

MINNESOTANS FOR AN ENERGY-EFFICIENT ECONOMY'S
Sustainable Minnesota

UTILITY MERGER INFORMATION



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**Environmental Coalition Agreement with Northern States Power Company
 in the Matter of NSP and New Centures Energy's Proposed Merger**

STIPULATION AGREEMENT

MN PUC Docket E,G002/PA-99-1031

This Stipulation Agreement made this 15th day of December, 1999, by and between Northern States Power Company (Minnesota) ("NSP"), on behalf of itself and its public utility subsidiaries, Izaak Walton League of America, Minnesotans for an Energy Efficient Economy and Environmental Law and Policy Center of the Midwest (referred to as the Environmental Coalition), and hereinafter referred to as the "Parties."

WHEREAS, the Environmental Coalition has a membership which includes customers of NSP; and

WHEREAS, NSP has proposed to merge with New Century Energies, Inc. ("NCE"); and

WHEREAS, the Environmental Coalition believes that NSP's decision to merge with NCE may adversely impact the effectiveness of Minnesota regulatory process to protect the public interest; and

NOW THEREFORE, It is agreed that:

1. NSP agrees to study the technical feasibility and economic impact of conversion of first its High Bridge plant (units 3 and 4) and then its Riverside (units 7 and 8) generating facility to natural gas. The studies will be conducted in a time frame that allows NSP to gain information from its current Black Dog Repowering effort, but is not contingent on the outcome of the Blackdog Certificate of Need process, and in any event not later than July 1, 2001. NSP agrees to provide information regarding how it will conduct the feasibility study to the Environmental Coalition. The feasibility criteria used by NSP will be based on factors aimed at measuring the potential profitability of the converted facilities based on the assumed revenue stream and the cost, taking into consideration: environmental externality values set by the Minnesota Public Utilities Commission; the current cost of producing electricity at these units where applicable; the estimated cost of producing or purchasing electricity from an alternative facility or supplier; the value of any net additional generating capacity; the value of new generating capacity with load following capability; an analysis of market

conditions at the time of the studies. NSP agrees to include the results of the studies in its resource plan following the completion of the studies as a potential resource option.

2. NSP agrees that it will conduct an evaluation of both demand-side and supply-side non-nuclear resource options to its Prairie Island nuclear generating units in the event of a pre-license expiration shutdown and file it with the Commission in its upcoming resource plan.

3. NSP agrees that its new public utility subsidiary of Xcel, Inc. will be subject to applicable Minnesota Statutes including but not limited to provisions related to conservation and renewable energy. NSP further agrees that its control over output, the economic life of the plant and the budget make it a "public utility that operates a nuclear generating facility" for purposes of Minnesota statutes, rules and orders of the applicable regulatory agencies and that the transfer of NSP's licenses to operate nuclear facilities issued by the Nuclear Regulatory Commission to the Nuclear Management Company will in no way affect this interpretation or the applicability of rules and orders adopted pursuant to such Minnesota statutes.

4. NSP agrees to undertake the necessary transmission studies with respect to upgrades needed to move additional increments of up to a total of 825 MW of wind generation from within the State of Minnesota, subject to the requirements and procedures of FERC Order 888/889. Upon review of the most feasible transmission alternatives, NSP agrees that it will seek all necessary regulatory approvals, including regional transmission planning approvals, and will file for a Certificate of Need and/or Environmental Impact Statement, as required by law, by July, 2001, unless the requirements for filing have not been satisfied, such that a filing made on this date would not satisfy the Minnesota Public Utilities Commission's requirements for Certificate of Need filings, in which case the filing shall be made within a reasonable period thereafter. In the event that wind resources are not procured in an all-source bidding scheduled for 2000 or 2001, NSP agrees to provide an assessment of the impediments to wind in an all-source bidding process in its July 1, 2002 resource plan. The Parties agree to work together to remove the identified impediments to wind energy with the intention of improving its performance in subsequent all-source bidding processes. Efforts to remove the identified impediments may include, but are not limited to, legislative initiatives to lower costs, initiatives to improve wind accreditation, identification of preferred sites for wind developments, and improvements to wind forecasting to address operational issues. Nothing in this provision waives either Parties' right to argue their position regarding wind procurement before the MPUC in future Resource Plan proceedings.

5. NSP agrees to study the potential for distributed generation technologies on its system in its July 2000 resource plan. This study shall include analysis of opportunities and economics of distributed wind, fuel cell, microturbine, and industrial cogeneration technologies up to 5000 kilowatts in size. Unless otherwise agreed to by the Parties, within one year after a Commission order approving the merger, NSP will file a distributed generation tariff to facilitate low-cost, safe and standardized interconnection for dispersed generation on its system. NSP agrees to consult with the Coalition in the design of the study and the proposed tariff.

6. New NSP Utility agrees to continue to seek approval of affiliated interest agreements as required by Minn. Stat. 216B.48 and that it will not raise federal preemption as a defense to Minnesota Public Utilities Commission's decisions with respect to Resource Planning. Further, NSP commits to not claim that federal preemption precludes the Commission from evaluating and disallowing recovery of costs allocated to New NSP Utility on the basis of imprudence, including costs allocated to New NSP Utility under an affiliated interest agreement or the Joint Operating Agreement, and agrees to hold ratepayers harmless from any decision overruling the Commission's decision in the event that another party successfully challenges an MPUC Order by raising federal preemption under these circumstances where NSP has waived such right.
7. This Stipulation Agreement resolves all issues among the parties in MPUC Docket E,G002/PA-99-1031 related to approval and consummation of the merger including the intervention filed by the Environmental Coalition on November 1, 1999. The Environmental Coalition agrees not to either directly or indirectly through third parties, oppose, delay or otherwise seek to place further conditions on NSP and NCE's proposed merger in any state or federal regulatory or other legal proceeding.
8. This Stipulation Agreement applies to each of the Parties and shall be binding on the successors and assigns of the Parties and any subsequent owner of a material portion of the transmission assets of NSP. This Stipulation Agreement shall not be deemed to constitute an admission by any Party that any allegation or contention is true and valid except as to the terms provided for in the Stipulation Agreement, and shall establish no principles or precedents.
9. NSP will perform the commitments described in this Stipulation Agreement regardless of whether the merger is consummated.
10. This Agreement may be executed in identical counterparts with the same effect as if a single copy were executed.

Signed by:

Northern States Power Company

Izaak Walton League of America and

The Environmental Law and Policy Center of the Midwest

Minnesotans for an Energy-Efficient Economy

Dated: December 15, 1999

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