



414 Nicollet Mall  
Minneapolis, Minnesota 55401

February 19, 2013

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

RE: Northern States Power Company, a Minnesota corporation and  
Northern States Power Company, a Wisconsin corporation  
Docket No. ER13-\_\_\_\_-000  
Interchange Agreement – Annual Update and E-Tariff Submission  
Revised Tariff Pages Effective January 1, 2013

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,<sup>1</sup> Section 35.13 of the regulations of the Federal Energy Regulatory Commission (“FERC” or the “Commission”),<sup>2</sup> and Order No. 714,<sup>3</sup> Northern States Power Company, a Minnesota corporation (“NSPM”) and Northern States Power Company, a Wisconsin corporation (“NSPW”) (jointly the “NSP Companies”), submit an electronic tariff filing of revisions to the “Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin)” (hereafter “Interchange Agreement” or “Agreement”).

The following Interchange Agreement exhibits are being restated or revised:

Exhibits VII, VIII, and IX

Pursuant to Section 14.2 of the Interchange Agreement, Exhibits VII, VIII, and IX are not subject to automatic adjustment and may only be changed by a Section 205 filing. The NSP Companies propose the revised tariff sheets be effective January 1, 2013, and request any waiver necessary for the tariff sheets to be effective on the date requested.

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<sup>1</sup> 16 U.S.C. § 824d (2006).

<sup>2</sup> 18 C.F.R. § 35.13 (2009).

<sup>3</sup> *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (Sept. 19, 2008) (“E-Tariff Final Rule”).

**A. Background**

NSPM is an investor-owned Minnesota corporation engaged in, inter alia, the business of generating, transmitting, distributing, and selling electric power and energy and related services in the States of Minnesota, North Dakota, and South Dakota. NSPW is an investor-owned Wisconsin corporation engaged in, inter alia, the business of generating, transmitting, distributing, and selling electric power and energy and related services in the States of Wisconsin and Michigan. The NSP Companies are both wholly-owned utility operating company subsidiaries of Xcel Energy Inc. Xcel Energy Services Inc. (“XES”) is the service company for the Xcel Energy holding company system, and represents the Xcel Energy Operating Companies in proceedings before the Commission.<sup>4</sup>

The Interchange Agreement is a formula rate which provides for charges between NSPM and NSPW for certain electric production and transmission costs related to the NSP Companies’ integrated electric system (the “NSP System”). Pursuant to the terms of the Agreement, the NSP Companies annually restate or update certain exhibits to the Interchange Agreement.<sup>5</sup> In the 2001 annual filing, the NSP Companies restated the Interchange Agreement in its entirety effective January 1, 2001. The 2011 annual update, filed on March 29, 2011 in Docket Nos. ER11-3234-000 and ER11-3235-000, submitted the Interchange Agreement in eTariff format. The 2012 update, which updated Exhibits VII, VIII and IX and made certain other Exhibit revisions, was accepted for filing effective January 1, 2012, by letter order dated May 23, 2012 in Docket No. ER12-1348-000.

**B. Statement of Basis for Revised Tariff Sheets**

As noted, the annual filing of revised Exhibits VII, VIII and IX is required by Article XIV of the Interchange Agreement which states:

14.2 Features Not Automatically Adjusting. It is the intent of the Parties that the values and data specified in Exhibits VII, VIII, IX and X shall not be subject to automatic adjustment and may be changed only by filing revised sheets as a rate change under the Federal Power Act. The Parties contemplate that a revised Exhibit VIII will be filed annually at the end of each calendar year to specify the projected average monthly peak demands for the succeeding calendar year, but that if the projected demands are not available before commencement of the calendar year to which they apply, they may be filed as soon in that calendar year as feasible, with a request, in which all Parties shall concur, that they be made effective as of the first day of the calendar year.

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<sup>4</sup> The other Xcel Energy Operating Companies are Public Service Company of Colorado and Southwestern Public Service Company.

<sup>5</sup> See Article XIV of the Interchange Agreement.

The restatement of Exhibit VII without change is permitted by Exhibit V, Schedule 6, which states in pertinent part:

If, for whatever reason, FERC ceases to issue or fails to issue a quarterly adjusted generic rate of return on common equity effective for November 1 of a year,<sup>6</sup> the NSP Companies shall file with FERC by December 15 of the year either a revised Exhibit VII or the existing Exhibit VII with a request that it be allowed to become effective as of January 1 of the following year. The rate of return on common equity proposed in a filing shall be in the NSP Companies' sole discretion. NSP shall bear the burden of justifying any increase or decrease in the rate of return on common equity. The NSP Companies shall request that any determination by FERC on such filing shall be made effective as of January 1 of the year following the filing, and the NSP Companies shall make such payments among themselves as may be required to adjust billings for sales made on or after the effective date of the determination.

Section C of this transmittal letter discusses the proposed revisions to the Interchange Agreement exhibit tariff pages in more detail. Redline versions of the complete Exhibit tariff pages showing the proposed revisions to the Interchange Agreement exhibits effective January 1, 2013 are included with this filing as an attachment in the XML package. Appendix A shows the projected impact of the proposed Interchange Agreement revisions on the costs to be allocated to each of the NSP Companies in 2013.

**C. Proposed Revised Tariff Sheets Effective January 1, 2013**

1. Exhibit VII - Specification of Rate of Return on Common Equity

Exhibit VII sets forth a specification of the rate of return on common equity to determine the overall cost of capital. The NSP Companies are restating the existing Exhibit VII because the Commission has ceased to issue a quarterly adjusted generic rate of return on common equity. The NSP Companies only bear the burden of justifying an increase or decrease in the rate of return on common equity. Here, the NSP Companies are proposing no change to the rate of return on common equity for 2013 from the level accepted in Docket No. ER12-1348-000, so a statement of impact on each of the NSP Companies is not required.

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<sup>6</sup> At the time of the certain settlement agreements regarding the 1984 Interchange Agreement filing, the Commission applied a policy of establishing the rate of return on common equity for electric utilities using a formula approach. *See Generic Determination of Rate of Return on Common Equity for Public Utilities*, Docket No. RM84-15-000, Order No. 420 (May 20, 1985). The 1984 agreement, as amended and restated in 2001, thus referred to this process. The Commission has long since ceased this practice.

2. Exhibit VIII – Specification of Average Monthly Peak Demands

Exhibit VIII sets forth the specification of average monthly coincident peak demands for calendar year 2013 for each of the NSP Companies. These coincident peak demands were determined using the same methodology as the previous Exhibit VIII accepted in Docket No. ER12-1348-000. Coincident peak demands are based upon three years' data consisting of 18 months of actual and 18 months of projected peak demands.

Enclosed with this filing as Appendix A, Page 1 is the calculation of the 2013 36-month coincident peak demand ratios for each of the NSP Companies.<sup>7</sup> These demand ratios are based on the average monthly coincident peak demands for calendar years 2011-2013 as set forth in Exhibit VIII. Appendix A, Page 2, is a statement of the impacts of these coincident peak demands on each of the NSP Companies. While Appendix A provides support of certain calculations in the Interchange Agreement, it is not part of the Interchange Agreement and thus does not need to be filed in e-Tariff format.

3. Exhibit IX – Specification of Depreciation Rates

Exhibit IX sets forth a specification of the depreciation rates currently approved for the NSP Companies. The Minnesota Public Utilities Commission ("MPUC"), the North Dakota Public Service Commission ("NDPSC") and the South Dakota Public Utilities Commission ("SDPUC") approved NSPM's currently effective depreciation rates in the following dockets: MPUC Docket No. E,G002/D-11-144, Annual Review of Remaining Lives 2011, order dated September 8, 2011; MPUC Docket No. E,G002/D-07-1528, Average Service Life and Vintage Group Depreciation Studies for 2007, order dated September 22, 2008; MPUC Docket No. E002/GR-10-971, Application for Authority to Increase Electric Rates in Minnesota, order dated May 14, 2012; NDPSC Case No. PU-10-657, Application for Authority to Increase Rates for Electric Service in North Dakota, order dated February 29, 2012; and SDPUC Docket No. EL-11-019, Application for Authority to Increase Electric Rates in South Dakota, order dated July 2, 2012. The Public Service Commission of Wisconsin ("PSCW") approved NSPW's depreciation rates in Docket No. 4220-DU-107, order dated August 24, 2011.<sup>8</sup>

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<sup>7</sup> Effective January 1, 2012 and January 1, 2013, NSPW's ten requirements wholesale customers (approximately 106 MW of peak load) ceased purchasing power supplies from NSPW and began purchasing requirements supplies from another provider. In 2012, two large NSPM retail customers (Ford Motor and Verso Paper) with approximately 30 MW of peak load ceased manufacturing operations at their respective facilities, and certain requirements wholesale customers converted to non-requirements services. The 36 month coincident peak demands and resulting cost allocations reflect these load changes.

<sup>8</sup> The PSCW authorized NSPW to adjust WI retail electric and natural gas rates in Docket No. 4220-UR-118, effective December 28, 2012. NSPW's most recent approved depreciation rates were authorized by the PSCW in Docket No. 4220-DU-107 effective January 1, 2012. NSPM's Annual Review of Remaining Lives 2012 (filed February 2012) and five year Average Service Life and Vintage Group Depreciation Studies for 2012 (filed July 2012) are pending MPUC action. Since the depreciation rates proposed in those dockets are not yet approved by the MPUC, they are not reflected in the Interchange Agreement.

Also enclosed with this filing as Appendix A, Page 3 is a statement of the impacts of the depreciation rates on each of the NSP Companies.

**D. E-Tariff Compliance**

As described in further detail in Dockets No. ER11-3234-000 and ER11-3235-000, the NSP Companies have chosen NSPM as the party that will submit the annual updates to the Interchange Agreement. NSPW's Certificate of Concurrence was filed in Docket No. ER11-3235-000. The proposed tariff changes are included with this filing as an attachment in the XML package, to be effective January 1, 2013.

**E. Request for Acceptance for Filing of Agreement, Request for Waiver**

The NSP Companies request the Commission accept the revised tariff sheets for filing effective January 1, 2013. The NSP Companies request a waiver of the Commission's notice requirements pursuant to Part 35, if necessary, as well as any other waivers which may be necessary for the revised tariff sheets to be accepted for filing effective on the date requested.<sup>9</sup>

In *Central Hudson Gas & Electric Corporation*,<sup>10</sup> the Commission stated that it would generally grant waivers of the 60-day prior notice requirement for uncontested filings that do not change rates. Based upon the above, a waiver is appropriate for this filing for the following reasons:

- (1) the Interchange Agreement is a longstanding formula rate that only affects the allocation of system costs between two affiliated and regulated electric utilities;
- (2) Section 14.2 of the Interchange Agreement specifically contemplates that revisions may be filed after the start of a calendar year if the projected demands are not available before commencement of the calendar year to which they apply, as occurred here; and
- (3) Accepting the tariff changes on the date requested will allow the charges between the NSP Companies to reflect the updated cost allocation formulas for the entire 2013 fiscal year. The Commission has previously accepted the annual revisions to the Interchange Agreement effective January 1 of the filing year even though the revisions were not filed until sometime after January 1.

**F. Contents of Filing; Notice; Service**

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<sup>9</sup> See *Prior Notice and Filing Requirements under Part II of the Federal Power Act*, Docket No PL93-2-002, which states that a waiver of the 60 day notice period will be granted for certain amendments to pre-existing rate schedules. Specifically, the NSP Companies request waiver of the provisions of Exhibit V of the Agreement, which by its terms would have required the annual update to certain exhibits be submitted by December 15, 2011.

<sup>10</sup> 60 FERC ¶ 61,106 (1992), *reh'g denied* 61 FERC ¶ 61,089 (1992).

Pursuant to the Commission's filing requirements and in compliance with the e-Tariff Final Rule, the filing contains the revised Exhibits as an attachment in the XML package and:

- a. This transmittal letter, which includes
  - i. Appendix A, Comparison of Costs
  - ii. Appendix B, the Service List for this filing;

A copy or notice of this filing will be sent by e-mail to: (i) all State Commissions with jurisdiction over the NSP Companies, and (ii) all affected wholesale requirements customers, notifying them where they can download or access a copy of this compliance filing.<sup>11</sup> Appendix B provides the list of State Commissioner and customers to be served notice. The NSP Companies will also provide a courtesy copy of this filing to Ms. Penny Murrell, Director of the Division of Electric Power Regulation – Central. Pursuant to 18 C.F.R. § 35.2(d), a copy of this filing will be available for public inspection at the offices of NSPM at 414 Nicollet Mall, Minneapolis, Minnesota; and NSPW's office at 1414 W. Hamilton Avenue, Eau Claire, Wisconsin.

**G. Correspondence and Communications**

Please send all communications and correspondence in this docket to:

For NSP-Minnesota:

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Manager, Revenue Analysis  
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For NSP-Wisconsin:

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**H. Future Filing re Prairie Island Project**

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<sup>11</sup> As of January 1, 2013, NSPM has one requirements wholesale customer and NSPW has none.

Ms. Kimberly Bose  
February 19, 2013  
Page 7 of 7

In December 2012, the MPUC voted to terminate a Certificate of Need (“CON”) previously granted to NSPM to install an extended power uprate (“EPU”) at NSPM’s Prairie Island nuclear generation station. See Docket No. E002/CN-08-509.<sup>12</sup> The Prairie Island EPU project would have increased the capacity of the two Prairie Island nuclear units by approximately 164 MW, and was expected to be in serviced by 2015. The MPUC concluded that the financial benefit of the project to the NSP System and NSPM ratepayers had become too tenuous relative to other potential capacity resource options. NSPM had incurred approximately \$75 million in costs associated with the EPU project prior to the MPUC decision to cancel the project.

The NSP Companies believe the NSPM costs of the abandoned EPU project should be shared with NSPW through the Interchange Agreement. NSPM has recorded certain costs associated with the abandoned Prairie Island EPU project as a regulatory asset in Account 182.2, and the NSP Companies will submit a future Section 205 filing to the Commission with a proposal with respect to such abandoned plant cost recovery. The NSP Companies do not seek any Commission action at this time with respect to the Prairie Island EPU abandoned plant costs, but include this information in this filing to provide notice to the Commission and interested parties of the anticipated future filing.

## **I. Conclusion**

The NSP Companies thus respectfully request the Commission accept the revised tariff sheets to the Interchange Agreement for filing effective January 1, 2013. Please direct any questions regarding this filing to Mr. Jeff Hafner (612-330-7622), Ms. Anne E. Heuer (612-330-6181) or Ms. Mara N. Koeller (612-215-4605).

Sincerely,

/s/ *James P. Johnson*

James P. Johnson  
Assistant General Counsel

Xcel Energy Services Inc., on behalf of  
Northern States Power Company, a Minnesota corporation and  
Northern States Power Company, a Wisconsin corporation

Enclosures

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<sup>12</sup> On December 21, 2012, the MPUC voted to determine that no party had shown cause why the previously granted CON should not be terminated. The Order to Show Cause was dated November 7, 2012.