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November 27, 2012

Mr. Scott Larson
South Dakota Field Office
U.S. Fish and Wildlife Service
420 South Garfield Avenue, Suite 400
Pierre, South Dakota 57501

Subject: Big Stone South to Brookings County Project (Project)
Grant, Deuel, and Brookings Counties, South Dakota

Dear Mr. Larson:

Thank you for your letter correspondence dated August 6, 2012. The information contained herein is intended to further confirm our intent to avoid or minimize the potential for impact to protected species, to the extent feasible or practical, by adhering to mitigation measures previously identified in our letter dated July 6, 2012, included in the Order granting a Facility Permit from the South Dakota Public Utilities Commission in January 2007, identified within the 2009 Biological Assessment associated with the Project, and identified within either of your letters dated May 15, 2005 and August 6, 2012. As such, no adverse effects to the Bald eagle, Topeka shiner, Western prairie fringed orchid, Dakota skipper and Poweshiek skipperling are anticipated to occur.

Additional Background Information

Otter Tail Power Company is seeking the recertification of portions of the permit granted in South Dakota Public Utilities Commission Docket EL06-002 (*In the Matter of the Application by Otter Tail Power Company on behalf of Seven Regional Utilities for a Certification Permit to Construct 5.43 miles of 230 kV Transmission line, 33 Miles of 345 kV Transmission Line, the Big Stone 345 kV Substation and Modification of the Big Stone 230 kV Substation; January 16, 2007 Decision and Order Approving Stipulation and Granting Permit to Construct Transmission Facilities*).

South Dakota Codified Law § 49-41B-27 requires that if construction has not commenced within four years after a permit has been issued, the utility must certify to the Commission that the facility continues to meet the conditions upon which the permit was granted. More than four years have passed since the permit was granted in this docket.

The original permit in this docket provided for the construction of several transmission and substation project components which provided multiple system benefits, including increased system capacity, greater reliability and flexibility. These project components were complimentary to, but separate from the construction of the then proposed Big Stone II

generating plant. In 2007, the Big Stone II generation plant was canceled. However, the need for transmission service in the region remains and that need is independent of any one generation facility.

On December 7, 2011 the Midwest Independent System Operator (MISO) approved a plan to seek the construction of 17 transmission projects across the Midwest designed to provide system benefits that include increased system capacity, greater reliability and more flexibility. One of the approved projects is a 70-mile line from Brookings County to Big Stone. On February 23, 2012 Xcel Energy and Otter Tail Power gave notice to the Commission that they intended to jointly construct and operate the line. Of the 70 miles of transmission comprising what is now identified as the Big Stone South to Brookings County Project (Project), 33 miles of suitable facilities have already been approved in the 2007 Commission Order.

The Big Stone II project included a proposed 230 kV transmission line, a proposed 345 kV transmission line, a proposed 345 kV substation (Big Stone South) and modification of an existing 230 kV substation. The Big Stone South to Brookings County Project, subject to this correspondence, includes the proposed Big Stone South 345 kV Substation and the proposed 345 kV transmission line connecting this proposed substation and the Brookings County Substation.

An Environmental Impact Statement (EIS) and two Biological Assessments (BAs), one specific to the transmission line components, were developed for the Big Stone II project. Both documents outlined various mitigation measures or protocols. Due to the revisions in the project and in consultation with the Western Area Power Administration, it has been determined that the original federal nexus that precipitated the EIS and transmission line BA no longer exists and no new federal nexus will exist with the proposed Project. While there is no federal nexus associated with the current proposed Project, Xcel Energy and Otter Tail Power remain committed to implementing the mitigation measures identified within the EIS and the transmission line BA as it relates to protected species.

Proposed Mitigation

The information below provides direct excerpts from the 2007 EIS and the 2009 transmission line BA. Text outlined (in green) represents those measures that are relevant to the transmission facilities and that Xcel Energy and Otter Tail Power remain committed to implement. Where text is stricken (in red), this language no longer applies.

As Excerpted from the 2007 EIS List of Standard Mitigation Measures

Bio-1	The Co-owners would consult with the applicable State and Federal agencies concerning all species of concern and, based on that consultation, develop appropriate survey protocols and an action plan to minimize impacts (e.g., buffer zones, construction windows, animal relocations) in the event species of concern are found during surveys. The survey protocols and action plan would be approved by Western and the applicable State and Federal agencies. Surveys would then be conducted in accordance with approved protocols during final design of the proposed plant, groundwater areas , transmission lines, and substation modifications.
Bio-3	All wetland and riparian areas would be avoided to the extent practical. If wetland or riparian areas are unavoidable, impacts would be minimized or mitigated. Navigable waters and waters of the United States that are impacted as a result of implementing the proposed Project would be mitigated in accordance with USACE requirements. Non-jurisdictional wetlands in Minnesota that are impacted as a result of implementing the proposed Project would be mitigated in accordance with Minnesota Wetland Conservation Act stipulations.
Bio-4	Care would be used to preserve the natural landscape and vegetation. Construction operations would be conducted to prevent, to the extent practical, any unnecessary destruction, scarring, or defacing of the natural surroundings, vegetation, trees, and native shrubbery in the vicinity of the work. Vegetation would be replaced at landowner request providing mitigation complies with North American Electric Reliability Council (NERC) reliability requirements.
Bio-5	On completion of the work, all non-agricultural disturbed areas and construction staging areas not needed for maintenance access would be regraded so that all surfaces drain naturally, blend with the natural terrain and reseeded to blend with vegetation native to the area with a seed mixture certified as free of noxious or invasive weeds. All destruction, scarring, damage, or defacing of the landscape resulting from the construction would be repaired.
Bio-6	Construction staging areas would be located and arranged in a manner to preserve trees and vegetation to the maximum practicable extent. Unless otherwise agreed upon by the landowner, all storage and construction buildings, including concrete footings and slabs, and all construction materials and debris would be removed from the construction staging areas once construction is complete, and the areas returned to original use or regraded and seeded as for non-agricultural disturbed areas.
Bio-7	Structures and ROW would be located to avoid game production areas, State Wildlife Management Areas, Minnesota County Biological Survey Sites of Diversity Significance , National Wildlife Refuges, Waterfowl Protection Areas, Scientific and Natural Areas, State identified rock outcrops, and high priority ecological areas to the extent possible. Approval for changes in these areas must be done in coordination with the appropriate agency.
Bio-8	Removal of vegetation would be done according to North American Electric Reliability Council safety and reliability requirements. Clearing for access roads would be limited to only those trees necessary to permit the passage of equipment. All vegetative materials resulting from clearing operations would either be chipped on site or stacked in the ROW in accordance with landowner's request.
Bio-9	Native shrubs that would not interfere with access or the safe operation of the transmission line would be allowed to reestablish in the ROW. Areas with native shrubs that would be disturbed would be replanted following the disturbance.
Bio-10	The Co-owners would develop an Avian Protection Plan (APP) to minimize impacts to nesting birds, as well as to minimize the electrocution and collision of migratory and resident bird species. The APP would include provisions for adequate distance between conductors and distances between conductors and grounded surfaces. It would identify time frames for construction and routine maintenance to avoid the nesting period of breeding birds. It would also include methods for minimizing bird collisions during line routing as well as methods for minimizing collisions following construction. The APP would follow guidelines described at < www.aplic.org >. The Co-owners, in coordination with State and Federal resource management agencies and after reviewing the final route alignments, would decide where and what kind of line marking devices (i.e., visibility enhancing devices) need to be applied. The Co-owners would provide a copy of the APP to the applicable USFWS offices.
Bio-11	Holes drilled or excavated for pole placement or foundation construction and left unattended overnight would be marked and secured with temporary fencing to reduce the potential for livestock and wildlife entering the holes and for public safety.

As Excerpted from the 2009 Transmission Line Biological Assessment

Western Prairie Fringed Orchid: The field surveys conducted in 2005 reported no observations of the orchid within the proposed corridors. The field surveys conducted in 2006 and 2007 along the proposed route in South Dakota and western Minnesota revealed no high quality prairie remnants along the project route and no western prairie fringed orchids were observed along the proposed project route. However, a review of the prairie habitat along the proposed corridors indicated that suitable habitat was present along some segments of the proposed corridors. ~~Additional surveys, designed to determine the presence of the orchid, would be conducted prior to the start of construction activities associated with the approved transmission line routes and along portions of the Hankinson line requiring structure modification or replacement. These surveys would take place during June and July prior to construction. If the western prairie fringed orchid is found in the approved transmission routes, Western would reinitiate consultation with the USFWS. Mitigation would include relocation of structures to avoid placement in patches of orchids and development of a monitoring plan with the USFWS.~~ *A*

Due to the avoidance and mitigation techniques outlined above, Western has determined that the proposed action may affect but is not likely to adversely affect the western prairie fringed orchid.

Dakota Skipper: The field surveys conducted in 2005 reported no observations of the Dakota skipper within the proposed corridors. However, a review of the prairie habitat along the proposed corridors indicated that suitable habitat was present along some segments of the proposed Project. ~~Additional surveys, designed to determine the presence of the butterfly, would be conducted prior to the start of construction activities associated with the proposed action. These surveys would take place during June and July prior to construction. If the Dakota skipper is found in the approved transmission line routes and along portions of the Hankinson line requiring structure modification or replacement, Western would reinitiate consultation with the USFWS. Mitigation would include one or more of the following (Cochrane and Delphey, 2002):~~ *A*

- Areas of high productivity would be avoided during the breeding and larval periods (June 1st through August 31st);
- Structure placement would be adjusted to avoid disrupting the support community;
- If areas of high productivity cannot be avoided, high productivity areas would be reseeded following construction; and/or
- Suitable habitat would be purchased for the skipper at a ratio of three acres purchased for every one acre of suitable habitat lost in an area near the lost habitat.

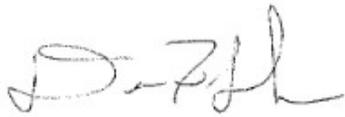
Additionally, in accordance with our discussion today, the same mitigation measures identified above for the Dakota skipper will also be implemented for the Poweshiek skipperling.

Other Agency Coordination

Additionally, we have initiated consultation with the Wildlife Division of the South Dakota Department of Game, Fish and Parks. We will continue coordination with the Madison Wetland Management District.

Otter Tail Power and Xcel Energy respectfully request your concurrence with the approach and determination of no anticipated adverse effects identified above, to be provided via letter correspondence. Thank you in advance for your time and consideration. If you have any questions or require additional information about this Project, please contact me at (763) 493-1808 or darrin.f.lahr@xcelenergy.com.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Lahr". The signature is fluid and cursive, with the first letter "D" being particularly large and stylized.

Darrin Lahr
Xcel Energy

cc: Doni Murphy, ERM
Jeff Williams, ERM