

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Phyllis Reha	Commissioner
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF COMMISSION
CONSIDERATION AND DETERMINATION
ON COMPLIANCE WITH RENEWABLE
ENERGY OBJECTIVES AND RENEWABLE
ENERGY STANDARDS

DOCKET NO. E999/M-12-958
REO-RES COMPLIANCE REPORT

OVERVIEW

Northern States Power Company, doing business as Xcel Energy submits to the Minnesota Public Utilities Commission this report in compliance with the *Reminder of Biennial Filing Obligation* issued on September 12, 2012 establishing this docket and the *Order Setting Filing Requirements and Clarifying Procedures* issued on November 12, 2008 (Docket No. E999/CI-03-869).

As discussed in the Order and reminder notice, the Commission requires Xcel Energy to file a report showing our compliance with the renewable energy objectives/ renewable energy standard and provide additional information as required by the Commission's Order referenced above. This report includes information to assist the Department of Commerce – Division of Energy Resources in compiling its January 2013 report to the Minnesota Legislature.

I. SUMMARY OF FILING

A one-paragraph summary of the Compliance Report is attached pursuant to Minn. Rule 7829.1300, subp. 1.

II. SERVICE ON OTHER PARTIES

Pursuant to Minn. Rule 7829.1300, subp. 2, the Company has served a copy of this Compliance Report on the Office of Attorney General - Antitrust and Utilities

Division. A summary of the filing has been served on all parties on enclosed service list.

III. GENERAL FILING INFORMATION

Pursuant to Minn. Rule 7829.1300, subp. 3, the Company provides the following information.

A. Name, Address and Telephone Number of Utility

Northern States Power Company, doing business as:
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401
(612) 330-5500

B. Name, Address and Telephone Number of Utility Attorney

Kari L. Valley
Assistant General Counsel
Xcel Energy
414 Nicollet Mall - 5th Floor
Minneapolis, MN 55401
(612) 215-4526

C. Date of Filing

The date of this filing is October 22, 2012.

D. Statute Controlling Schedule for Processing the Filing

Since there is no determination of Xcel Energy's general revenue requirement necessary, the requested treatment falls within the definition of a "miscellaneous tariff filing" under Minn. Rule 7829.0100, subp.11. Comments on a miscellaneous filing are due within 30 days of its filing, with Reply Comments due 10 days thereafter.

E. Utility Employee Responsible for Filing

Paul J Lehman
Manager, Regulatory Compliance and Filings
Xcel Energy Services Inc.

414 Nicollet Mall - 7th Floor
Minneapolis, MN 55401
(612) 330-7529

IV. COMPLIANCE FILING

A. Status of Renewable Energy Eligible for the RES

The reporting period the Department will be using for its legislative report will cover the calendar year 2011 and include estimates for the 2012 period. For the purposes of this filing, we define the total NSP system to be NSP-MN and NSP-WI; i.e. the Northern States Power Company system. This means the system data includes information for the states of Minnesota, Wisconsin, North Dakota, South Dakota and Michigan.

Table 1 provides the total nameplate capacity from eligible energy technologies as defined by Minn. Stat. § 216B.1691, subd. 1(a)(1) and the Commission's Orders in Docket No. E999/CI-03-869. Table 2 summarizes the generation data for 2011 from all eligible energy technologies on the NSP system.

**Table 1: Nameplate Capacity from Eligible Energy Technologies
As of December 31, 2011**

Generation Type	Nameplate Capacity (MW)
Eligible Energy Technologies (owned) ¹	714
Eligible Energy Technologies (purchased) ²	1,334

¹ Includes capacity from Bay Front which is not an eligible RES resource, since these RECs are exchanged with RECs from eligible facilities

² Does not include capacity from PPAs in which the generator owner owns the RECs or from Windsource.

Table 2: Electricity Generated from Eligible Energy Technologies*(2011)

Eligible Energy Technologies	Electricity Generated* (MWh)
Xcel Energy Owned Resources	2,179,316
Purchased Power	4,456,329
Total	6,635,645

*Does not include generation from Windsource contracts or PPAs in which the generator owner owns the RECs.

B. Efforts Taken to Meet Minnesota's Renewable Energy Standard

Minnesota's Renewable Energy Standard requirements are substantial enough to cause concerns as to how we can integrate the required amount of wind generation

with our conventional mix of generating resources. The Company has participated in several system-wide and statewide wind integration studies that were intended to quantify the expected additional operating cost of adding more wind generation. At the same time, the Company is a member of the Midwest Independent Transmission System Operator (“Midwest ISO”), whose operating protocols and size allow the Company much greater latitude in managing the ebb and flow of an ever-increasing portfolio of wind generation on our system.

As of the end of 2011, we had approximately 2,048 MW on the NSP-MN/NSP-WI system that could be used for REO/RES compliance purposes. This capacity is from the following fuel types:

- 1,505 MW of wind generation, including 301 MW of owned wind generation
- 280 MW of hydro-electric power
- 260 MW of biomass generation
- 3 MW AC of solar generation

When all of the energy from these resources is tallied, renewable energy allocated to Minnesota for the RES accounted for approximately 15% of the energy provided to our customers in 2011.

We forecast that approximately 17% of the energy we provide our customers will come from RES/REO eligible renewable resources¹ and accrue renewable energy credits (“RECs”)² in 2012. With our REC bank and our early actions to add renewable generation to our portfolio, we are well ahead of all of our renewable energy targets.

¹ Under state law in Minnesota and Wisconsin, renewable energy from large hydroelectric facilities is not considered eligible to be counted toward the renewable energy requirements of those states. See Minn. Stat. § 216B.1691, and Wis. Stat. § 196.378.

² RECs are the renewable energy attributes associated with each megawatt-hour of renewable energy generation, and are the currency for compliance with state renewable targets. We retire RECs as necessary to comply with renewable energy standard requirements and are allowed to “bank” RECs that are not yet needed for compliance for up to four years from the year in which the REC is generated.

Table 3: MN RES Position (in MWh)
(2011 Actuals and 2012 forecast)

	2011	2012 Forecast
MN Sales		
MN Retail Sales	31,645,084	30,930,848
MN Wholesale Sales ¹	143,184	11,901
MN RES Sales	31,788,268	30,942,749
MN RES Requirement	15%	18%
MN RES Obligation (RECs)	4,768,241	5,569,695
MN Allocated RECs Eligible for RES		
Total M-RETS ² RECs	4,917,488	
Total M-RETS ² RECs accrued through June 2012		3,712,210
Banked RECs ³	6,275,256	6,424,503
Total RECs Available for RES Compliance	11,192,744	10,136,713

¹ Wholesale sales include sales to firm and non-firm requirements customers that are not subject to Minn. Stat. § 216B.169.

² M-RETS is the abbreviation for the Midwest Renewable Energy Tracking System. Windsource and transfers to Northwestern and North Central have been removed from the M-RETS inventory in 2011.

³ Includes silent RECs recovered.

The Company issued a request for proposals (“RFP”) for up to 250 MW of additional wind resources on September 15, 2010. The RFP required that the wind generation resources must be in commercial operation no later than December 31, 2012. The Company selected the 200 MW Prairie Rose Wind project out of the 143 proposals received. Prairie Rose Wind is expected to begin delivering energy to the Company in December 2012. The 36 MW Big Blue Wind project and the 30.75 MW Community Wind South project are also expected to be in commercial operation in late 2012.

Additional wind generation RFPs seeking power purchase agreements or build-to-own transfer agreements are anticipated to be issued in the future as we move forward to meet future Minnesota RES requirements.

C. Potential Obstacles and Solutions

Although we believe that we own or have under contract sufficient renewable resources for RES compliance through at least 2020 as well as complying with the

renewable requirements of other states in which we have service territory, we are paying close attention to a number of issues that may affect renewable energy development in our region. These issues include:

- **Cost-effectiveness of wind energy.** Natural gas prices and, correspondingly, market energy prices, have fallen significantly since our last report and are projected to stay at a lower level for a number of years to come. With those lower long-term price expectations, wind energy may not be as cost-effective as its likely alternative, natural gas generation.
- **Wind integration and baseload cycling.** As the percentage of wind energy on our system and in the Midwest ISO region continues to increase, we remain concerned about the cost and possible effects on reliability of integrating wind with our other resources. The inception of a transparent ancillary services market by the Midwest ISO has significantly reduced the expected cost of wind integration used in evaluating wind resource alternatives. The Company anticipates monitoring these ancillary services costs as its wind penetration levels increase in proportion to the statutory requirements of the Minnesota Renewable Energy Standard.
- **Transmission Construction Lead Time.** The best wind resource areas within and adjacent to our service territory do not currently have the necessary transmission infrastructure to support the level of wind generation needed to meet RES compliance deadlines. CapX and other transmission initiatives will substantially improve transmission from those areas into our primary load center in the Twin Cities. Furthermore the transmission infrastructure between the Twin Cities and other parts of the Midwest ISO footprint appears inadequate to accommodate the ebb and flow of expected 2020 wind generation. It will be important to coordinate the planning of wind resources with the transmission necessary to integrate it into the electrical system. The Company is working with the Midwest ISO and other stakeholders on these challenges.
- **Midwest ISO Interconnection Queue.** The Midwest ISO has reformed its interconnection queue process over the past several years, which has resulted in substantially reducing the lag time between making an interconnection request and executing a signed interconnection agreement. These changes appear to have resolved the problem of having thousands of MW of projects ready for development, but waiting years for interconnection studies. However, there has also been a lull in wind project development due to uncertainty about extension of the Federal production tax credit (PTC), which has damped

interconnection request activity. The Company will continue to monitor the interconnection queue process, and its effect on the aforementioned lag time, as more is known about PTC extension.

- **PTC/ITC Extension Uncertainty.** As of this filing date, Congress has not acted to extend or modify the current Federal production tax credit, which requires that commercial energy production begin no later than December 31, 2012. Neither has Congress acted to re-instate the Investment Tax Credit (ITC), which produces a similar economic/pricing benefit for wind power projects as does the PTC. Without the PTC/ITC benefit, it will become very challenging for wind generation to be cost-competitive with natural gas generation alternatives with natural gas pricing expected to be less than \$6.00/MMBtu in real terms over the next 10 to 15 years.

D. Responses to Attachment 1

In its September 12, 2012 *Reminder of Biennial Filing Obligation*, the Commission requested utilities to respond to four questions, submitted as Attachment 1 to the Reminder, in lieu of issuing data requests at a later time. We respond to these questions below.

1. *Please describe all obstacles your organization has encountered or anticipates encountering to meet the Minnesota Renewable Energy Standard.*
2. *What other state RPS obligations is your utility subject to? For each state, provide the obligation or requirement, and an estimate of the utility's obligations for 2011 and 2012.*

a. North Dakota

North Dakota's REO (N.D.C.C. § 49-02-24) calls for electric utilities to pursue the non-mandatory goal of serving 10% of retail sales from renewable generation sources by 2015, subject to a cost effectiveness evaluation. The goal begins in 2015, so the Company's obligations for 2011 and 2012 are zero.

b. South Dakota

South Dakota's REO (S.D.C.L. § 49-34A-101 et seq.) calls for electric utilities to pursue the non-mandatory goal of serving 10% of retail sales from renewable generation sources by 2015, subject to a reasonableness and cost effectiveness

evaluation. The goal begins in 2015, so the Company's obligations for 2011 and 2012 are zero.

c. Wisconsin

Our 2011 obligation was 8.89 percent of retail sales which we satisfied with the retirement of 550,312 RECs. For 2012, the obligation remains at 8.89 percent in order to meet Wisconsin's Renewable Portfolio Standard ("RPS") (Wis. Stat. § 196.378). Our current forecast estimates this requirement at approximately 552,000 RECs.

d. Michigan

Michigan's Clean, Renewable, and Efficient Energy Act ("CREEA") (2008 Mich. Public Acts. 295) requires NSPW to obtain 10 percent of retail sales from renewable generation sources by 2015. Any new renewable generation to be used to satisfy this mandate must be located in the NSPW operating company footprint. The first intermediate requirement of 2% begins in 2012, with a forecasted obligation of approximately 2,800 RECs.

3. From September 2010 to the present, has your utility purchased or sold RECs? If so, please provide the number of RECs purchased or sold, plus the purchase/sale price.

There were no RECs purchased in 2011 for MN RES compliance. No RECs allocated to MN have been sold.

4. Has your utility added or acquired any additional renewable resources since the end of 2011 not listed in your REC retirement report for 2011? If so, list the type of facility, capacity, capacity factor, and whether the facility will be used to meet the Minnesota RES or other state RES requirements.

The following RES eligible resources were added to the NSP system in 2011 and 2012 year to date:

- 3 MW AC of on-site and Renewable Development Fund solar
- SAF Hydroelectric PPA, 9.2 MW
- Adams Wind, 19.8 MW
- Community Wind North, 30 MW
- Danielson Wind, 19.8 MW
- Ridgewind, 25.3 MW
- Valley View, 10 MW
- Winona County Wind, 1.5 MW

- Gunderson Lutheran Hospital (City Brewery Methane Digester), 0.63 MW
- Waste Management Expansion, 1.32 MW

V. SUGGESTIONS FOR STREAMLINING REPORTING PROCESS

In its September 12, 2012 *Reminder of Biennial Filing Obligation*, the Commission requested utilities to provide suggestions for streamlining the RECs reporting process. The Company believes that this RES biennial report duplicates information provided other reports already filed, such as the Renewable Energy Certificate Retirement Compliance Report, filed annually per the Commission's December 3, 2008 Order in Docket No. E999/CI-04-1616. We make the following recommendations for streamlining the reporting process:

- Any of the forecasted obstacles, obligations in other states and additional acquired renewable resources are already filed in our resource plan dockets, so filing the information again in this biennial report is duplicative.
- Actual sales, generation, RPS obligations to other states and purchased/sold RECs should be required to be filed in the annual RES compliance retirement report.

VI. CONCLUSION

We have presented an update of our continued compliance with our REO/RES requirement based on the best currently available information. Xcel Energy intends to continue to implement plans to obtain resources that will meet our statutory renewable energy requirements as well as satisfy our other mandates.

Dated: October 22, 2012

NORTHERN STATES POWER COMPANY
A MINNESOTA CORPORATION

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE AND FILINGS

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REO-RES COMPLIANCE REPORT

SUMMARY OF FILING

Please take notice that on October 22, 2012, Northern States Power Company, a Minnesota corporation provided this filing demonstrating our compliance with the renewable energy objectives/renewable energy standard and providing additional information as required the Commission's order *Order Setting Filing Requirements and Clarifying Procedures* issued on November 12, 2008 (Docket No. E999/CI-03-869). This report includes information to assist the Office of Energy Security ("OES") in compiling its January 2013 report to the Minnesota Legislature. As discussed in our report, the Company expects that approximately 17% of the energy provided to customers in 2012 will be from renewable resources. As a result, the Company is in compliance with the current renewable energy objectives/renewable energy standard. Furthermore, the Company anticipates being able to meet future milestones as well to include the 2020 milestone requiring the Company to provide 30 percent of our customers' energy from renewable resources.