CHANGES TO THE PROPOSED MESABA POWER PURCHASE AGREEMENT

NO.	ARTICLE	CHANGE IN CONTRACT LANGUAGE	PURPOSE
Change 1	Definitions	"GDPIPD" means the implicit price deflator for the gross domestic product as computed and published quarterly by the U.S. Department of Commerce (2000=100), as presented and revised from time to time in the "Gross Domestic Product: ____ Quarter 'Final' Press Release" released periodically by the Bureau of Economic Analysis. For reference purposes, the GDPIPD for the fourth (4th) quarter of 2004~~5~~ was ~~111.983~~ 114.580. The quarter to be used for purposes of calculating GDPIPD shall be the quarter for which the GDPIPD was most recently published as of the Commercial Operation Date. If the GDPIPD ceases to exist, becomes unavailable, or is changed so that it is intended to measure something materially different from the general escalation of prices in the United States, the Parties shall substitute a new index that reasonably measures the general escalation in prices in the United States. All adjustments using GDPIPD will be made quarterly.	To make the definition of GDPIPD internally consistent. ____ Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Apparent Errors, No. 4, p. 3 of 5.
Change 2	Articles 2.1 and 6.2	**Article 2 - Term and Termination** 2.1 Term and Termination. This PPA shall become effective as of the date of its execution; provided, however that the obligation to purchase the Contract Capacity and Contract Energy under Section 6.1 shall become effective upon delivery of the Final EPC Certification from Seller to Buyer under Section 6.2., ~~and~~ This PPA shall remain in full force and effect through the 25th anniversary of the Commercial Operation Date, subject to any early termination or extension provisions set forth herein. Applicable provisions of this PPA shall continue in effect after termination, including early termination, to the extent necessary to enforce or complete the duties, obligations or responsibilities of the Parties arising prior to termination and, as applicable, to provide for: final billings and adjustments related to the period prior to termination, repayment of any money due and owing to either Party pursuant to this PPA, and the indemnifications specified in this PPA.	Defer purchase commitment until Capacity Price is fixed. _____ Response to Direct Testimony and Schedules of Xcel witness Marvin E. McDaniel

Change 3	Article 4.8	4.8 Test Energy. Seller shall coordinate the production and delivery of Test Energy with NSP. NSP shall cooperate with Seller to facilitate Seller's testing of the Facility and shall purchase Test Energy as follows: (A) NSP shall accept delivery of all Test Energy delivered to NSP prior to the Commercial Operation Date and purchase such delivered Test Energy at a payment rate equal to NSP's Avoided Cost. This payment shall be the sole payment for Test Energy, and no other payments for fuel, O&M or capacity shall apply. Unless otherwise agreed to by the Parties in writing, the payment resulting from the application of such rate to the amount of such delivered Test Energy shall be the sole and exclusive compensation that NSP shall be obligated to make to Seller for the generation and delivery of such Test Energy.	To limit payments for the provision of test energy. ——— Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Areas of Confusion, No. 8, p. 4 of 5.
Change 4	Article 5.2	5.2 Availability Reporting. (A) Seller shall be responsible for providing accurate and timely updates on the current availability of the Contract Capacity to NSP's SCC ("Reported Availability"). NSP shall have the right to verify at any time, without prior notice to Seller, Seller's current Reported Availability. To verify Seller's Reported Availability, NSP shall schedule the Contract Capacity to the level of Reported Availability ("Availability Verification Test"). Deficiencies greater than 3% (rounded upward to the next whole MW and adjusted to take into account seasonal variations in turbine output) between the tested availability and the Reported Availability ("Deficiency") will result in derating the Contract Capacity availability to the level of the tested available capacity for the then current hour and all subsequent hours until Seller reports a revised level of available Contract Capacity. Upon receiving notice from Seller of a revised Reported Availability, NSP shall have the option of conducting a second Availability Verification Test. If NSP chooses not to conduct a second Availability Verification Test at that time, the Contract Capacity will be considered available to the full level of Seller's Reported Availability until NSP conducts a subsequent Availability Verification Test. The resulting amount of Contract Capacity available for any individual hour	To adjust availability calculations to account for seasonal differences. ——— Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Areas of Confusion, No. 2, p. 3 of 5.

		shall be integrated over the hour, on a prorated basis, to reflect any updates in Seller's Reported Availability made effective during such hour.	
Change 5	Article 8.1	**Article 8 - Payment Calculations** 8.1 Payment for Contract Capacity. Commencing on the Commercial Operation Date and throughout the Term of this Agreement, NSP shall pay Seller a monthly Capacity Payment for Contract Capacity based on the following formula: Monthly Capacity Payment = RC x CP x the lesser of CAF or 1.1, where: **RC** = Reference Capacity = as certified in the Final EPC Certification. **CP** = Capacity Price, stated in $/kW-month, as calculated and set forth on Schedule I to this Agreement. **CAF** = Capacity Availability Factor, calculated for the billing month = ~~[(AE + SME (AENG)(NGF)] / (PE x RUF), where:~~ [(AE* SFP + SME + AE * (1-SFP) *NGF)] / (PE x RUF), where: **AE** = Available Energy, stated in megawatt hours (MWh), is the amount of energy associated with the Contract Capacity that is available from the Facility for scheduling and receipt by NSP, regardless of whether NSP schedules Contract Energy for receipt at that level, in the monthly billing period, taking into account all planned and unplanned deratings/outages of the Facility and regardless of the fuel source being used at the Facility. The Contract Capacity which is unavailable for scheduling and receipt by NSP will be considered to be available for the purposes of determining Available Energy when, and only when: (i) the Contract Capacity is unavailable due to	**a.** To limit CAF if the plant's availability is unexpectedly high during the ramp up period. **b.** To prevent Contract Capacity from exceeding Net Capability due to seasonal ambient conditions **c.** To adjust the capacity availability factor to impose penalties for any use of natural gas. _____ Response to Direct Testimony and Schedules of Xcel witness Karen Hyde **a.** p. 19, ll. 6-23. **b.** Exhibit 2, "Remaining PPA Issues,"

			testing as described in Section 4.8(B); or (ii) the Contract Capacity is equal to or greater than 95% of Net Capability for such billing month; or (iii) the Contract Capacity and associated energy cannot be delivered by Seller or received by NSP due to an Excused Outage. Available Energy shall be calculated as the sum, for all hours in the billing period, of the amount of energy associated with the Contract Capacity available (as defined in this paragraph) during each individual hour. Notwithstanding the definition above, Contract Capacity may not exceed Net Capability in any monthly billing period;	Areas of Confusion, No. 2, p. 3 of 5. **c.** p. 26, ll. 18-27.
			SFP = the percentage equal to the total MMBtu of syngas delivered to the Power Island during the period divided by the total MMBtu of all fuel delivered to the Power Island during the period.	
			SME = Scheduled Maintenance Energy, stated in megawatt hours (MWh), is the amount of energy associated with the Contract Capacity that is **not** available from the Facility for scheduling and receipt by NSP, in the monthly billing period, due to Scheduled Outages/Deratings that meet the requirements for credited Scheduled Maintenance Energy specified in Section 10.1. Scheduled Maintenance Energy shall be calculated as the sum, for all hours in the billing period, of the amount of energy associated with the Contract Capacity that is unavailable during each individual hour due to a Scheduled Outage/Derating that meets the specified requirements for credited Scheduled Maintenance Energy;	
			~~**AENG** = Available Energy on Natural Gas, stated in megawatt hours (MWh), is the amount of energy associated with the Contract Capacity that is available from the Facility for scheduling and receipt by NSP when the Facility is only able to operate using~~	

		~~100% natural gas as the fuel source, regardless of whether NSP schedules Contract Energy for receipt at that level, in the monthly billing period. During any time period that the Contract Capacity and associated energy cannot be delivered by Seller or received by NSP due to an Excused Outage, AENG shall be deemed to be zero. Available Energy on Natural Gas shall be calculated as the sum, for all hours in the billing period, of the amount of energy associated with Contract Capacity available (as defined in this paragraph) during each individual hour;~~	
Change 6	Article 8.3	8.3 Payment for Fuel. Commencing on the Commercial Operation Date and throughout the Term of this Agreement, NSP shall pay Seller monthly for all fuel (solid fuel and natural gas) consumed at the Facility. The monthly payment for fuel shall be determined by the following formula: Monthly Fuel Payment = CFC, plus or minus EAA, plus or minus BA, where: CFC = Consumed Fuel Costs, stated in dollars, is the total of all fuel costs relating to fuel consumed by the Facility during a billing month (including, without limitation, any and all costs relating to fuel commodity cost, transportation, handling and storage, and natural gas demand charges prior to arrival at the Facility) based upon the same standards and methodology used by NSP to comply with FERC Account 151 rules, adjusted for customary losses.	To prevent duplicate payment for fuel handling and storage costs. _____ Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Areas of Confusion, No. 5, p. 4 of 5.
Change 7	Article 8.6	8.6 Adjustments in Event of Facility Expansion. In the event the Mesaba Energy Project is expanded by the construction of a Unit 2 or other additional capacity at or adjacent to the Site the Parties shall negotiate in good faith to adjust the pricing under this PPA effective as of commercial operation of any such facility expansion to provide NSP with the cost benefit of the common use of certain facilities. In no event shall this result in any increased pricing under this PPA.	To limit plant-expansion related price adjustments to price reductions. _____

			Response to Direct Testimony and Schedules of Xcel witness Karen Hyde p. 24, ll. 1-5.
Change 8	Exhibit A	6. **<u>Facility Load Following on Solid Fuels.</u>** A. Subject to Subsection B, Seller shall operate the Facility at the net electrical output levels specified from time to time in the schedule instructions from the SCC. B. Notwithstanding Subsection A, Seller's duty to operate or alter the operation of the Facility in accordance with the schedule instructions shall be subject to the following conditions and limitations (hereinafter the "Facility Design Limits"): i. When the Facility is scheduled, whether from an off-line or on-line condition, the schedule instructions shall specify a net electrical output level not lower than 70% of the Net Capability. ii. If the Facility has been off-line for any reason, it shall not be required to be synchronized and achieve a net electrical output level of 70% of the Net Capability sooner than the applicable "ramp up" periods indicated below: a. Cold Starts. From a Cold Start condition (i.e., any time the Facility has been scheduled off-line and is not being maintained in a Hot Stand-By condition), the Facility can be synchronized with the Appropriate Control system within seventy-two hours (72) of receipt of schedule instructions requiring net electrical output and can achieve a net electrical output level of 70% of the Net Capability within three (3) hours thereof.	To clarify that the facility can achieve a ramp rate of 3MW per minute for each Combined Cycle the facility is using. ——— Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," <u>Apparent Errors</u>, No. 6, p. 3 of 5.

		b. Warm Starts. From a Warm Start condition (i.e., any time the Facility has been scheduled off-line for less than twenty four (24) hours and is not being maintained in a Hot Stand-By condition), the Facility can be synchronized with the Appropriate Control system within twenty four (24) of receipt of schedule instructions requiring net electrical output and can achieve a net electrical output level of 70% of the Net Capability within three (3) hours thereof. c. Hot Starts. From, a "Hot Stand-By", condition, the Facility can achieve a net electrical output level of 70% of the Net Capability within three (3) hours of receipt of schedule instructions. iii. Reduction from an on-line net electrical output level to an off-line condition can take place within two (2) hours of receipt of such schedule Instruction iv. The "ramp-up" of the Facility from 70% of the Net Capability to a higher schedule level can be accomplished at a rate of three (3) megawatts/minute for each operating combustion turbine unit. The "ramp down" from a previous schedule level to a level of 70% of the Net Capability or above can be accomplished at a rate of three (3) megawatts/minute for each operating combustion turbine unit.	
Change 9	Schedule	**EXHIBIT B** **CONSTRUCTION MILESTONES** **M = Date Material Permits are Final** Construction Milestone Date — Results Expected M + 5 months — Seller holds an executed EPC agreement	To clarify that the [M+29 months] milestone in Exhibit B requires the delivery of two combustion turbines. _____

		M + 5 months — Seller holds an executed Large Generator Interconnect Agreement for the Facility M + 5 months — Seller holds executed purchase orders/contracts for the delivery of the Facility's major components, including step-up transformers and turbines. M + 23 months — Seller has started pouring the foundations for the gasifiers. M + 29 months — ~~A~~ Two combustion turbines and the steam turbine have been delivered to, and set on the foundation at, the Site; and the step-up transformer has been delivered to, and set on its foundation at, the Site.	Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Apparent Errors, No. 5, p. 3 of 5.
Change 10	Exhibit F	**EXHIBIT F** **INSURANCE COVERAGE** **[Specific insurance provisions will be reviewed at the time of PPA completion to ensure terms are within market conditions for both Buyer and Seller]** **SPECIFICATION OF INSURANCE COVERAGE**	To establish mechanism for adjusting insurance coverage based on chemicals produced and used at the facility. _____ Response to Direct Testimony and Schedules of Xcel witness Karen Hyde Exhibit 2, "Remaining PPA Issues," Areas of Confusion, No. 10, p. 5 of 5.

Change 11	Schedule I	**Schedule I** **Capacity Price Table** CP = Capacity Price = [BCC plus CA] x TF, where BCC = Base capacity charge of $ _____/kW-month CA = Capacity Adjustment = [FECC – TECC plus UTC] divided by AF, where: FECC = Final EPC Contract Cost from Final EPC Certification in dollars per kW of capacity as delivered to the busbar of the Facility. TECC = $ _____ (forecasted target EPC Contract Cost per kW of capacity as delivered to the busbar of the Facility as of December 18, 2005)/, UTC = Unreimbursed Transmission Costs from Final EPC Certification in dollars per kW of capacity as delivered to the busbar of the Facility. AF = Adjustment Factor = 65.675	To clarify where output is measured from the facility for the purposes of determining the price of the output. _____ Response to Xcel Information Request No. 42