

July 17, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 300  
St. Paul, Minnesota 55101

RE: **Letter from the Minnesota Department of Commerce, Division of Energy Resources (the Department) regarding In the matter of the *Petition* of Northern States Power Company, d/b/a Xcel Energy (Xcel or the Company), for approval of the acquisition of the 200 MW Courtenay Wind Farm**  
Docket No. E002/M-15-401

Dear Mr. Wolf:

On June 14, 2015, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed its *Additional Reply Comments* in the above referenced docket. According to Xcel, the purpose of its *Additional Reply Comments* was to address the Minnkota transmission delivery issue and the North Dakota Investment Tax Credits (NDITC) issue.

Xcel stated that it has resolved the Minnkota transmission delivery issue. As a result, it has removed this contingency from their ability to move the Courtney Wind Farm forward.

Regarding the NDITC issue, Xcel stated that this docket raises an important policy issue about the allocation of State income taxes and offsetting state-specific tax credits. However, Xcel stated that this issue does not need to be resolved in this proceeding because the NDITC's associated with the Courtney Wind Farm are largely unavailable "because the Company's tax appetite is largely taken up by the Company's Borders Wind Project" and were not taken into account in developing the economic justification for the Project. Xcel stated that the NDITC's associated with its Borders Wind Project more than offsets Xcel's North Dakota income tax liability for all but the final year of Courtney's eligibility. As a result, Xcel recommended that the Commission address the proper rate treatment of NDITC in a proceeding related to the Borders Wind Project, such as the Company's upcoming 2016 rate case or in the 2015 capital true-up arising out of the Company's 2014 rate case.

The Department agrees that the treatment of NDTICs is an important policy issue and is unlikely to have a significant financial impact in the instant petition. However, the Department notes that this is not a new issue; the NDITC issue has been addressed in previous proceedings such as Xcel's Merricourt Wind Farm eligibility filing (Docket No. E002/M-08-1437) and Xcel's 2009 and 2010 Renewable Energy Standard (RES) Riders (Docket Nos. E002/M-09-1083 and E002/M-10-1066). In fact, Xcel stated the following in its October 5, 2010 filing in Docket No. E002/M-10-1066:

In Ordering Paragraph Number 4 of the June 10th Order [Docket No. E002/M-08-1437], the Commission directed the Company to address three areas. We have previously addressed two of those areas to the Commission's satisfaction. In our 2009 RES Rider filing to update the factors for 2010, we reported that we still needed to discuss the North Dakota investment tax credit allocation process with the North Dakota Public Service Commission. At this time, those discussions have been completed and our filing reflects an allocation of the credit to Minnesota customers consistent with our energy allocators for each state.<sup>1</sup>

As a result, the Department concludes that this issue has already been resolved and should not need to be addressed again in further proceedings, particularly given limited regulatory resources, Xcel's decision in 2010 to give Minnesota ratepayers their proportionate share of the NDITC and the Commission's October 17, 2011 Order approving that proposal, and the significant amount of time Xcel has had over the years to address any lingering issues. However, if the Commission prefers to address this issue again at a later date in another proceeding, the Commission could address the issue in Xcel's next RES Rider filing.

If the Commission decides to address the issue in this proceeding, the Department continues to recommend that the Commission require Xcel to credit its Minnesota ratepayers for their proportionate share of utilized NDITC associated with the Courtney Project, consistent with Xcel's energy allocators for each state.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK JOHNSON  
Financial Analyst

MJ/lt

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<sup>1</sup> Xcel's October 5, 2010 filing in Docket No. E002/M-10-1066, Page 11.

**CERTIFICATE OF SERVICE**

I, Marcella Emeott, 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  
Letter**

**Docket Nos. E002/M-15-401**

**Dated this 17<sup>TH</sup> day of July, 2015**

**/s/Marcella Emeott**

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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-401_PUC Official List
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_15-401_PUC Official List
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_15-401_PUC Official List
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000  Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_15-401_PUC Official List
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-401_PUC Official List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-401_PUC Official List
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_15-401_PUC Official List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_15-401_PUC Official List
S Mike	Holly	4358@brainerd.net	Sorgo Fuels and Chemicals, Inc.	34332 Sunrise Blvd  Crosslake, MN 56442	Electronic Service	No	OFF_SL_15-401_PUC Official List
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_15-401_PUC Official List
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_15-401_PUC Official List
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_15-401_PUC Official List
Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln  St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_15-401_PUC Official List
Frank	Kohlasch	frank.kohlasch@state.mn.us	MN Pollution Control Agency	520 Lafayette Rd N.  St. Paul, MN 55155	Electronic Service	No	OFF_SL_15-401_PUC Official List
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_15-401_PUC Official List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Paul J.	Lehman	paul.lehman@xcelenergy.com	Xcel Energy	414 Nicollect Mall  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_15-401_PUC Official List
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_15-401_PUC Official List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_15-401_PUC Official List
Thomas	Melone	Thomas.Melone@AllcoUS.com	Minnesota Go Solar LLC	222 South 9th Street Suite 1600 Minneapolis, Minnesota 55120	Electronic Service	No	OFF_SL_15-401_PUC Official List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-401_PUC Official List
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd  St. Paul, MN 55102	Electronic Service	No	OFF_SL_15-401_PUC Official List
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_15-401_PUC Official List
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-401_PUC Official List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_15-401_PUC Official List
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_15-401_PUC Official List
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_15-401_PUC Official List
Paul	White	paul.white@prcwind.com	Project Resources Corp./Tamarac Line LLC/Ridgewind	618 2nd Ave SE  Minneapolis, MN 55414	Electronic Service	No	OFF_SL_15-401_PUC Official List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-401_PUC Official List