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Xcel Energy

Docket No.: IP6701/CN-09-1186, E002/M-09-1349, E002/M-09-1350

Response To: MN Office of Energy Information Request No. 11

Analyst: Steve Rakow

Date Received: February 24, 2010

Question:

1. Regarding your response to OES Information Request No. 6 in this proceeding, please estimate the percentage of the gross revenue requirements over the life of the project that will flow to Xcel Energy, a business headquartered and/or with significant operations and staff in the state of Minnesota.
2. Regarding the definition of a Community-based energy development project,
 - a) Would Xcel Energy and/or a specially formed LLC subsidiary of Xcel, be an “other local entity” as used in Minnesota Statutes 216B.1612 subd. 2 (g)(2)? Please explain why or why not.
 - b) Is Xcel aware of whether Xcel Energy and/ or a specially formed LLC subsidiary of Xcel has been included by a C-BED developer in the process of qualifying for C-BED designation?

Response:

1. The Nobles Wind project will be owned by Northern States Power Company, a Minnesota corporation (“NSP-M”). As such, costs (calculated as revenue requirements) related to the project are borne by the Company. However, NSP-M serves customers located in Minnesota, North Dakota, South Dakota and Wisconsin. Therefore, the revenue requirements associated with the Nobles Wind project will be recovered from customers in each of these states, proportionate to the customers’ energy consumption. The Company will collect approximately 72 percent of the total revenue requirements from retail customers in the State of Minnesota through a rate rider (the Renewable Energy Standards Rider). The remaining 28 percent is collected

through base rates in our other jurisdictions, depending on the timing of base rate cases.

Revenue requirements are the level of revenue the Company needs to recover from customers in order to cover project costs and earn a fair return for the shareholders. The components of revenue requirements include: operating expenses, depreciation, property taxes, income taxes, tax credits, debt costs, and equity return. The equity return used in the Renewable Energy Standards Rider in the State of Minnesota is 10.88 percent and is based on our most recent last electric base rate case (Docket E002/GR-08-1065).

2.a. The Company notes that historically it has entered into C-BED power purchase agreements (PPAs) as the buyer of all project energy, not the seller. As such, Xcel Energy would not receive a portion of the gross revenues from a PPA. Under those circumstances, we would not qualify as a local entity under Minn. Stat. 216B.1612, subd.2(g)(2). Moreover, it is unclear to the Company how it would be both a buyer and a seller from a C-BED project. Even if that situation were to arise, we are unsure whether the transaction would qualify as a power purchase agreement under Minn. Stat. 216B.1612, subd.2(g)(2).

2.b. We are not aware of any such situation.

Response By: John Felling (Question 1), Jim Alders (Question 2)
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