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September 20, 2013

—Via Electronic Filing—

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

RE: FERC ORDER
TRANSMISSION ASSET TRANSFER AND EXCHANGE WITH GREAT RIVER ENERGY
DOCKET NO. E002/PA-13-484

Dear Dr. Haar:

Enclosed is a courtesy copy of the FERC's September 19, 2013 ORDER
AUTHORIZING DISPOSITION OF JURISDICTIONAL FACILITIES in Docket No. EC13-
133-000.

We have electronically filed this document, and served copies on the parties on the
attached service lists.

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

Sincerely,

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE AND FILINGS

Enclosure
cc: Service List

144 FERC ¶ 62,247
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Northern States Power Company

Docket No. EC13-133-000

ORDER AUTHORIZING DISPOSITION OF
JURISDICTIONAL FACILITIES

(Issued September 19, 2013)

On August 2, 2013, Northern States Power Company, a Minnesota corporation (NSP Minnesota) filed an application under section 203(a)(1)(B) of the Federal Power Act (FPA)¹ requesting Commission authorization for NSP Minnesota to dispose of certain jurisdictional facilities, and to acquire certain other jurisdictional facilities, associated with a transmission asset exchange agreement with Great River Energy (Great River) (Proposed Transaction)

NSP Minnesota, a subsidiary of Xcel Energy Inc., is a public utility that operates in Minnesota, North Dakota, and South Dakota. NSP Minnesota and Northern States Power Company, a Wisconsin corporation (NSPW, jointly referred as the NSP Companies), operate as a single integrated system and are transmission-owning members of the Midcontinent Independent System Operator, Inc. (MISO). According to NSP Minnesota, the NSP Companies are among the largest transmission-owning members of the MISO, with a 2012 peak load of approximately 9,475 megawatt hours and approximately 7,200 miles of transmission lines and 550 substations (transmission and distribution). Transmission service over facilities developed and owned by NSP Minnesota is provided pursuant to an Open Access Transmission Tariff (OATT) under MISO.

Great River is a Minnesota-based generation and transmission cooperative that supplies the electric requirements for 28 member distribution cooperatives located primarily in Minnesota, North Dakota, and Wisconsin. Great River is a transmission-owning member of the MISO and owns or contracts for approximately 2,820 megawatts (MW) of generating capacity and 4,600 miles of transmission facilities and 109 transmission substations (partially and fully owned) in North Dakota, Wisconsin, and Minnesota.

According to NSP Minnesota, NSP Minnesota and Great River have a cooperative

¹ 16 U.S.C. § 824b (2006).

relationship in the development of transmission expansions, including associated substations, needed to serve the loads in their intertwined service areas. Both NSP Minnesota and Great River own facilities within individual bulk electric system substations that are primarily owned and operated by each other. Due to recent developments, NSP Minnesota and Great River have agreed to an exchange of transmission assets in order to eliminate shared substation ownership.

To eliminate joint facility ownership, NSP Minnesota and Great River have agreed to an asset exchange agreement in which they will exchange transmission facility assets at certain substations. Specifically, Great River will transfer ownership to NSP Minnesota Great River owned relays, breakers, switches, transformers, associated equipment, and other high voltage transmission substation facilities, equipment, and tangible personal property located in NSP Minnesota and Great River-owned substations. The substations subject to the exchange of transmission facilities are: Benton County Substation, a Great River-owned 230 kV electrical transmission substation located in Benton County, Minnesota; Carver County Substation, a NSP Minnesota-owned 115 kV electrical transmission substation located in Carver County, Minnesota; Coon Creek Substation, a NSP Minnesota-owned 345 kV electrical transmission substation located in Anoka County, Minnesota; Wakefield Substation, a NSP Minnesota-owned 115 kV electrical transmission substation located in Sterns County, Minnesota; and Wilmarth Substation, a NSP Minnesota-owned 345 kV electrical transmission substation located in Blue Earth County, Minnesota. In exchange, NSP Minnesota will transfer ownership to Great River of its relays, breakers, switches, transformers, associated equipment, and other high voltage transmission substation facilities, equipment, and tangible personal property located in the Benton County Substation.

In addition, NSP Minnesota and Great River have entered into a bill of sale where by NSP Minnesota has agreed to acquire certain transmission poles from Great River.

NSP Minnesota states that the Proposed Transaction is consistent with the public interest and will not have an adverse effect on competition, rates, or regulation. With regard to horizontal market power, NSP Minnesota states that the Proposed Transaction raises no concerns because it does not involve transfer of ownership in electric generation. NSP Minnesota also states that its assets and the Great River assets comprise limited and discrete transmission system facilities which are already under the control of MISO, and will remain under MISO's control after closing of the Proposed Transaction. NSP Minnesota further states that open access transmission service is and will continue to be available over the facilities under MISO's tariff.

With regard to vertical market power, NSP Minnesota states that the Proposed Transaction raises no concern because it does not result in any vertical combination of upstream inputs to electric generation. In addition, NSP Minnesota states that the substation facilities to be transferred will remain subject to the functional control of

MISO.

With regard to rates, NSP Minnesota explains that the NSP Minnesota and Great River substation assets will be exchanged at net book value and that the transactions have been arranged to provide equivalent exchange, including an equalization payment. NSP Minnesota states that there will be no change in the allocation of generation costs to NSP Minnesota's existing wholesale customers, as the cost of the NSP Minnesota substation assets are not included in the wholesale rates. In addition, NSP Minnesota states that NSP Minnesota's acquisition of Great River assets and disposition of NSP Minnesota assets, with netting out via the NSP Minnesota/Great River equalization payment, will also have no material effect on currently effective NSP Minnesota transmission rates.

NSP Minnesota states that the transmission service involving the Great River assets and NSP Minnesota assets will be provided under the MISO OATT, and that NSP Minnesota and Great River each operate subject to a transmission formula rate, including a true-up. NSP Minnesota also states that, upon closing of the Proposed Transaction, the NSP Minnesota transmission formula rate calculations will reflect the acquisition of the Great River assets, the transfer of the NSP Minnesota assets, and the equalization payment. NSP Minnesota represents that any change in transmission rates would occur when the NSP Minnesota and Great River formulas are updated.

With regard to regulation, NSP Minnesota states that it will continue to be regulated by the Commission in the same manner as it is currently, and that Great River will continue to operate within the MISO control area. In addition, NSP Minnesota states that the exchange transaction will be subject to the regulatory approval of the Minnesota Public Utilities Commission (Minnesota Commission).

NSP Minnesota states that the Proposed Transaction will not result in cross-subsidization of a non-utility associate company or the pledge or encumbrance of utility assets for the benefit of an associate company. NSP Minnesota states that the Proposed Transaction falls within two of the safe harbors set forth in the FPA section 203 Supplemental Policy Statement.² First, NSP Minnesota states that there are no NSP Minnesota non-utility affiliates or associate companies at issue for the Proposed Transaction. NSP Minnesota states that the Proposed Transaction provides solely for the acquisition and disposition of specific transmission facilities by NSP Minnesota, a public utility subject to FERC jurisdiction, with Great River, a non-affiliate, and does not include the issue of securities or the pledge of encumbrance of assets by NSP Minnesota or any affiliate. Second, NSP Minnesota states that the Proposed Transaction complies with specific state regulatory protections against inappropriate cross-subsidization by captive customers. NSP Minnesota states that the Minnesota Commission will review and approve the substation transaction prior to consummation of the Proposed

² 120 FERC ¶ 61,060 (2007).

Transaction.

In Exhibit N to the application, NSP Minnesota provided *pro forma* accounting entries to record the exchange of the transmission assets. However, NSP Minnesota did not use Account 102, Electric Plant Purchased or Sold, to record the transfer of the transmission assets, as required by Electric Plant Instruction (EPI) No. 5, Electric Plant Purchased or Sold.

Account 102 is used as an interim control account to record all aspects of a transaction involving the acquisition or transfer of operating units or systems. The use of this account is an important accounting control that helps ensure that acquisitions and transfers of operating units or systems are properly accounted for. Therefore, we will require NSP Minnesota to record the transfer of the transmission assets through Account 102, consistent with the instructions of Electric Plant Instruction No. 5 of the Commission's Uniform System of Accounts.

The filing was noticed on August 2, 2013, with comments, protests, or interventions due on or before August 23, 2013. None were received. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214) (2013). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

Information and/or systems connected to the bulk system involved in this transaction may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information database, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North America Electric Reliability Corporation or the relevant regional entity may audit compliance with reliability and cybersecurity standards.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.³ The

³ *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, 70 Fed. Reg. 8,253 (Feb. 18, 2005), FERC Stats. &

foregoing authorization may result in a change in status. Accordingly, NSP Minnesota is advised that it must comply with the requirements of Order No. 652. In addition, NSP Minnesota shall make any necessary filings under section 205 of the FPA to implement the Proposed Transaction.

After consideration, it is concluded that the Proposed Transaction is consistent with the public interest and is authorized, subject to the following conditions:

- (1) The Proposed Transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (4) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (5) If the Proposed Transaction results in changes in the status or upstream ownership of NSP Minnesota's affiliated qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2013) shall be made;
- (6) NSP Minnesota shall make appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transaction;
- (7) NSP Minnesota shall notify the Commission within 10 days of the date that the disposition of jurisdictional facilities has been consummated; and

- (8) NSP Minnesota shall account for the transaction in accordance with Electric Plant Instruction No. 5 and Account 102, Electric Plant Purchased or Sold, of the Uniform System of Accounts. NSP Minnesota shall submit its final accounting entries within 6 months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for entries.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2013). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2013).

Steve P. Rodgers
Director
Division of Electric Power Regulation - West

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/PA-13-484

Dated this 20th day of September 2013

/s/

SaGonna Thompson
Records Analyst

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