requirement in its subsequent rate case or TCR slightly compared to what it would have been in the absence of that deferred account in the appropriate rate proceedings.

5. *Summary*

The Department's analysis concludes;

- Xcel's proposal would have no impact on NSP-MN's operating costs and rate levels in 2015. It may have a positive impact when Xcel files future rate cases or TCRs;
- the fully allocated cost-recovery protocol the Company provides in its comments is reasonable;
- the competitive situation criterion does not apply;
- the approval of the two ASAs would not apparently impair effective regulation in the near term; and
- the Commission will have ongoing authority over the ASAs.

C. *PUBLIC INTEREST ANALYSIS*

The Department follows a standard analytical approach relative to discussions of whether a change proposed by a regulated utility is consistent with the public interest. The Department attempts to develop a reasonable cost/benefit analysis to determine if the proposed change's benefits are greater than its costs. If the estimated benefits exceed the

estimated costs, the Department would generally conclude that the proposed transaction is in the public interest.

The Company stated in the petition that approval of the ASAs and formation of the Transco's are both in the public interest.

1. ASA Cost/Benefit Analysis

Xcel did not perform a discreet cost/benefit analysis in the filing. The Company did provide a rough outline of potential benefits associated with the approval of the ASAs from the ratepayers' perspective. Xcel identified the following benefits resulting from approval of the ASAs:

- Costs for services rendered to XETD and XEST from either XES or NSP-MN would be billed at fully-allocated cost, deferred and then credited back to NSP-MN's revenue requirement in its next general rate case.¹⁰
- Administrative cost savings associated with approval of the ASA's related to the Commission's time would occur;¹¹ and,
- NSP-MN transmission-related resources would be used to address Company needs before addressing XETD or XEST's needs.¹²

The Company also did not identify or quantify any costs to ratepayers associated with the approval of the ASAs in the petition.

The Department requests that Xcel include a discreet cost/benefit analysis that identifies and quantifies any costs and benefits associated with the ASAs to ratepayers in its reply comments. After receiving that information, the Department will complete a review of that information and forward its recommendation to the Commission as to whether the ASAs are in the public interest.

2. Transco Cost/Benefit Analysis

On page 2 of the petition, the Company stated that the formation of the transmission-only companies would be consistent with the public interest. Xcel then provided some additional information on pages 13 and 14 of the filing:

¹⁰ As discussed above, the Department notes that capital costs should include financing and rate of return costs, as appropriate given the stage of construction, and the tracker should include a carrying charge set at short-term interest rates. In addition, the Department notes that credits could also be made to ratepayers in TCR filings.

¹¹ *Ibid* at page 2.

¹² *Ibid* at page 8.

As discussed in this Petition, and Attachment D, the formation of XETD and XEST is in direct response to the significant changes to the transmission development landscape imposed by FERC in Order No. 1000. The Transcos will allow Xcel Energy to participate in the MISO and SPP transmission development process and potentially capture opportunities to develop transmission projects subject to RTO competitive bidding and regional cost allocation.

Participation in the RTO planning process by XETD and XEST will provide Xcel Energy with the ability to credibly pursue projects outside the historic NSP service area. Participation in the planning process is a factor in MISO and SPP's selection of the developer for competitively bid projects. Therefore, XETD's participation in the MISO planning process, and XEST's participation in the SPP process, is a key component of Xcel Energy's Transco efforts. Similar to today, Xcel Energy's planning efforts will be geared towards identifying transmission solutions that provide the most benefits for the least costs to our customers. Using a separate legal entity would also protect the Company's regulated retail ratepayers from risks of Transco development projects that may not be successful, by allocating the risk to the Transco entity (and Xcel Energy shareholders) and not to Minnesota ratepayers.

The Company provided additional discussion as to the public interest aspects of the creation of the Transcos in Attachment D of the filing.

Xcel did not provide a cost/benefit analysis that identified the costs or benefits from the ratepayer's perspective associated with pursuing the Company's strategy to competitively bid for transmission facilities located outside of NSP-MN's retail service territory.

The Company identified some ratepayer-related benefits relative to the Transco initiative in the filing.

- Would allow Xcel Energy to influence several aspects of the regional transmission planning and development process;¹³
- Would facilitate competition in the RTO competitive solicitation processes for projects where no state law right of first refusal (ROFR) statute may apply;¹⁴ and,
- Would lower Xcel Energy Transmission's overall costs by avoiding the hiring of redundant personnel.¹⁵

¹³ *Ibid* at page 2.

¹⁴ *Ibid* at page 14.

The Department requests that Xcel identify and quantify any and all costs or benefits to ratepayers in its reply comments associated with its decision to pursue its proposed transmission strategy. After receiving that information, the Department will review the Company's cost/benefit analysis and forward its recommendation to the Commission regarding the Company's Transco initiative.

The Department also notes that any effort by XETD to build transmission connected to transmission facilities in Minnesota would require approval from the Commission and would not be likely to succeed based on information at this time. For example, Minnesota ratepayers receive benefits such as financial transmission rights and auction revenue rights, along with revenues from MISO cost sharing. Ratepayers may lose some or all of these benefits if XETD builds transmission instead of NSP-MN. In addition, FERC's overall rate of return in its formula rates is currently excessive, an issue that is subject to a FERC proceeding. Xcel agrees that the Commission has authority over Certificate of Need proceedings in Minnesota and could require NSP-MN rather than XETD to build lines in Minnesota if it is in the public interest. Given Minnesota's ROFR, the requirements in Minn. Statute section 216B.243 regarding consideration of alternatives and effects on costs for ratepayers, and the Commission's continuing authority over affiliated-interest agreements, the Department concludes that the Commission would be able to protect Xcel's Minnesota retail ratepayers in the future, for example by requiring NSP-MN to build transmission facilities in Minnesota rather than XETD.

D. REPORTING AND ONGOING DISCUSSION

Xcel proposed to submit compliance filings by May 29, 2015 and May 31, 2016 that will identify the amount of direct labor that was billed to Transco work orders in 2014 and 2015. The Department agrees that this level of reporting is appropriate.

Xcel Energy also indicated that it recognizes the need for ongoing discussion regarding its Transco initiative. The Company stated on page 9 of Attachment D:

Because Xcel Energy is in the early stages of implementing the Transcos, and we do not believe any regional projects will be subject to the MISO competitive selection process until at least 2016, we offer to work with the Commission and interested parties to develop protocols and principles to ensure that our deployment of the Transco's is consistent with the Commission's expectations and our customers' best interest.

The Department agrees with the Company's statement in large part and is willing to participate in the development of protocols and principles related to this effort.

¹⁵ *Ibid* at Attachment A, page 2.

One issue that should be discussed relates to the potential financial risks to ratepayers associated with XEST and XETD FERC formula rate filings. As shown in Attachment 3 to these comments, the Department asked several information requests related to this topic to provide the Commission with a more complete context for the Company proposal. Again, the Department notes that the Commission will have ongoing authority over these contracts, to assess the effects on ratepayers in practice. Thus, information in Attachment 3 is intended to reflect the kind of assessment that the Department is likely to conduct if the ASAs are approved.

III. RECOMMENDATIONS

The Department recommends that the Company provide the following information in its reply comments:

1. A cost/benefit analysis that identifies and quantifies any costs and benefits associated with the ASAs to ratepayers; and
2. A cost/benefit analysis including any and all costs and benefits associated with the Company's Transco initiative from the ratepayers' perspective.
3. A discussion of the possibility of using the TCR as the cost recovery mechanism for revenues deferred as a result of the Transco initiative.

After the Department reviews Xcel's responses, the Department intends to provide its final recommendations.

/ja

Xcel Energy Inc.

Xcel Energy Services (XES)

NSP-WI

NSP-MN

Xcel Energy
Transmission
Holding Inc. (XET)

Public Service of
Colorado

Southwestern
Public Service

Xcel Energy Transmission
Development (XETD)

Xcel Energy Southwest
Transmission Company
LLC (XEST)

-  = XETD/NSP-MN Administrative Services Agreement – Attachment B of filing
-  = XEST/NSP-MN Administrative Services Agreement – Attachment C of filing
-  = XETD/Xcel Energy Services Agreement – Attachment F1 of filing
-  = XEST/Xcel Energy Services Agreement – Attachment F2 of filing

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

Xcel Energy

Docket No.: E002/AI-14-759

Response To: Department of Commerce Information Request No. 3

Requestor: Nancy Campbell, Chris Shaw

Date Received: October 27, 2014

Question:

Reference: Attachments B and C to the above referenced docket

The Department notes that section 3.02 of both ASAs state:

3.02 Where a Company simultaneously renders goods or services to both Companies, the costs for such goods or services shall first be directly assigned based on the time or investment made for each project or proposed project for the Recipient Company(ies); and thereafter, if applicable, costs shall be fairly and equitable distributed between the Recipient Companies using one or more of the allocation ratios utilized by Xcel Energy Services Inc. ("XES").

- (a) Is the intent of the ASAs (specifically section 3.02 above) to provide mostly transmission labor and transmission equipment from NSPM to the two Transcos XETD and XEST at fully allocated cost basis? Please explain and support your response.
- (b) Will all transmission labor costs be assigned based on, for example, NSPM employee time spent on XETD or XEST competitive bid process and result transmission projects?
- (c) Why is “investment made for each project or proposed project” as noted above in section 3.02 “directly assigned based on labor or **investment** made for each project” a reasonable basis for allocating costs? Specifically what costs would be allocated using investment?
- (d) Please provide a list of services and the related allocator(s) that the Company expects to use for each service, for the two ASAs (Attachments B and C of the above referenced filing).

- (e) Are the ASAs included as Attachments B and C exactly the same except for different Company names? If no, please identify other differences and the reason for the differences.

Response:

- a) Yes, the intent of the ASA is to allow NSPM to provide transmission employee labor, contract labor, goods and services to XETD and XEST on an as available basis and at fully allocated cost. Fully allocated costs include direct charges plus applicable overheads. XETD and XEST would be charged for NSPM operating company transmission labor, goods and services in the same manner NSPW is being charged under the ASA approved in Docket No. E002/AI-14-165.
- b) As discussed in the response to a) above, operating company transmission labor costs would be directly charged on a fully allocated cost basis. For instance, if XETD bids and wins a project in MISO, all costs incurred by NSPM employees associated with XETD bidding on, building, maintaining and operating that project will be directly assigned to XETD.
- c) "Investment" in this statement pertains to any funds Xcel Energy uses to complete a project, not a basis of allocation. Investment may include external legal consultants, materials, services, employee expenses, etc. These project related costs would first be direct assigned, but if a cost cannot be specifically identified with a project, the cost would then be allocated using the appropriate allocation ratio. The text in Section 3.02 is identical to the language in the similar ASA between NSPM and NSPW approved in Docket No. E002/AI-14-165

d) **[TRADE SECRET BEGINS**

TRADE SECRET ENDS]

e) Yes. See response to DOC-004.

Preparer: Cheryl Bredenbeck/James P. Johnson
Title: Director/Assistant General Counsel
Department: Transmission Investment Development/General Counsel
Telephone: 612-330-5927/612-215-4592
Date: November 6, 2014

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

Xcel Energy

Docket No.: E002/AI-14-759

Response To: Department of Commerce Information Request No. 4

Requestor: Nancy Campbell, Chris Shaw

Date Received: October 27, 2014

Question:

Are the two Service Agreements included to the above referenced filing as Attachments F1 and F2 exactly the same except for different Company names? If no, please identify other differences and the reason for the differences.

Response:

Yes, the ASA between NSPM and Xcel Energy Transmission Development Company, LLC and the ASAS between NSPM and Xcel Energy Southwest Transmission Company, LLC are the same other than the name of XETD and XEST. For your convenience, we prepared a “comparison” document which compares the NSPM ASA with XETD to the ASA with XEST. See Attachment A.

Preparer: James P. Johnson
Title: Assistant General Counsel
Department: Deputy General Counsel
Telephone: 612-215-4592
Date: November 6, 2014

ADMINISTRATIVE SERVICES AGREEMENT
BETWEEN NSPM AND

XCEL ENERGY SOUTHWEST TRANSMISSION DEVELOPMENT COMPANY, LLC

THIS AGREEMENT is effective as of the ___ day of September, 2014, by and between certain subsidiaries of Xcel Energy Inc., a Public Utility Holding Company. The applicable wholly-owned subsidiaries are: Northern States Power Company, a Minnesota corporation (“NSPM”) and Xcel Energy Southwest Transmission Development Company, LLC a Delaware limited liability company, on behalf of itself and its subsidiaries (“~~XESTXETD~~”). NSPM and ~~XESTXETD~~ may individually be referred to as “party” or “Company”, and are jointly referred to as “parties” or “the Companies”.

RECITALS

WHEREAS, NSPM is a public utility under state and federal law authorized to engage in the retail and wholesale sale of electric energy and the provision of wholesale transmission service in certain states; and

WHEREAS, ~~XESTXETD~~ is proposed to be a public utility under federal law authorized to engage in wholesale electric transmission service in certain states; and

WHEREAS, transactions between the Companies are subject to the jurisdiction of the laws and related rules of the states in which the Companies operate, and/or the rules of the Federal Energy Regulatory Commission (“FERC”), requiring, among other things, that transactions or services between public utility affiliates be priced or provided at cost; and

WHEREAS, certain of the Xcel Energy Operating Companies (including NSPM) entered into an Administrative Services Agreement, dated April 5, 2001, where the Xcel Energy Operating Companies agreed to provide for the rendering of and charging for certain incidental or emergency personnel, goods and services by each party to the other party; and

WHEREAS, both of the undersigned Companies may benefit from entering into transactions, which are not incidental or emergency in nature, for certain services or personnel of a particular operating utility or for certain sales or leases of goods including, but not limited to, employee labor, contract labor services, utility equipment, poles, conductor, and other goods of the Companies; and

WHEREAS, the Companies are each willing to provide and assign such employees, services, or goods to the other Company if and when such employees, services, or goods are available and if and when the goods and services relate to one or more electric transmission projects for which a Company has requested or received, or will request, regulatory approvals from the relevant state or federal regulatory body or bodies in the jurisdiction(s) in which the project(s) or proposed project(s) will be located; and

WHEREAS, the Companies desire to enter into an agreement to provide for the rendering of and charging for certain personnel, services, and goods by each party to the other party, when the services and goods (i) are not provided for in any other agreement between the parties, and (ii) relate to electric transmission projects that have been proposed to receive, or have received, the necessary regulatory approvals from the relevant state or federal regulatory body or bodies; and

WHEREAS, it is the intent of the Companies that each party recover from the other party the costs actually incurred by one party on behalf of the other party;

NOW THEREFORE, the parties agree as follows:

ARTICLE I

PERSONNEL ASSIGNED; GOODS AND SERVICES AVAILABLE

1.01 If available, mutually beneficial, and upon request, both Companies agree to provide and assign certain of its employees, services, or goods to the other Company. When a Company receives personnel, services, or goods under this Agreement, it is the "Recipient Company." When a Company provides personnel, services, or goods under this Agreement, it is the "Providing Company." Determination of availability, and mutual benefit, of such employees, services, or goods shall be at the sole discretion of the Providing Company. The Company employees are those that are employees of the individual Company. The Company services and goods are those services and goods owned, provided, contracted for or leased by the individual Company.

ARTICLE II

SERVICES AND GOODS RENDERED

2.01 If the services relate to a project for which a Company has requested or received, or will request, regulatory approvals from the relevant state or federal regulatory body or bodies in the jurisdiction(s) in which the project is or will be located, including a Regional Transmission Organization ("RTO") responsible for transmission planning and project selection, and if available and upon request, each Company will, at its cost, render services of individual Company personnel (including contract personnel) to the other Company, including, but not limited to, services such as: transmission or contract personnel for transmission planning, development, engineering, and project management; transmission or distribution crews, or both, for construction, maintenance, or service restoration; and other similar services that the parties may agree to from time to time.

2.02 If the goods relate to a project for which a Company has requested or received, or will request, regulatory approvals from the relevant state or federal regulatory body or bodies in the jurisdiction(s) in which the project is or will be located, including an RTO responsible for transmission planning and project selection, and if available and upon

request, each Company will, at its cost, render goods of the individual Company to the other Company, including, but not limited to: utility equipment; computers and software; poles, conductors, and other goods; motor vehicles and other transportation services; and other goods or services owned, leased, or contracted for by such Company.

ARTICLE III CHARGES

3.01 The charges to be billed and paid under this Agreement shall consist of actual costs for goods and actual costs for: labor, transportation, and employee expenses; materials and supplies; services; and other expenses. The Providing Company shall document the goods or services provided and the costs of providing such goods or services to the Recipient Company.

3.02 Where a Company simultaneously renders goods or services to both Companies, the costs for such goods or services shall first be directly assigned based on the time or investment made for each project or proposed project for the Recipient Company(ies); and thereafter, if applicable, costs shall be fairly and equitably distributed between the Recipient Companies using one or more of the allocation ratios utilized by Xcel Energy Services Inc. ("XES").

3.03 By the 25th day of each month, or as otherwise mutually agreed, the Providing Company shall electronically invoice Recipient Company for all personnel, goods and services provided to the Recipient Company. The invoice shall reflect the billing information necessary to identify the costs charged for that month. By the 23rd day of the following month, the Recipient Company shall remit to the Providing Company all charges billed to the Recipient Company the previous month.

ARTICLE IV REGULATION

4.01 This Agreement is subject to the review of any regulatory body which has jurisdiction.

ARTICLE V TERM

5.01 This Agreement shall be effective as of the date first stated above and continue in effect unless cancelled by any party upon sixty (60) days prior written notice to the other parties or by mutual agreement of the parties.

ARTICLE VI
GOVERNING LAW

6.01 This Agreement shall be construed in accordance with and be governed by the laws of the State of Minnesota.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their respective corporate names by their respective duly authorized officers on the day and year below written.

On behalf of
Northern States Power Company
A Minnesota corporation

On behalf of
Xcel Energy Southwest Transmission
Development
Company, LLC

By _____
Its _____
Date _____

By _____
Its _____
Date _____

XCEL'S RESPONSES TO INFORMATION REQUESTS

As noted above, the Department agrees with Xcel that there should be ongoing discussion of issues. An important issue relates to the potential financial risks to ratepayers associated with XEST and XETD FERC formula rate filings. The following are information requests related to this topic. Since the Commission will have ongoing authority over these contracts, the information below is intended to reflect the kind of assessment that the Department is likely to conduct if the ASAs are approved.

The Department asked the Company in DOC information request no 6:

Does the Company agree that transmission projects built in the NSP service territory will be planned, developed, and built by NSP (NSPM and NSPW)? Under what circumstances would XETD plan, develop and build transmission projects in the NSP service territory?

The Company provided the following response:

[TRADE SECRET DATA HAS BEEN EXCISED]

NSPM cannot say for certain how all future transmission development may occur in the five states served by NSPM and NSPW, because there is still substantial uncertainty regarding how Order 1000 planning and development processes may exist or change in the future. From a state regulatory perspective, no transmission facilities would be constructed in Minnesota without required state regulatory approvals, such as Certificate of Need and Route Permit authorizations. As a result, the MPUC would ultimately determine which entity or entities own and operate specific new transmission facilities identified in MTEP and proposed to be constructed in the state.

In DOC Information Request No 9, the Department asked:

Please briefly explain why the 55% equity and 45% debt capital structure as discussed on page of 12 of the August 29, 2014 filing in FERC Docket No. ER14-2752-000 is a reasonable capital structure for XETD? Specifically, why is the equity percentage higher than what was approved the last rate case (E002/GR-123-961) and what Xcel filed in the current rate case (E002/GR-13-868).

Xcel responded:

Xcel Energy manages the capital structure of each of its legal entities based on the unique risks that each entity faces. The regulated capital structure requested for NSPM in the current Minnesota retail rate case (Docket No. E002/GR-13-868) is reflective of the financial and business risks facing NSPM and it is set at a level that should allow NSPM to maintain its financial metrics within the guidelines that support its current credit rating. XETD is a newly formed, separate legal entity from NSPM, and it is not expected that each Xcel Energy entity would have the same capital structure. Please refer to Exhibit No. XET-200 of FERC Docket No. ER14-2752-000 for a full discussion of the reasonableness of XETD's requested capital structure. On page 11 of that exhibit, Company Witness George E. Tyson II specifically states:

In comparison to the capital structure of other transmission owning entities, a 55% equity ratio is well within the range in the industry. Each year, MISO posts on its website Attachment O data showing the debt and equity levels of every MISO entity using an Attachment O formula rate. This data show that the average actual capital structure for MISO transmission owners is roughly 55% equity and 45% long-term debt. XETD's proposed capital structure is consistent with the average actual capital structures of the MISO transmission owners. Moreover, the recommended 55% equity capital structure is in line with the capital structures of the Xcel Energy Operating Companies. Based on 2013 year-end 10-K information, the equity ratios for the Xcel Energy Operating Companies were between 53% and 56.5% (equity as a percentage of equity plus long term debt). The NSP Companies, which are members of MISO, currently have a 53% equity and 47% long-term debt ratios in their MISO formula rate for 2014. XETD's recommended capital structure is reasonable given the current capital structures in the market and will provide XETD with a sound financial foundation to compete for projects in MISO's competitive solicitation processes.

It also is important to note that FERC's capital structure methodology does not include short-term debt, since short-term debt is incorporated through the AFUDC calculation. Therefore, comparing NSPM's regulated capital structure for state regulatory ratemaking, which includes short-term debt, to XETD's capital structure is not an accurate comparison. It would be more accurate to compare the equity ratio that is currently being used in the MISO Attachment O-NSP formula rate, since the formula applies the FERC methodology and excludes short-term debt. The NSP equity ratio is 53.2% in the

current MISO Attachment O-NSP formula. (Note that the Attachment O formula uses the combined capital structure of NSPM and NSPW since it is based on the NSP system; NSPM and NSPW have very similar authorized capital structures).

In DOC Information Request No 10, the Department asked:

FERC Docket No. ER14-2752-000 includes the XETD formula rate and annual trueup, please identify all differences between this XETD formula rate and annual true-up compared to the current NSP formula rate and annual true-up. Please list each difference and explain the reason for this difference.

Xcel responded:

XETD's and the NSP Companies' rate formulas and true-up procedures are very similar. For instance, both formulas conform to FERC accounting principles, both formulas are forward looking formulas with true-up procedures, both formulas result in rates that are derived from FERC Form 1 report, and both formulas use thirteen month plant balances. Both formulas designed to be part of the MISO Tariff. The NSP Companies' forward looking Attachment O (initially approved by FERC in 2007) uses a template developed for a vertically integrated utility, where the XETD formula was developed using a template previously used by a transmission-only company.

The main difference between the XETD and NSP Companies' formulas is that XETD does not have a specific MISO local transmission zone. Because of this, XETD's Attachment MM and GG have consistent methods for allocating O&M, while NSP's Attachment MM and GG follow the standard MISO template that uses different O&M allocation methodologies between these two attachments. Specifically, the NSP Attachment MM and GG allocate total NSP System transmission O&M to MVP projects (Attachment MM), MEP projects (Attachment GG), and NSP zonal transmission facilities, with the total equaling 100% of the NSP Companies' O&M costs. Since XETD does not have a rate zone, it must use the same allocation methodology between MM and GG so it does not over- or under-recover its O&M costs.

The NSP Companies and XETD formula rate implementation procedures both reflect the FERC's orders addressing the MISO Tariff Attachment O protocols for forward looking formula rates. One distinguishing aspect is that XETD's protocols describe the project specific revenue requirements developed in the formula

as “up to” rates, while the NSP Companies’ protocols do not include this language. If the Department desires, Xcel Energy is willing to meet in person with the Department to walk through each formula and associated procedure in detail.

In DOC Information Request No 11, the Department asked Xcel to provide the expected rate of return on equity and overall rate of return for both XETD and XEST, as discussed in FERC Docket No. ER14-2752 and ER14-2751. Xcel responded as follows:

XETD:

Based on the requested ROE, capital structure, and the estimated cost of debt used in the Docket No. ER14-2752 filing, the XETD ROR would be 7.8%.

The components of the ROR requested for XETD are as follows:

1) XETD requested authorization to use the applicable FERC-approved MISO regional base ROE, which is currently 12.38%, subject to the outcome of the complaint in Docket No. EL14-12, recently set for settlement judge or hearing procedures. XETD requested to be treated like other transmission owners in MISO whose transmission formula rate uses the applicable MISO regional base ROE. If the MISO base ROE changes as a result of the complaint, XETD indicated it will use the new ROE rate and the ROR would change from the 7.8% value indicated above.

2) XETD will use its actual cost of debt when XETD issues its first long-term financing. In the filing, XEST used the FERC formula template to provide an estimated debt cost based on an interest rate forecast and an estimated credit spread.

3) As discussed in the response to DOC Information Request No. 9, XETD requested a capital structure consisting of 45% long term debt and 55% equity. FERC’s ROR calculation in the formula template only includes the costs of long term financing (long term debt and equity). Short term debt is incorporated in the AFUDC calculation, which is a FERC prescribed calculation. This is different from NSPM’s calculation of the ROR for Minnesota retail ratemaking since NSPM includes short-term debt in its capital structure.

XEST:

Based on the requested ROE, capital structure, and the estimated cost of debt used in the Docket No. ER14-2751 filing, the XEST ROR would be 7.1%. The components of the ROR requested for XEST are as follows:

1) XEST requested authorization for an ROE of 11.14%, which consists of a base ROE of 10.64% (calculated consistent with FERC Opinion No. 531) and a 50 basis point adder for SPP RTO participation.

2) XEST will use its actual cost of debt when XEST issues its first long-term financing. In the filing, XEST used the FERC formula template to provide an estimated debt cost based on an interest rate forecast and an estimated credit spread.

3) As discussed in the response to DOC Information Request No. 9, XEST requested a capital structure consisting of 45% long term debt and 55% equity. FERC's ROR calculation in the formula template only includes the costs of long term financing (long term debt and equity). Short term debt is incorporated in the AFUDC calculation, which is a FERC prescribed calculation. This is different from NSPM's calculation of the ROR for Minnesota retail ratemaking since NSPM includes short-term debt in its capital structure.

In DOC Information Request No 12, the Department asked whether there are any differences besides different company names between the two FERC filings in Docket Nos. ER14-2752 and ER14-2751 for the formula rate and annual true-up for XETD and XEST, respectively. Xcel responded:

Although the general concepts in the formula rates and implementation protocols proposed in Docket Nos. ER14-2752 and ER14-2751 are very similar, there are also differences. Both filings propose a forward looking formula rate that calculates an annual transmission revenue requirement on a project basis. Both formulas are based on the same formula rate template for a transmission-only entity, but have differences driven by the fact that one formula would function under the MISO Tariff and the other formula would function under the SPP Tariff. For instance, MISO uses specific Attachment O line references in the tariff and uses Attachment GG and Attachment MM to recover the revenue requirements for regional cost shared projects, while SPP uses a different process.

For the implementation protocols, the XETD and XEST protocols were both developed from the MISO protocols for forward looking formulas. The main difference is that SPP does not coordinate the process like MISO does. Therefore, for instance, XEST would send out information to interested parties, instead of the RTO sending out that information, as is the case for XETD.

In DOC Information Request No 13, the Department asked Xcel to explain how costs will be billed from XETD and XEST to its wholesale customers who could include NSPM. Xcel responded:

XETD would bill costs to transmission customers taking service from MISO through the MISO tariff. The XETD formula rate calculates a project specific revenue requirement. The actual billing mechanism, as defined by the MISO Tariff, would depend on the type of project and the location of a project XETD may own in the future.

There are a variety of types of projects in MISO, including participant funded, baseline reliability, market efficiency and multi-value projects that have different allocations of costs to beneficiaries. Participant funded project costs are allocated to the project requester (local pricing zone). Baseline Reliability projects are paid by the customers in the local transmission pricing zone. Market Efficiency Project (MEP) costs are allocated 80% to the various local resource zones commensurate with the calculated benefits accruing to each zone, and the remaining 20% are allocated regionally to all load in MISO. If NSP's local resource zone is not identified as a beneficiary of an XETD MEP, then the NSP Companies would be allocated a load ratio share of 20% of the annual transmission revenue requirement (ATRR) for the total project costs, which generally results in less than 2% of the project costs allocated to the NSP System. Multi-Value Project (MVP) costs are allocated 100% postage stamp to all MISO load. The NSP System would bear its load ratio share of the ATRR for an MVP project owned by XETD, just as it would bear its load ratio share of the ATRR for an MVP project owned by any other MISO transmission owner, including transmission-only entities.

Additionally, there are specific cost allocation rules for projects during a MISO South transition period. Generally, project costs are contained in the planning region (MISO North or MISO South) where they are located for projects planned during the transition period. The transmission period is a minimum of five years. If XETD were to bid and be selected to construct a project in terminating in the MISO South planning area and planned during the transition period, the NSP System would not be allocated any costs.

XEST would allocate the ATRR for project costs in SPP pursuant to the allocation provisions of the SPP Tariff. Under the current SPP rules, the costs of most projects in SPP would likely be

allocated only within SPP. It is possible that a project entirely located within SPP could be allocated to the NSP System if it qualifies for interregional SPP/MISO cost allocation. However, in order for that to occur, Order 1000 contemplates that the project would have to be identified in both the MISO and SPP planning processes as providing benefits to the region commensurate with the costs that would be allocated to each region. (Note: FERC has not yet acted on the MISO/SPP inter-regional Order 1000 compliance filings.) In addition, a XEST project that crosses the MISO-SPP seam and provides sufficient benefits to qualify for cost allocation could be allocated to the NSP System. The potential for cost allocation of projects in SPP or crossing the seam would be true of projects constructed by any entity in SPP, not just XEST.

In DOC Information Request No 14, the Department asked the following: if a project is not built by XETD because the Company does not win a competitive bid, will NSPM be billed any costs from XETD? Xcel responded:

The specific details of what bid development costs might be recoverable under the MISO Tariff, and from whom, is a policy issue FERC has not yet addressed. FERC Order 1000 did not address this issue. XETD would adhere to FERC's policies on this issue once they are adopted or clarified.

In DOC Information Request No 15, the Department asked whether the 2014 and 2015 costs assigned and allocated to XETD and XEST would be billed to any wholesale customers, or whether the Company/shareholders would absorb these costs. The Department also asked whether there would be any costs billed out before a transmission project is selected under a competitive bid process of MISO and/or SPP. Xcel responded:

Both XETD and XEST expect to defer prudently incurred costs not capitalized for later recovery from wholesale customers under the applicable RTO Tariff. If FERC approves the ability for XETD or XEST to use deferred accounting in the current dockets, XEST or XETD indicated they would request approval of recovery of the specific pre-commercial costs in a separate FPA 205 filing to the FERC. If FERC does not approve deferral or recovery of these costs, XETD and XEST will not recover the pre-commercial costs.

If a specific project is awarded to XETD or XEST, XETD or XEST expect to capitalize and recover costs from MISO or SPP wholesale transmission service customers through the XETD or XEST formula rate in the MISO or SPP Tariff. In MISO, the current MISO tariff rules prohibit recovery of costs until the transmission owner's first project is placed in service.

In DOC Information Request No 16, the Department asked:

The Company's August 29, 2014 FERC filing in Docket No. ER14-2752-000 for the XETD formula rate and annual true-up, on pages 17 to 19 discusses deferred accounting for pre-commercial and formation costs (including attorney fees, consulting fees, administrative expense, travel costs, and cost to support regional activities with a carry charge equal to the Company's AFUDC rate) of XETD. How does XETD plan to recover these deferred costs and from whom will they recover these deferred costs? Please explain why this is reasonable.

The Company responded:

If the XETD request for deferred accounting is approved by FERC in Docket No. ER14-2752, XETD would be able to seek recovery of the deferred costs from MISO transmission customers through the XETD formula rate in a future Section 205 filing. FERC has authorized recovery of similar costs for other transmission owners in MISO (e.g., Central Minnesota Municipal Power Agency).

The Department asked the Company in DOC information request 17: to explain the different treatment in transmission investment, including but not limited to all transmission costs, all transmission revenues, all cost/revenue sharing, financial transmission rights and auction revenue right, etc., as a result of NSPM building a transmission line compared to XETD (or XEST) building a transmission line for each type of MISO transmission line (including MEP and MVP, etc. – since it appears these are the only types of transmission projects handled under competitive bid). The Company provided the following response:

MVPs:

The investment for either entity (NSP or XETD) would be recovered through Attachment MM of the MISO Tariff. NSP System load pays the regional Schedule 26a MISO rate. If NSPM owns the facilities, a portion of the Schedule 26a revenues collected by MISO will be allocated to NSPM. NSPM recovers its cost less its share of MISO revenue through the Transmission Cost Recovery (TCR) Rider in Minnesota.

If XETD owns the facilities, a portion of the Schedule 26a revenues collected by MISO will be allocated to XETD. If MISO allocates a portion of the costs of a specific XETD project to the NSP Companies through MISO Schedule 26a, then NSPM would be billed by MISO for its portion of that cost and will recover that cost through the TCR. (Note that NSPM will not be allocated

costs for a MVP project approved during the transition period and located solely within the MISO South region.) The MISO recovery and Schedule 26a charges to NSPM would be similar to that for a MVP project owned by any other MISO transmission owner.

For MVPs, MISO monetizes the ARRs associated with the MVPs and distributes that revenue in a similar manner as Schedule 26A. The MVP developer does not receive any ARRs or FTRs associated with the project.

MEPs:

The investment for either entity (NSP or XETD) will be recovered through Attachment GG of the MISO Tariff. NSP System load pays the zonal Schedule 26 MISO rate, which may or may not include the costs of a specific project, depending on the location of the project and the benefits associated with that project. If NSPM owns the facilities, a portion of the Schedule 26 revenues collected by MISO will be allocated to the NSP Companies. NSPM recovers the cost less its share of MISO revenue through the TCR.

If XETD owns the facilities, a portion of the Schedule 26a revenues collected by MISO will be allocated to XETD. If MISO allocates a portion of the costs of a specific XETD project to the NSP Companies through Schedule 26, then NSPM will recover that cost through the TCR. Depending on the project and the project's location, the NSP Companies may or may not be allocated MEP costs through Schedule 26. The MISO recovery and Schedule 26 charges to NSPM (if any) would be similar to that for a MEP owned by any other MISO transmission owner. Developers do not receive ARR or FTR rights related to MEP facilities.

Attachment O facilities:

Any revenue requirement of NSPM not recovered through Attachment GG or MM is recovered through the NSP Attachment O, the Joint Pricing Zone Agreement or retail rates. Any revenue requirements of XETD not recovered through Attachment GG or MM would be recovered under the XETD Attachment O. If XETD owns only MEP or MVP facilities, however, XETD would not recover any costs through Attachment O. To recover revenues for any facilities in a MISO Pricing Zone, XETD would need to become a party to a Joint Pricing Zone agreement.

The Department asked the Company the following question in DOC information request 18:

If XETD or XEST wins a competitive bid to build a transmission line and the final costs of the transmission line exceed the competitive bid amount, what happens to the amount that exceeds the competitive bid? Please explain your response.

The Company provided the following response:

Under FERC Order 1000, each RTO was required to implement a project reevaluation process. MISO and SPP have each developed a project re-evaluation process that requires regular cost updates during project development. In the reevaluation process there is a process for the project to follow if cost overruns exceed a set margin. These processes are described below.

SPP has a re-evaluation process that is well-defined and has been in place for some time before FERC Order 1000. This process requires the SPP Board of Directors to review any project which exceeds its initial project estimate by more than 20 percent. In its review, the SPP Board of Directors has the authority to re-approve, cancel, or modify a project.

MISO is currently developing a cost review process. Many of the stakeholders of MISO, including Xcel Energy, share the concern that projects be delivered at a reasonable cost that ensures a project delivers benefits in excess of its costs. Xcel Energy is an active participant in the development of this process and is working to ensure the process recognizes that cost changes may be due to a prudent change in scope (for example, a facility change ordered by a state regulatory authority) while other cost overruns could be due to mismanagement or an attempt to “buy a bid.”

XEST and XETD would be subject to the SPP or MISO cost control process approved by FERC.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Public Comments**

Docket No. E002/AI-14-759

Dated this 16th day of January 2015

/s/Sharon Ferguson

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