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July 18, 2014

—VIA ELECTRONIC FILING—

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

RE: REPLY COMMENTS
MULTI-STATE TRACKING AND TRADING SYSTEM FOR RENEWABLE ENERGY
CREDITS
DOCKET NO. E999/CI-04-1616

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this brief Reply to the June 30, 2014 Comments of the Minnesota Department of Commerce – Division of Energy Resources regarding the eligibility of Renewable Energy Certificate (RECs) imported from Michigan to meet the Minnesota Renewable Energy Standard (RES).

We appreciate the Department's input in this matter and agree with several of the points made in their Comments. We agree with the Department that accounting for the Advanced Cleaner Energy Credits (ACECs) and Michigan Incentive Renewable Energy Credits (IRECs) created in the Michigan Renewable Energy Certification System (MIRECS) will necessitate additional import processes. Thus, we support the Department's recommendation to allow imported Michigan RECs to be used for Minnesota RES compliance only if ACECs and IRECs can be rebundled with the RECs created from the generation so that the RECs available in M-RETS match one to one with the generation from the eligible resource and the IRECs are no longer available in MIRECS for compliance or transaction. Under this approach, only one REC would apply to one megawatt of renewable energy produced in Michigan but recorded in M-RETS.

We also agree with the Department's recommendation to allow the use of imported RECs for Minnesota RES compliance without demonstration of deliverability.

However, we do not agree with the Department that utilities seeking to use imported RECs from biomass or hydroelectric facilities should be required to obtain Commission approval prior to using the RECs for Minnesota RES compliance. The determination of the eligibility of the Michigan hydroelectric and biomass facilities should be no different than the self-designation currently in place for hydroelectric and biomass facilities in the M-RETS footprint.

It is currently up to the M-RETS account holder to self-designate Minnesota RES eligibility when registering hydroelectric and 100% biomass facilities located in M-RETS by setting the Minnesota eligibility flag within M-RETS to “Yes”. For example, under Minn. Stat. § 216B.1691 subd (1)(a) RECs from a hydroelectric facility of 100 megawatts or greater can not be considered for complying with the Minnesota RES. However, RECs from all hydroelectric generation (regardless of capacity) can still be created in M-RETS. It is the responsibility of the M-RETS account holder to set the Minnesota eligibility flag to “Yes” within M-RETS if the facility meets the RES eligibility requirements (for hydro, less than 100 megawatts). The Company similarly believes the M-RETS account holder should also be responsible to self-designate upon the initial import of RECs from solar, wind, hydroelectric and 100% biomass Michigan facilities, where appropriate, the Minnesota eligibility flag within M-RETS. This would be completed for each generator the first time RECs were imported from MIRECS from that generator.

We agree with Southern Minnesota Municipal Power Agency (SMMPA) who stated in its June 30, 2014 Comments in this docket:

The M-RETS system is designed to reduce administrative burdens associated with state implementation/compliance by requiring that imported technology RECs be flagged as eligible or ineligible for respective state compliance. SMMPA believes that other types of Michigan RECs, which meet the Minnesota statutory definitions of “eligible energy technology” as outlined in 216B.1691 subd. (1) (a), should be flagged as eligible for Minnesota RES compliance and no further investigation or approval should be needed or required.

However, the only resource type that should require additional approval should be the resources that use technology based on fuel combustion through fuel blending or co-firing, as required by Minn. Stat. § 216B.1691 subd. (5), which requires minimum environmental standards for these types of resources. M-RETS account holders must currently upload environmental permits to M-RETS to show compliance with this statute. The M-RETS Administrator then notifies the Commission that a multi-fuel

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combustion resource has been registered and is awaiting approval from the Commission as a Minnesota RES eligible resource. This should be the same process used for resources located outside of the M-RETS footprint for the initial import of RECs into M-RETS. Ultimately, consistent processes regarding eligibility designation should be applied for resources located within M-RETS as well as for resources located outside of M-RETS.

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

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

SINCERELY,

/s/

PAUL J. LEHMAN
MANAGER, COMPLIANCE AND FILINGS

c: Service List

CERTIFICATE OF SERVICE

I, Theresa Sarafolean, hereby certify that I have this day served copies of the foregoing document or a summary thereof on the attached list of persons.

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

xx via electronic filing

Docket No. E999/CI-04-1616

Dated this 18th day of July 2014

/s/

Theresa Sarafolean

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