



414 Nicollet Mall
Minneapolis, MN 55401

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December 13, 2013

—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
THIRD AMENDMENT TO THE POWER PURCHASE AGREEMENT WITH BIG
BLUE WIND FARM, LLC
DOCKET NO. E002/M-13-1002

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the December 2, 2013 Comments of the Minnesota Department of Commerce, Division of Energy Resources and the December 3, 2013 Notice of Objection of the Minnesota Public Utilities Commission on our proposed Amended Power Purchase Agreement with Big Blue Wind Farm, LLC.

Both the Department and the Commission's Notice request that we address the following issues:

- Whether the change in the ownership structure of Big Blue Wind Farm, LLC affects the project's C-BED status; and
- Whether a new determination of C-BED eligibility is required, and if so, the steps and time-frame needed for such a re-determination.

As shown in documents attached to the Department's December 2, 2013 Comments, Xcel Energy provided its Consent to Change of Control of the Big Blue Wind Farm on December 14, 2012, and provided notice of this to the Commission in its January 7, 2013 Monthly Report. As detailed in the Consent to Change of Control, Big Blue covenanted that it and the project continue to satisfy

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the requirements of C-BED Eligibility. The documents attached to the Department's Comments also include a copy of the Department's December 28, 2011 C-BED determination for this project.

Since maintaining C-BED eligibility is an obligation of Big Blue, Xcel Energy has reached out to Big Blue for its perspective on the above issues and Big Blue's analysis is attached as Attachment A. The Company concurs with this analysis. Portions of the information in Attachment A is data on individuals pursuant to Minn. Stat. 13.02 Subd. 5, and also includes nonpublic data not on individuals pursuant to Subd. 9. This information is not accessible to the public and qualifies as either private data on individuals under Subd. 12 or as protected nonpublic data under Subd. 13. This information has been marked as Trade Secret information in Attachment A.

In the event that a new determination of C-BED eligibility is required, then it would be the responsibility of Big Blue to obtain that determination from the Department. The time frame for doing this is outside the knowledge of Xcel Energy, and would depend on how quickly Big Blue could submit such a request to the Department and the Department's time frame for considering such a request.

We have electronically filed this document with the Minnesota Public Utilities Commission, 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, REGULATORY COMPLIANCE & FILINGS
RATES AND REGULATORY AFFAIRS

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c: Service List

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December 12, 2013

Xcel Energy
Attn: Jessica L. Collins
1800 Larimer Street, Suite 1000
Denver, CO 80202

VIA FEDERAL EXPRESS AND E-MAIL

Re: In the Matter of the Petition of Northern State Power Company
d/b/a Xcel Energy for Approval of the Third Amendment to the
Power Purchase Agreement with Big Blue Wind Farm, LLC
(PUC Docket Number: E-002/M-13-1002)

Dear Ms. Collins:

Per your request, we are providing Xcel with the analysis based on Minn. Stat. 216B.1612 showing that the change in the ownership structure of Big Blue Wind Farm, LLC (the “Company”): (1) does not affect the last determination of C-BED eligibility of the 36 MW C-BED wind generation project located in Faribault County, Minnesota (the “Project”) owned by the Company and (2) does not require a re-determination of C-BED eligibility of the Project.

I. C-BED ELIGIBILITY NOT AFFECTED BY OWNERSHIP STRUCTURE CHANGE

A. Factual Background

The Company owns the Project. On December 28, 2011, the Company received a final C-BED determination letter from the Division of Energy Resources of the Minnesota Department of Commerce (“Commerce”) (the “Final Determination”). At that time, the Company’s ultimate parent was Exergy Development Group of Idaho, L.L.C. (“Exergy”), the initial developer of the Project and an entity not affiliated with the Project’s current owners.

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As a result of litigation filed by Fagen, Inc. (“Fagen”), the Project’s contractor and lender, because of Exergy’s failure to successfully develop the Project and repay loans Fagen had made to Exergy, by a Court Order dated November 2, 2012, Fagen had acquired ownership of the Project. Fagen subsequently sold the Project to an affiliated company, Midwest Ethanol Transport, LLC (“MET”) on September 28, 2012. MET was formed as a Minnesota limited liability company on May 5, 2006 and its primary line of business is the purchase and rental of railcars.”¹

On December 13, 2012, MET transferred [TRADE SECRET BEGINS __TRADE SECRET ENDS]% of its ownership in the Project to the following individuals and entity:

[TRADE SECRET BEGINS

1. [_____], a Minnesota resident []%
2. [_____], a Minnesota resident []%
3. [_____], a Minnesota resident []%
4. [_____], a Minnesota resident []%
5. [_____], a Delaware limited liability company []%

TRADE SECRET ENDS]

The Project began commercial operations on December 15, 2012.

B. Law and Analysis

One of the requirements for a wind generation project to qualify as a “C-BED Project” is that it must have “no single qualifying beneficiary, ... owning more than 15 percent of a C-BED wind energy project.”² “Qualifying beneficiary” includes, among other things, a “Minnesota resident individually or as a member of a Minnesota limited liability company organized under chapter 332B and formed for the purpose of developing a C-BED project.”³ A limited liability company formed under the laws of Delaware is not a qualified beneficiary and a South Dakota limited liability company is also not a qualified beneficiary.⁴

¹ On November 2, 2012, MET was a Minnesota limited liability company. On November 5, 2013, MET was merged with and into Midwest Ethanol Transportation, LLC, a South Dakota limited liability company.

² Minn. Stat. § 216B.1612, Subd. 2(h)(1).

³ Minn. Stat. § 216B.1612, Subd. 2(c)(1).

⁴ Id.

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No single qualifying beneficiary owns more than 15 percent of the Project. The individual owners of the Company are Minnesota residents and are qualifying beneficiaries, but none owns more than 15 percent.⁵ [TRADE SECRET BEGINS _____ TRADE SECRET ENDS] is a Delaware limited liability company and thus not a qualifying beneficiary. On December 15, 2012, the date the Project began commercial operations, MET was not a qualified beneficiary because it was not formed for the purpose of developing a C-BED project. Now a South Dakota limited liability company, MET is still not a qualifying beneficiary.

II. NO NEW C-BED ELIGIBILITY DETERMINATION IS REQUIRED

A. Factual Background

As noted above, the Project requested and received the Final Determination on December 28, 2011.

B. Law and Analysis

The C-BED statute requires that a “developer of a C-BED project ... must obtain a determination of C-BED eligibility from the commissioner of commerce, based on the project’s final financing terms, before construction may begin,” which must include certain detailed financial projections regarding a projections qualifying revenues.⁶

The Project complied with this requirement when it requested and received the Final Determination. The C-BED statute contains no provision that requires – or even contemplates – a new determination of C-BED eligibility. However, the Company confirms that the change in the Project’s ownership structure did not affect the final financing terms in any way that would affect the Project’s C-BED eligibility.

In addition, although the comments of Commerce do not require it because the Company’s analysis shows that there is no need for a re-determination of C-BED eligibility of the Project,⁷ the Company believes that the steps for such a re-determination would be for the Company to provide Commerce with a written analysis showing that at least 51% of the net present value of the gross revenues from a power purchase agreement over the life of the project will be qualifying revenues. In terms of a timeframe for such a re-determination, the Company will promptly submit this analysis upon request.

⁵ While not germane to the qualified beneficiary analysis, we note that given the increase in qualified beneficiary ownership of the Project, there was an increase (not decrease) in qualified revenues over the required 51% threshold.

⁶ Minn. Stat. § 216B.1612, Subd. (10)(a).

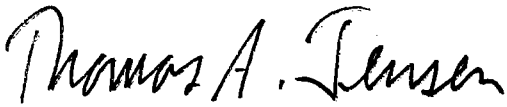
⁷ See Comments of Commerce of December 2, 2013 under III.B.I.

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Very truly yours,

LEONARD, STREET AND DEINARD

By 
Thomas A. Jensen

TAJ/crs

Cc: Jennifer A. Johnson

CERTIFICATE OF SERVICE

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

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

xx electronic filing

Docket No. E002/M-13-1002

Dated this 13th day of December 2013

/s/

SaGonna Thompson

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