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Minneapolis, Minnesota 55401-1993



February 5, 2007

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: CERTIFICATE OF NEED FOR THREE 345 KV TRANSMISSION PROJECTS
APPLICATION CONTENT EXEMPTION REQUEST
DOCKET NO. E002/CN-06-1115

Dear Dr. Haar:

Enclosed are the original and 15 copies of our request for exemption from certain application content requirements primarily having to do with forecast information. In each case we have proposed substitute information we believe will better inform the Commission and the public. Our filing also asks for the Commission's guidance concerning the issue of which utilities should be identified as applicants in our forthcoming application for a Certificate of Need for three 345 kV transmission projects.

Copies of this filing have been served on the Department of Commerce, the Office of the Attorney General – Residential Utilities Division and those on the attached Docket service list. Please call me at (612) 330-6732 if you have any questions regarding this filing.

Sincerely,

JAMES ALDERS
MANAGER REGULATORY PROJECTS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
Thomas Pugh	Commissioner
Marshall Johnson	Commissioner
Phyllis Reha	Commissioner
Kenneth Nikolai	Commissioner

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY D/B/A XCEL ENERGY,
GREAT RIVER ENERGY FOR
CERTIFICATES OF NEED FOR THREE
345 KV TRANSMISSION LINES

DOCKET NO. E002/CN-06-1115

**REQUEST FOR EXEMPTION FROM
CERTAIN CERTIFICATE OF NEED
APPLICATION CONTENT
REQUIREMENTS**

I. INTRODUCTION

Northern States Power Company, a Minnesota Corporation and wholly-owned subsidiary of Xcel Energy Inc. (“Xcel Energy”) respectfully submits this Request for Exemption from Certain Certificate of Need Application Content Requirements pursuant to Minnesota Rule 7849.0200, Subp. 6. In this filing, Xcel Energy respectfully requests that the Minnesota Public Utilities Commission (“Commission”) (i) grant Xcel Energy’s requested exemptions from certain of the content requirements found in the Certificate of Need rules, and (ii) address issues concerning who the “applicant” should be for purposes of proceeding with the upcoming Application for Certificate of Need in this Docket.¹

Consistent with the approved Notice Plans and in the timelines contemplated by the rules, Xcel Energy together with Great River Energy intend jointly to file a consolidated Application for Certificates of Need for three, 345-kV transmission

¹ In its November 3, 2006, Order Approving Notice Plans and Requiring Compliance Filings in the instant Docket, the Commission consolidated this proceeding with Docket No’s ET-2/CN-06-857 and E-002/CN-06-979 and approved the proposed Notice Plans for each of the Dockets. As a result, all matters pertaining to all of the transmission lines discussed in this filing are proceeding under this consolidated Docket.

projects together with associated facilities. The proposed facilities that will be subject to the Application are:

- An approximately 150-mile, 345 kV transmission line between the southeast corner of the Twin Cities, Rochester, and La Crosse, WI, together with two related 161 kV transmission lines in the Rochester area.
- An approximately 200-mile, 345 kV transmission line between Brookings, SD, and the southeast corner of the Twin Cities with a related 30-mile, 345 kV transmission line between Marshall and Granite Falls and 230 kV connections to the system near Granite Falls.
- An approximately 250-mile, 345 kV transmission line between Fargo, ND, Alexandria, St. Cloud, and Monticello.

These three 345 kV projects constitute most of the first group of projects that Xcel Energy and other Minnesota utilities have studied and determined are necessary to achieve an overall plan for achieving transmission capacity expansion needed by 2020 (the “CapX 2020” initiative).² These lines are sometimes referred to as the CapX Group 1 Projects.³

Content Exemption Request

Some of the content requirements for a Certificate of Need Application, required by Minnesota Rules Chapter 7849, do not fit well with the circumstances surrounding the three proposed 345 kV lines and associated facilities. After examining the content requirements called for in the rules, we believe the Commission’s review of the need for these three projects and public participation in the proceeding would be better served if our Application is customized. Therefore, Xcel Energy respectfully requests that the Commission grant certain exemptions, as provided in Minnesota Rule 7849.0200, Subp. 6, from Certificate of Need Application, content requirements.

² CapX stands for “Capacity Expansion Needed by 2020”. More information about the CapX initiative can be obtained at www.capx2020.com.

³ The 70-mile 230 kV line between Bemidji and Grand Rapids, Minnesota is also one of the CapX Group 1 projects. That project is not part of the instant consolidated Dockets and permits for it will be sought separately.

The requested exemptions primarily address power and energy forecasting. In light of both the regional needs, the specific load-serving needs and issues surrounding expanding access for new and renewable resources, Xcel Energy believes that the traditional forecasting requirements in the Certificate of Need rules will not provide the best information to analyze the identified needs. As a result, in this filing we propose substitute information we think will make our Application more useful and better fit with the circumstances of our proposals.

Applicant Issue

In the Notice Plan stage of this proceeding, commentary was provided by various stakeholders on the question of who the applicant should be for purposes of this consolidated Certificate of Need proceeding. As part of this exemption filing, Xcel Energy seeks the Commission's guidance on this issue as well and requests that the Commission determine whether the CapX utilities' plan for proceeding is acceptable to the Commission.

The CapX 2020 participants have agreed that Great River Energy and Xcel Energy will serve as Project Development Managers for the three projects described in this Docket and for which Certificates of Need will be sought. In that role, these two companies are responsible for coordinating and managing the permitting, engineering, procurement and construction of these 345 kV lines. Since a Certificate of Need is in essence a construction authorization, we believe the Project Development Managers are in the best position to take responsibility for implementing the outcome of the Certificate of Need process. Therefore, unless the Commission directs otherwise, Xcel Energy and Great River Energy intend to act as applicants in the Certificate of Need Application for the three 345 kV lines.

We believe this approach is the best way to proceed expeditiously with this permitting proceeding while we continue working toward establishing the financing of over \$1.3 billion in investments that will be necessary to support the CapX Group 1 Projects. The financing and other ownership arrangements that need to be determined require complex business agreements that are in progress but are not yet complete. At this juncture we do not know exactly which utilities will own the lines we propose. We intend to fully describe the business arrangements under development and the participants in those discussions in our Application.

II. BACKGROUND

Over the past two years, regional utilities have worked to develop a transmission plan to address the anticipated demand for electrical power in Minnesota and the

surrounding region over the next 10 to 15 years. This CapX 2020 initiative resulted in a comprehensive plan or Vision Plan for expansion of the higher voltage part of the transmission system. The Vision Plan contemplates the addition of several 345 kV circuits over time. Because of the overall scope of the CapX 2020 initiative, the sponsoring utilities have broken this multi-billion dollar initiative into three distinct groups.

The CapX Group 1 Projects (including the three 345 kV projects to be proposed in this Docket) represent the first stage in this overall development. The projects that will be the subject of our Certificate of Need Application constitute the bulk of the CapX Group 1 Projects as part of the first phase of implementation of the CapX 2020 vision plan. A single Application will be filed because all three lines are part of a longer range comprehensive plan developed to meet the growing demand for electricity in Minnesota and parts of surrounding states. In some respects, the three projects will work in concert, indivisibly, to meet those system-wide needs. Furthermore, implementation of subsequent parts of the CapX Vision Plan will depend on whether the Commission concurs with our proposals for this first group of projects.⁴ We believe these system wide, long-term planning considerations are best addressed, comprehensively, in one proceeding rather than repeatedly in separate project filings.

In addition to their role in meeting system-wide demands for electrical power and addressing regional reliability and growth needs, each of these three projects also addresses emerging service reliability concerns in particular areas of the state. The transmission system serving the Red River Valley soon will not have adequate capacity to meet the demand for electrical power under all the conditions specified in industry reliability standards. The same is true in the St. Cloud and Alexandria areas. These reliability risks will be addressed with our Fargo – Monticello 345 kV project. Growth in the demand for electrical power in Rochester, Winona, La Crosse, and other parts

⁴ As will be described more fully in the upcoming Application, Xcel Energy recognizes that future groups of projects for the CapX 2020 initiative are at this point conceptual and are subject to further study and revision. In particular, future load patterns and other factors may affect when and whether some of the future projects may be needed. However, the CapX Group 1 Projects as proposed here, are common to all reasonable scenarios. As a result, even if future events suggest different outcomes for subsequent groups, Xcel Energy is confident that the CapX Group 1 Projects are needed.

of southeastern Minnesota soon will exceed the capacity of the existing electrical system. Our Twin Cities – Rochester – La Crosse 345 kV project addresses these concerns. We anticipate similar reliability issues in west central Minnesota that will be addressed by our Twin Cities – Brookings proposal and in addition, this line will open up significant transmission capacity to transmit additional generation from Southwestern Minnesota back to the Twin Cities load regions.

As part of the planning process, regional utilities examined how the need for particular transmission lines changed with changes in the location of new generation needed to meet the anticipated growth in electrical power demand. Scenarios were developed in which new generators were distributed first primarily to the west, secondly, primarily in Minnesota, and then with a more eastern bias. The three 345 kV projects that will be the subject of our Application were common to the transmission requirements to meet any of the three distributions of generation. In that respect, they will act in concert, as part of an integrated network of transmission, to facilitate generation connections. Our proposals do not predetermine public policy regarding generation location or fuel type and do not rely on any one future generation scenario.

It is clear that Minnesota and neighboring states are interested in aggressively increasing the amount of renewables based generation used to meet the demand for electrical power. Wind turbines are at the forefront of renewables development in the Upper Midwest. Recent legislative action in Minnesota suggests that the demand for wind power will substantially increase in the coming years and that the advent of a renewable energy standard for Minnesota utilities will only increase the demand for wind energy and other types of renewable energy development.

Our transmission proposals will increase the capacity of the electrical network as a whole and open up more areas for further wind power development around Minnesota and in surrounding states. In particular, the interest in wind power development in southwestern Minnesota continues to outpace the capacity of the transmission system. In a separate filing Xcel Energy is proposing three 115 kV lines to incrementally increase Buffalo Ridge system capacity. (Docket E-002/CN-06-154.) Our Brookings – Twin Cities project will broaden the geographic area that can be developed. It will also overcome the next set of system limitations to allow continued generation development in Southwestern Minnesota and Eastern South Dakota.

In summary our Application for Certificates of Need will address three categories of need for new transmission infrastructure:

- System wide : New transmission is necessary to maintain the reliability of the transmission system as the result of anticipated significant growth in the demand for power system wide. This “CapX Vision” is an integral part of the overall need for all of these projects.
- Community service reliability: Each of the proposed new transmission lines is necessary to maintain the reliability of the transmission system serving particular communities and areas of the state.
- Renewables Generation Support: There is broad interest in expanding renewables generation in the region and in particular there is continuing interest to expand wind power in southwestern Minnesota and southeastern South Dakota.

III. EXEMPTION REQUESTS

A. Legal Standard

Minnesota Rules, Chapter 7849 sets forth the requirements for Certificate of Need applications. The Commission has authority to grant exemptions from the requirements of Chapter 7849 in accordance with Rule 7849.0200, Subp. 6, which provides:

Subp. 6 **Exemptions**. Before submitting an application, a person is exempted from any data requirement of this chapter if the person (1) requests an exemption from specified rules, in writing to the commission, and (2) shows that the data requirement is unnecessary to determine the need for the proposed facility or may be satisfied by submitting another document. A request for exemption must be filed at least 45 days before submitting an application. The commission shall respond in writing to a request for exemption within 30 days of receipt and include the reasons for the decision. The commission shall file a statement of exemptions granted and reasons for granting them before beginning the hearing.

The Commission, may grant exemptions when the data requirements (1) are unnecessary to determine need in a specific case; or (2) can be satisfied by submitting

documents other than those required in the rules. *In the Matter of the Application for a Certificate of Need for the Appleton-Canby 115 kV Line*, Docket No. E-017/CN-06-677, “Order Granting Exemptions and Approving Notice Plan”, (Aug. 1, 2006); *In the Matter of the Application of MAPP Wind II, LLC for a Certificate of Need for a 100-Megawatt Wind Generation Facility*, Docket No. IP-6158/CN-02-1333, “Order Granting Exemption Requests as Modified and Clarifying Filing Requirements” (October 2, 2002).

B. Exemption Requests

Xcel Energy requests certain exemptions from parts of the following content requirements for Certificate of Need Applications:

- Minnesota Rules 7849.0260, Subp. A(3), C(6), and. D Proposal Description;
- Minnesota Rules 7849.0270 Forecasting
- Minnesota Rules 7849.0120A(1) Criteria (forecasting)
- Minnesota Rules 7849.0120A(2) Conservation Programs
- Minnesota Rules 7849.0280(B) through (I). System Capacity
- Minnesota Rules 7849.0290 Conservation
- Minnesota Rules 7849.0300 Consequences of Delay
- Minnesota Rules 7849.0340 Alternative of No Facility

Each of these requests is discussed below. In each case we propose substitute information that we believe will be more useful.

This request is being made at least 45 days before submitting an Application for a Certificate of Need as required by Minn. R. 7849.0200, Subp. 6. We anticipate filing our Application for the Certificates of Need in April 2007.

1. Minnesota Rules 7849.0260, Subp. A(3) and C(6) Energy Losses

Xcel Energy seeks an exemption from the requirement of Rule 7849.0260, subp. A(3) that the applicant provide information regarding “the expected losses under projected maximum loading and under projected average loading in the length of the transmission line and at the terminals or substations.” Subpart C(6) has similar language. Because electricity cannot be directed to “travel” from one point to another on a specific transmission line, energy losses occur throughout the network of lines that comprise the transmission system. As a result, system losses are affected by the configuration of the network. In that context calculations of losses associated with an

individual transmission line are not meaningful. Xcel Energy proposes to provide system losses information on a system basis instead and requests that the Commission accept this information in satisfaction of Rule 7849.0260, subp. A(3) and subp. C(6). A system approach to the analysis of losses has been found acceptable and has become the norm in other recent proceedings. For example, the Commission recently granted Xcel Energy an exemption from providing line-specific loss figures both in the Buffalo Ridge Incremental Outlet Capacity proceeding (Docket E-002/CN-06-154) and the Chisago 115/161 kV transmission line proceeding (Docket E-002/CN-04-1176).

2. Minnesota Rules 7849.0260, Subp. D System Maps

Subpart D calls for a map showing the applicant's system or load center to be served by the proposed transmission lines.

In many respects these proposed lines are part of a plan to meet the growing demand for power experienced by all utilities in the state. Read literally, Subpart D then would require us to provide system maps of some kind from every utility in the state. We are concerned that it will be difficult and time consuming to gather all the maps and we do not believe maps from all utilities in the state would be useful when examining this part of the need for new transmission infrastructure. Instead we propose to provide a general map that shows the service territories of utilities in the state along with a general discussion of the different types of utilities serving customers and the geography of their service territories.

At another level these proposals do address reliability risks in certain communities and areas of the state. As part of our Application we propose provide descriptions and maps of the load centers at risk if improvements are not made to the transmission system serving them.

3. Minnesota Rules 7849.0270 and 7849.0120A(1), Forecasting

Xcel Energy seeks an exemption from the content requirements specified in Minnesota Rules 7849.0270 and 7849.0120A(1), which concern forecasting information. We propose to substitute information that better describes the power demand forecasting used to develop our proposals.

The Commission's rules addressing Certificates of Need content requirements were designed decades ago at a time when the transmission improvements under

consideration were typically driven by growing demand for electricity and linked directly to a specific generation proposal to meet that need. Consequently, the rules were designed around the concept that a utility provide detailed forecasts of power demand and electricity consumption to demonstrate the need for additional generating plant that, in turn, justified the need for the proposed transmission capacity.

The concept of a direct link between a specific generation addition and the transmission to support it does not apply to our proposals in this case. Here, we propose additions to the transmission network to serve the anticipated growth in the demand for power, system wide, regardless of the location of the generation or its fuel type. We also propose these transmission lines to maintain reliable service to particular load centers regardless of where new generation will be located.

Minnesota Rules 7849.0270 call for detailed forecasts of the demand for electrical power and the consumption of electrical energy. Minnesota Rules 7849.0120(A)(1) requires a determination of the accuracy of this demand forecast information. The Rules further require applicants to subdivide demand and energy consumption data by end use customer classes. Rule 7849.0220, Subpart 3 further provides that when a transmission line is designed to meet long-term needs in excess of 80 megawatts for a utility other than the applicant, that utility must provide the information required by Minnesota Rules Chapter 7849.

The rules as they are structured create a series of problems.

First, one dimension of our proposal is system wide. The lines we propose are designed to meet the long-term power needs of all utilities serving customers in the state. Therefore Rule 7849.0220 read literally, would require us to assemble demand and energy data from nearly all the utilities in the state whether or not they are participating in the CapX planning effort. Such an effort would be very time consuming and burdensome and would not provide the type of targeted information that will inform the Commission's ultimate determination of whether the certificates of need should be granted..

Secondly, Minnesota Rules 7849.0270 calls for data by a series of customer class categories. This content requirement is also difficult to meet for the reasons above. Furthermore, these customer class categories have no direct bearing on the need for a transmission line. The transmission system is designed based on its ability to deliver power to distribution substations. At distribution substations, voltage is transformed

so that distribution lines can deliver power to customers. End use consumer data has no bearing on system design. The critical criterion for transmission planners is the coincident peak instantaneous demand for power at distribution substations. Transmission systems must be sized so that they have enough capacity to operate reliably during periods of peak demand and other critical instantaneous demand circumstances.

Minnesota Rules 7849.0270 goes on to call not only for detailed forecasts of power requirements by end use class but also to specify energy consumption forecasting by customer class. Energy consumption data has no bearing on transmission planning and such information would not assist the Commission in determining need for the three proposals. The transmission system must have the capacity to meet the coincident peak instantaneous power demands that occur at distribution substations. If maximum instantaneous power demand is met, then any level of energy consumption over time can be met. It is demand requirements that drive transmission capacity requirements not energy consumption.

Instead of the information called for in Minn. R. Part 7849.0270, 7849.0120A(1) and 7849.0340, we propose to present the forecast information actually utilized in *planning our proposals*.

When examining the growth in demand for power, system wide, transmission planners called on generation resource planners to provide their forecasts of system demand. Transmission planners used system demand forecasts contained in recent resource plan proceedings and in load and capability reports.

Resource Plan forecasts from the various utilities capture the vast majority of electricity use in the State. The Commission regularly reviews the Resource Plans from the State's utilities and judges the system-wide forecasts of demand for all the major utilities in the State in Resource Plan proceedings.

Minnesota Statutes 216B.2422 Subdivision 2 provides that the Commissions Orders in Resource Plan proceedings can be used as prima facie evidence in subsequent Certificate of Need determinations. This work by the State's major utilities provides a better baseline of information to determine overall customer needs for power and to assess whether the proposed transmission projects are designed to meet that overall need.

Rather than replicate the work already done in Resource Plan proceedings related to system forecasting, we propose to provide a summary of the system power demand forecasts contained in recent resource plan proceedings and describe the examination of demand forecasting that has been done and the issues that surfaced in those proceedings. This is essentially how the CapX 2020 modeling work was developed. In studying and selecting the CapX Group 1 Projects for immediate permitting and implementation, the participants essentially aggregated the reasonable growth expectations from regional utilities throughout both the State of Minnesota and the immediately contiguous region. The CapX group was advised that potentially up to 6,300 MW of regional growth can be reasonable expected based on the aggregate of utilities' Resource Plans. This number was derived by aggregating the planned resource needs of regional utilities throughout the next 10-15 years. In our Application we anticipate providing updated analysis of this overall resource need to confirm whether regional load growth is sufficient to support the type of construction initiative being proposed. By using the same type of Resource Plan projections in this proceeding will provide the Commission with a valuable check and balance to confirm whether the growth projections and overall energy consumption needs that underlie our proposal are supportable.

We also propose to provide load and capability reports that are part of the planning process that is conducted through the Mid-Continent Area Power Pool and through the Midwest Independent System Operator. Again, this type of information will be more qualitatively and quantitatively more valuable to the Commission than the class-usage data called for under the rules.

The second dimension to our proposals is to provide community service reliability to specific load centers of concern. In order to demonstrate the reliability risks faced in these communities, we are developing data to provide detailed substation-specific demand projections. This data will graphically demonstrate when overall power demand (rather than by specific customer classes) will outstrip the transmission system's capacity. With this data, the Commission can evaluate the proposals based on the best-available information and can determine whether the proposed upgrades are needed to maintain reliable service to the identified load centers.

The data we are developing will identify all of the distribution substations serving each load center of concern. For each distribution substation we propose to provide historical peak power demand data and a forecast of power demand at each substation through 2020. It is this substation demand data that was used to evaluate transmission performance in CapX study work. The sum of demand data from

substations within a load center can be compared to the power delivery capacity of the transmission system to that load center to determine the service reliability need. We also propose to describe how substation demand forecasts were prepared.

Since energy consumption has no direct impact on transmission planning, we propose energy consumption data be eliminated from our Application. We would like to clarify and acknowledge that some utilities predict peak power demand based in part on measures of energy consumption. However, this subject is examined thoroughly in Resource Plan proceedings. In our description of forecasting done during resource planning we intend to describe this relationship and its impact on demand forecasting. We do not propose to include lengthy energy consumption data sets in this filing.

Transmission lines must meet the highest possible instantaneous peak demand for power. If the system has adequate capacity under peak conditions, it can operate reliably during periods of lower demand. Therefore we do not believe the monthly peak demand data identified in Minnesota Rule 7849.0270, subp. 2 D is useful and request exemption from providing it.

Minnesota Rule 7849.0270, subp. 2 E calls for “the estimated annual revenue requirement per kilowatt hour for the system in current dollars” for each forecast year. The rule is unclear as to what is meant by “revenue requirement...for the system,” particularly in the CapX context where a combination of investor owned utilities, cooperatives, and municipal power agencies are involved. In the CapX context, with the types of participants involved, presenting aggregate revenue requirements is problematic. However, at a higher level this rule appears to suggest an inquiry into the impact of these facilities on consumer bills. We propose to generally describe the process of distributing costs among wholesale users that MISO uses and some general estimates of retail consumer impact.

Item F under Subp. 2. calls for monthly averaged, weekday load factors for each month for each forecast year. The language in the rule is confusing, however, it appears that the Commission is looking for five data points (an average Monday load factor, an average Tuesday load factor, etc) times 12 months times fifteen forecast years. Since the requirement simply says the applicant’s load factors, it is not clear what data would need to be generated to meet the requirement. We presume the requirement was designed around the idea that load factors from the systems associated with the need for new lines should be provided. If that is the case, load factors for all systems serving Minnesota customers is necessary.

This requirement appears to be another artifact of a generation focus of the rules back in the '70s. Load factor is a measure of how the demand for power varies over time and has no bearing on the need for transmission. It is a determinant in the need for generation. Transmission must be designed to meet peak demand. In doing so, there is sufficient capacity to meet lower levels of instantaneous demand. Variations in demand over time will not help the Commission evaluate the need for these lines and therefore, we respectfully request this requirement be eliminated.

4. Minnesota Rules 7849.0280(B) through (I). System Capacity

The content requirements found in Minnesota Rules 7849.0280 (B) through (I) are focused on generation data. The general purpose of this section is clearly presented in the introductory paragraph, to provide a discussion of the ability of the existing system to meet the forecast provided in part 7849.0270. We intend to discuss in considerable detail the reliability concerns we foresee as the result of the growth in the forecasted peak demand for power, both system wide and in select load centers.

However Items (B) through (I) revert to an examination of generation adequacy and do not address transmission planning considerations. Instead of the information suggested in items (B) through (I) we propose to describe how transmission system planners went about evaluating the impact of the size and location of generation on the need for new transmission lines.

5. Minnesota Rules 7849.0290 and 7849.0120 (2) Conservation

This set of content requirements asks for information regarding the conservation programs the applicant has in place and their effect on the forecast information called for in 7849.0270. In the context of a major, multi-line transmission project that is intended to address multiple needs, it is difficult to address this content requirement for many of the same reasons we propose a slightly different approach to the forecasting content requirements discussed above. These lines will serve customers throughout the state and region. The forecast we used to plan transmission is the projected demand after considering conservation reductions. In other words, the effects of conservation have already been included in the Resource Plan forecasts that form the basis for identifying the regional as well as local needs for expanded transmission capacity.

The Commission has examined the role conservation can play in Resource Plan proceedings. *E.g., In the Matter of Northern States Power Company d/b/a Xcel Energy's*

Application for Approval of its 2015-2019 Resource Plan, Docket No. E-002/RP-04-1752, “Order Approving Resource Plan as Modified, Finding Compliance with Renewable Energy Objectives Statute, and Setting Filing Requirements” at p. 9 (July 28, 2006). Conservation is one of the more important focuses of the Resource Planning process. “The Conservation Improvement Program (CIP) offers unique opportunities for demand-side management, inevitably leading commentators to discuss CIP issues in the resource planning context.” *Id.* at p. 9.⁵ All of the information requested in this section is contained in Resource Plan filings. Instead of replicating that material in this filing we propose to present a summary of those investigations in this filing along with references to most recently filed Resource Plans and Commission Orders so that interested parties can pursue the issue further if they wish.

6. Minnesota Rules 7849.0300 Consequences of Delay and Minnesota Rules 7849.0340 Alternative of No Facility

This content requirement (Minn. R. Part 7849.0300) asks for a discussion of the consequences of delay in developing the proposals. Such a discussion is an important element of a determination of the need for new transmission infrastructure. We fully intend to discuss issues of delay and variations in actual demand from forecast. There is one specific requirement however that we request the Commission vary. The rule requires the examination of delay to incorporate three specific statistically based levels of demand. Minnesota Rules 7849.0340 asks for a discussion of the alternative of “no facility” and requires that analysis utilizing the same three levels of demand. Since the analysis of these lines was based on the aggregate of forecasts from utilities across the state, such a statistical approach is impractical. Instead planners analyzed transmission requirements to meet the projected level of demand which includes 6300 MW of growth and tested their planning analysis assuming about 30% less growth, 4500 MW. We propose to describe the analysis that was done at these two levels of system demand.

⁵ For Xcel Energy the most recent approved Resource Plan implemented aggressive conservation goals that suggest “an energy savings goal of 3,935 GWh and a peak demand savings goal of 1,156 MW over the 15-year planning period.” *Id.* at p. 9. Implementation and oversight of Xcel Energy’s conservation goals and compliance with the commitments made in the Resource Plan is overseen by the Department of Commerce. *Id.*; see also *In the Matter of the Implementation of Northern States Power Company d/b/a Xcel Energy’s 2007/2008/2009 Triennial Natural Gas and Electric Conservation Improvement Program*, Docket No. E, G-002/CIP-06-80, Initial Filing (June 1, 2006).

For each of the load centers facing service reliability issues the question of consequences of delay has more to do with an examination of risk as growth rates vary. There is a threshold peak demand level at which service to an area is at risk. Once that peak demand level is surpassed, variations in growth vary the amount of time service is at risk. When presenting load center analysis, we propose to identify the threshold level of demand that places service at risk and the affect of incremental change in growth rather than evaluate system performance at three discrete demand levels.

Throughout the presentation of our exemption requests we have tried to make it clear that we fully support the objectives of the rules. Each of the subject areas listed in the content rules is important to a need determination. In each case we have attempted to identify information that will better address the goals of the rules, information that will better inform the public and the Commission. Our efforts to customize our Application are motivated by our desire to make it as useful as reasonably possible.

C. Renewables Development Support

The third dimension of need to be addressed by our proposals is the state's interest in further renewables development. Thus, another aspect of the consequences of delay that we will discuss in our Application deals with the State's ongoing efforts to support the development of additional renewable sources of energy generation. Our Application will discuss this issue and will describe the State's policy interest in developing renewables-based generation, in particular ongoing wind turbine additions to the system. We propose to describe plans and policies for the development of renewables and the affect our proposals will have in supporting those goals.

As discussed in the Background section of this filing, addressing renewable energy issues is a specific area of need that will be presented in our Application is the consideration of support for renewables based generation development in general and further wind turbine development in the southwestern part to the state in particular. In light of ongoing discussions at the Minnesota legislature and the potential for expanded renewable energy standards for all Minnesota utilities, it will become increasingly important to ensure that adequate transmission capacity is in place to transmit renewable energy to Minnesota's load centers.

For example, recently the Commission considered Xcel Energy's exemption request in the proceeding seeking a Certificate of Need for three 115 kV lines on Buffalo

Ridge in southwestern Minnesota. (Docket E-002/CN-06-154.) During that proceeding interested parties requested that we supply information regarding the interest in developing renewables based generation and we concurred. The Commission ordered that we provide a discussion of Renewable Energy Objective goals and requirements, other state policies related to renewables development, utility renewables plans from Resource Plans, and an examination of generation interconnection requests that have been placed in MISO and other transmission queues.

Our proposal for a 345kV line to Brookings is, in part, the next major increment of transmission capacity to allow continued development in that part of the state and eastern South Dakota. We intend to provide in our Application the same kind of information as was agreed to in the Buffalo Ridge 115 kV docket. The discussion will also provide context for how our proposals will help support renewables development statewide.

Another example for enhanced renewable energy potential that we will discuss in our Application relates to the Fargo – Monticello 345 kV line. One of the effects of completing that line will be to provide for additional generator outlet capacity from the Red River Valley. We understand that the Red River Valley area may provide new and expanded opportunities for cost-effective wind energy development and believe that *facilitating transmission development in that part of the State may serve to facilitate such development.*

III. DESIGNATING THE APPLICANTS

During the process of establishing Notice Plans for these three 345 kV lines, interested parties expressed opinions concerning who must be identified as applicants in our Certificate of Need Application. In this part of our exemption filing we describe the considerations that lead us to conclude that Great River Energy and Xcel Energy should serve as applicants in this proceeding while ensuring that the other participants in the CapX utility consortium are available to address questions during the process. We respectfully ask for the Commission's concurrence so that the issue does not complicate the acceptance of our Application once filed.

Minnesota Statutes 216B.243 does not define or give any guidance with regard to who must be an applicant for a Certificate of Need. Minnesota Statutes 216B.243 Subdivision 4 simply provides that, "Any person proposing to construct a large energy facility shall apply for a certificate of need ... prior to construction of the facility." Xcel Energy and Great River Energy satisfy this statutory requirement for

each of the lines under consideration as a result of their role as Project Development Managers.

Similarly, Minnesota Rules Chapter 7849 does not define or provide guidance concerning who should be the applicant either. The rules focus on the proposed facility itself, rather than the identity of the party or parties who are proposing the facility. Minn. R. Part 7849.0020 (“The purpose of this chapter is ... to specify criteria for the assessment of need for ... large high voltage transmission lines.”). And the rules contemplate a process for adjusting ownership of a transmission line for which a Certificate of Need has been granted. Minn. R. Part 7849.0400, subp. 2 H (“If an applicant determines that a change in size, type, timing, or ownership other than specified in this subpart is necessary ... the applicant must inform the Commission of the desired change and detail the reasons for the change.”).

Since the statute and rules do not spell out who the applicant must be, we suggest that the Commission has some flexibility to consider an Application for a facility around the circumstances present. Those circumstances suggest that the Commission should authorize the flexibility found under the statute and rules to allow the Application to go forward with Great River Energy and Xcel Energy as applicants while the CapX 2020 participants finalize their business relationship.

CapX Business Arrangements

CapX is a unique cooperative effort undertaken by utilities serving Minnesota to plan and develop the transmission infrastructure. Initially the six largest transmission-owning utilities in the State initiated the CapX 2020 initiative and undertook the study work and developed a plan to meet the transmission requirements necessary to maintain the reliable operation of the electrical system as the state continues to grow. Those initial participants were Great River Energy, Minnesota Power, Missouri River Energy Services, Ottertail Power Company, Southern Minnesota Municipal Power Agency, and Xcel Energy. Several other utilities participated in meetings, provided information and monitored progress. In 2005, the study effort resulted in a comprehensive plan, called the CapX 2020 Vision Plan, for transmission infrastructure to serve Minnesota. The CapX 2020 utilities then moved to a second phase of their effort, to implement the plan.

The CapX 2020 Vision Plan, identified the three 345 kV transmission lines we propose in this proceeding as part of the CapX Group 1 Projects. Implementation of

all of the CapX Group 1 Projects is estimated to require over \$1.3 billion in investments.

Assembling the necessary investing utilities and reaching agreement on all the business arrangements of this magnitude is a complex endeavor. The participants have made considerable progress but have not yet completed all of the arrangements necessary to support the necessary investments.

The group has agreed to embark on the first steps of the regulatory process prior to completing all the business arrangements being completed so that the new *infrastructure we propose can be constructed expeditiously. As the result we have worked with the Commission to establish this Certificate of Need docket and develop notice plans to facilitate public participation.*

As noted in the Background section of this filing, the group also agreed to designate Great River Energy and Xcel Energy as Project Development Managers. In that role Great River Energy and Xcel Energy will coordinate and manage the permitting process, engineering, procurement and construction of the proposed lines. In that role Xcel Energy and Great River Energy filed the notice plan proposals for the individual lines with the Commission, which were then consolidated into this Docket.

The group is now in the process of establishing contractual agreements, called Development Agreements, which will specify which utilities will participate in the first phase of the process, through the acquisition of the major regulatory approvals, and how those costs of will be distributed. The Development Agreements will also establish the process utilities will use to move to Project Agreements in which ownership will be determined and investment commitments will be formally made.

Applicants Proposal

In light of the organizational structure that currently exists and the current state of the effort to establish the more detailed business arrangements CapX participants believe the regulatory process in Minnesota is best served with Great River Energy and Xcel Energy identified as applicants in this proceeding.

Among the considerations that led us to that conclusion are:

- A Certificate of Need is in essence a construction authorization. Great River Energy and Xcel Energy, as Project Development Managers for these lines, are

responsible for managing the construction of the proposed facilities. In that role we will be responsible for implementing the decisions made in the Certificate of Need proceeding.

- Identifying the Project Development Managers as applicants allows the process to proceed in a timely manner while contractual arrangements among the participating utilities continue to be developed.
- We also believe we can better facilitate participation by interested parties in the process if communication is directed to one or two points of contact rather than all the utilities that have been involved to date.

We plan to identify Great River Energy and Xcel Energy as applicants when we file our Application unless the Commission chooses to direct otherwise. Regardless of which utilities are established as applicants, we intend to fully discuss in our Application the status of the investment and development arrangements that are being made and all the participants in those discussions.

Some of the parties to the notice plan process expressed strong opinions concerning the question of who should be applicants. We have included our discussion of the question here and respectfully ask the Commission to concur so the issue does not complicate the consideration of our Application once we file.

IV. CONCLUSION

Xcel Energy believes the Commission's Certificate of Need process would best be served with a customized, focused Application that presents the information needed to evaluate the need for our proposed facilities. Conversely, we do not believe it is necessary or helpful to burden the agencies or the public with extraneous information that will not be helpful for understanding the need for the proposed transmission lines to facilitate implementation of the state's energy policies regarding renewable-energy development. Therefore, Xcel Energy respectfully requests that the Commission grant the exemptions requested herein so that our Application can be efficiently prepared and be as useful as possible.

Dated: Feb. 5 2007

Respectfully submitted,

BY: James Alders

JAMES ALDERS
MANAGER REGULATORY PROJECTS

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CERTIFICATE OF SERVICE

I, Carole Wallace, hereby certify that I have this day served copies of the foregoing document on the attached list of persons by delivery by hand or by causing to be placed in the U.S. mail at Minneapolis, Minnesota.

DOCKET NO. E002/CN-06-1115

Dated this 5th day of February 2007

Carole Wallace

Matter of Xcel Energy Notice Plan Approval
Request for CAPX 2020

E002/CN-06-1115

1-11-2007

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