

May 15, 2013

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

- Via Electronic Filing -

RE: SUPPLEMENTAL INFORMATION
COMPETITIVE RESOURCE ACQUISITION PROPOSAL AND CERTIFICATE OF
NEED
DOCKET NO. E002/CN-12-1240

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Supplement to its proposal to construct three 215 MW combustion turbine generators with in-service dates between 2017 – 2019. The Supplement consists of the following:

- Fully-public substitute pages 5-10, 5-11, 5-12, and 6-1 to replace pages 5-10 and 6-1 in our proposal. These substitute pages include new discussions of the no-build alternative to our proposed CT units, and the impact of the units on inducing future development.
- Public version of substitute pages C-6, C-6a, C-6b, and C-7 to replace pages C-6 and C-7 of the public version of Appendix C to our proposal. The nonpublic version of these substitute pages includes trade secret data on the estimated costs associated with constructing our proposed Red River Valley CT units together in 2018, or together in 2019. The non-public version of these substitute pages is being filed under separate cover.

The substitute pages are marked in accordance with Minn. R. 7849.0200, subp. 3, governing changes to a Certificate of Need Application.

We have electronically filed this Supplement with the Commission, and copies are being served on all parties on the service list for this proceeding, as well as all other persons who were served a copy of the Company's original proposal.

Please contact me at james.r.alders@xcelenergy.com or (612) 330-6742 if you have any questions regarding this filing.

Sincerely,

/s/

JAMES R. ALDERS
STRATEGY CONSULTANT
RATES AND REGULATORY AFFAIRS

Enclosures

c: Service List

levels. Thermal distributed generation such as micro turbines and reciprocating engines is also cost prohibitive. The U.S. Energy Information Administration estimated the cost of DG resources to be two to two-and-a-half times more expensive to construct than conventional peaking resources such as those proposed by the Company.

Minnesota Statutes Section 216B.1694 requires consideration of an innovative energy alternative as a supply option. At this time, the Company is not aware of an innovative energy project available to meet the need.

Building no facility is also not a viable alternative. The Commission found in its March 5 Order that there is a need for approximately 150 MW of additional generation on our system by 2017 which may grow to up to up to 500 MW by 2019. While there is some uncertainty surrounding our resource need as described in Chapter 3 of our proposal, the no build alternative would increase risks affecting our ability to reliably serve customers, and increase the risk of higher cost electricity.

Without additional generation on our system, the Company would have to rely on MISO's wholesale market for the capacity credits necessary to meet our resource adequacy obligations. MISO has indicated there are several large power plants that may be retired in the 2015/2016 timeframe. Depending on how quickly retired generation is replaced, the supply of capacity credits could be substantially decreased and, in the extreme, inadequate. Inadequate capacity credits means the region could not meet the reserve margins necessary to meet electrical reliability standards, increasing the risk of power interruptions to customers. If the market for capacity credits is adequate but supply is low, our customers are exposed to higher cost.

Without new generation the Company would also have to rely on the MISO market for the energy needed to meet demand greater than we can meet with existing generation. During peak demand periods the cost of energy can be very high, especially if supply declines due to retirements. In recent years the Company has been able to sell excess electricity in the MISO market during peak demand periods and, in doing so, reduce our customers' bills.

In reality the no build alternative (a decision by the Commission not to authorize new generation) does not avoid the construction of new generation. It only delays its installation or moves the addition to another utility's system, with the risk of increased reliance on the MISO market to meet our customers' energy requirements.

In closing the Company notes that, historically, we have maintained low electric rates relative to utilities in other regions of the United States. As a result, Minnesota and the region have been able to attract industrial concerns and maintain steady economic growth. Our proposed CT units, by themselves, do not induce future development. But the addition of our proposed peaking units to our portfolio of generation helps keep our electric rates low and our system reliable, which is an important and positive consideration when development decisions are made in our region.

5.7 Conclusion

The Proposal represents the best alternative available to our customers by adding low capital cost generation to the system, which fits well with the existing Xcel Energy generation fleet and can be added incrementally as needed within relatively short time frames. The Company looks forward to working with the Department and other stakeholders to assist the Commission in determining the best generation option to meet our customers' needs.

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6 Environmental Information

This section discusses the environmental impacts of our Proposal.

6.1 Air Impacts

6.1.1 Air Emissions

Natural gas-fired combustion turbine technology is among the cleanest means of generating utility-scale electricity. Natural gas combustion generates significantly less carbon dioxide, particulate matter, sulfur dioxide, and hazardous air pollutant emissions (including mercury) than oil or coal.

The primary constituents of concern resulting from combustion of natural gas are oxides of nitrogen (NO_x), carbon monoxide (CO), and volatile organic compounds (VOCs). Our Proposal will control NO_x emissions through use of dry low-NO_x burners. Good combustion practices will be used to control emissions of fine particulates, CO, and VOCs.

Black Dog Site

There will be a single combustion turbine at the Black Dog site. An air emissions permit application will be submitted in mid-2014. Because our Proposal will serve peaking duty in Xcel Energy's system, and thus operate a limited number of hours per year, we have elected to pursue an air quality permit that will limit, or cap, the total number of hours the CT will be allowed to operate. Emissions categories regulated by the federal Prevention of Significant Deterioration ("PSD") program will be netted against the current emissions from the coal-fired units so that the project will not be subject to PSD for any emissions, with the possible exception of CO. Taking this approach streamlines the air permitting process.

Table 6-1 presents the estimated air emissions from Black Dog Unit 6. Estimated impacts to ambient air quality summarized in Table 6-2 are based on preliminary modeling using an EPA approved dispersion model (AERMOD).

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Table C3b
Project Cost Summary – North Dakota

| Item | North Dakota Units 1 and 2 | |
|--|----------------------------|---------------|
| Unit | 1 | 2 |
| In-Service Date | March 2018 | February 2019 |
| <i>[TRADE SECRET DATA BEGINS...</i> | | |
| Project Base Capacity Cost | | |
| Base Summer Capacity Costs in \$/kW | | |
| Transmission Cost | | |
| Gas Cost | | |
| Base Total Cost in \$/kWh | | |
| Annual Revenue Requirement in \$/kWh (In-Service Year) | | |
| Fuel Costs in \$/kWh (In-Service Year) | | |
| Variable O&M Costs in \$/kWh ((In-Service Year) | | |
| Estimated Effect on Rates \$/kWh (MN & Total System) | | |
| Sunk Costs if Canceled | | |
| Estimated number of construction jobs | | |
| Estimated amount of construction payroll to economy | | |
| Estimated number of operations jobs | | |
| <i>...TRADE SECRET DATA ENDS]</i> | | |



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**Table C3b- Continued
 Project Cost Summary – North Dakota**

| | Red River Valley Units | |
|-----------------|--|---------|
| Unit(s) | 1 and 2 | 1 and 2 |
| In-Service Date | 2018 | 2019 |
| | <i>[TRADE SECRET DATA BEGINS . . .</i> | |
| Generator | | |
| Transmission | | |
| Gas | | |
| Total | | |
| | <i>. . . TRADE SECRET DATA ENDS]</i> | |



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Proposal and Certificate of Need Application
2013 Competitive Resource Acquisition Process

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**Table C4a
Black Dog Unit 6**

| Rule Reference | Description | Project Data |
|-----------------------|--|--|
| 7849.0250, A(1) | Nominal Generating Capability of each Unit | about 214 MW |
| 7849.0250, A(2) | Operating Cycle | Simple Cycle |
| 7849.0250, A(2) | Expected Average Annual Capacity Factor | 4 to 10 percent |
| 7849.0250, C(2) | Service Life | 35 Years |
| 7849.0250, C(3) | Estimated Average Annual Availability | > 95 percent |
| 7849.0320, A | Estimated Land Requirements | 0 acres (inside existing structure) |
| 7849.0320, E (1) | Estimated Maximum Groundwater Pumping Rate for each Unit Surface Water Appropriation | 50 GPM peak, 34 GPM daily average during Summer operation for evaporative cooling 0 cfs for Project, 633 cfs for Site |
| 7849.0320, E (2) | Estimated Annual Project Groundwater Appropriation (assuming RO purification process) for existing Units 2 and 5 | 1.2 million gallons/year or 3.7 acre-feet/year (X% of site appropriation) |
| 7849.0320, E (3) | Annual Project Surface Water Consumption Unit 6 | 215,100 acre-feet (50% of site appropriation) for existing Units 2 and 5 0 |

CERTIFICATE OF SERVICE

I, SaGonna Thompson, hereby certify that I have this day served copies of the foregoing document or a summary thereof on the attached list of persons.

xx by depositing a true and correct copy or summary thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota; or

xx via electronic filing

Docket No. E002/CN-12-1240

Dated this 15th day of May 2013

/s/

SaGonna Thompson

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|-------------|-----------|---|------------------------------------|---|--------------------|-------------------|-------------------------|
| David | Aafedt | daafedt@winthrop.com | Winthrop & Weinstine, P.A. | Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629 | Electronic Service | No | OFF_SL_12-1240_Official |
| Christopher | Anderson | canderson@allete.com | Minnesota Power | 30 W Superior St Duluth, MN 558022191 | Electronic Service | No | OFF_SL_12-1240_Official |
| Julia | Anderson | Julia.Anderson@ag.state.mn.us | Office of the Attorney General-DOC | 1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134 | Electronic Service | No | OFF_SL_12-1240_Official |
| James J. | Bertrand | james.bertrand@leonard.com | Leonard Street & Deinard | 150 South Fifth Street, Suite 2300 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| William | Borders | wborders@invenergyllc.com | Invenergy LLC | One South Wacker Drive Suite 1900 Chicago, IL 60606 | Paper Service | No | OFF_SL_12-1240_Official |
| Michael | Bradley | bradley@moss-barnett.com | Moss & Barnett | 4800 Wells Fargo Ctr 90 S 7th St Minneapolis, MN 55402-4129 | Electronic Service | No | OFF_SL_12-1240_Official |
| Christina | Brusven | cbrusven@fredlaw.com | Fredrikson & Byron, P.A. | 200 S 6th St Ste 4000 Minneapolis, MN 554021425 | Electronic Service | No | OFF_SL_12-1240_Official |
| Kodi | Church | kchurch@briggs.com | Briggs & Morgan | 2200 IDS Center 80 South Eighth Street Minneapolis, Minnesota 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| Jeffrey A. | Daugherty | jeffrey.daugherty@centerpointenergy.com | CenterPoint Energy | 800 LaSalle Ave Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| John | Doll | john@johndollsd40.org | | 10918 Southview Drive Burnsville, MN 55337 | Paper Service | No | OFF_SL_12-1240_Official |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|------------|-------------------------------|---------------------------------------|---|----------------------------|-------------------|-------------------------|
| Betsy | Engelking | betsy@geronimoenergy.com | Geronimo Energy | 7650 Edinborough Way Suite 725 Edina, MN 55435 | Paper Service | No | OFF_SL_12-1240_Official |
| Sharon | Ferguson | sharon.ferguson@state.mn.us | Department of Commerce | 85 7th Place E Ste 500 Saint Paul, MN 551012198 | Electronic Service | No | OFF_SL_12-1240_Official |
| John | Flumerfelt | jflumerfelt@calpine.com | CalpineCorporation | 500 Delaware Ave. Wilmington, DE 19801 | Electronic Service | No | OFF_SL_12-1240_Official |
| Edward | Garvey | garveyed@aol.com | Residence | 32 Lawton St Saint Paul, MN 55102 | Paper Service | No | OFF_SL_12-1240_Official |
| Travis | Germundson | travis.germundson@state.mn.us | | Board of Water & Soil Resources 520 Lafayette Rd Saint Paul, MN 55155 | Electronic Service | No | OFF_SL_12-1240_Official |
| Ronald | Giteck | ron.giteck@ag.state.mn.us | Office of the Attorney General-RUD | Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101 | Electronic Service 1400 | No | OFF_SL_12-1240_Official |
| Craig | Gordon | cgordon@invenergyllc.com | Invenergy LLC | One South Wacker Dr Suite 1900 Chicago, IL 60606 | Paper Service | No | OFF_SL_12-1240_Official |
| Lloyd | Grooms | lgrooms@winthrop.com | Winthrop and Weinstine | Suite 3500 225 South Sixth Street Minneapolis, MN 554024629 | Paper Service | No | OFF_SL_12-1240_Official |
| Burl W. | Haar | burl.haar@state.mn.us | Public Utilities Commission | Suite 350 121 7th Place East St. Paul, MN 551012147 | Electronic Service | Yes | OFF_SL_12-1240_Official |
| | | | | | | | |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|-----------|----------------------------|------------------------------------|--|--------------------|-------------------|-------------------------|
| Mary | Holly | N/A | Winthrop & Weinstine, P.A. | 225 South Sixth Street, Suite 3500 Minneapolis, MN 55402 | Paper Service | No | OFF_SL_12-1240_Official |
| Alan | Jenkins | aj@jenkinsatlaw.com | Jenkins at Law | 2265 Roswell Road Suite 100 Marietta, GA 30062 | Electronic Service | No | OFF_SL_12-1240_Official |
| Richard | Johnson | johnsonr@moss-barnett.com | Moss & Barnett | 4800 Wells Fargo Center90 South Seventh Street Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| Michael | Krikava | mkrikava@briggs.com | Briggs And Morgan, P.A. | 2200 IDS Center 80 S 8th St Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| Karen | Kromar | karen.kromar@state.mn.us | MN Pollution Control Agency | 520 Lafayette Rd Saint Paul, MN 55155 | Electronic Service | No | OFF_SL_12-1240_Official |
| Douglas | Larson | dlarson@dakotaelectric.com | Dakota Electric Association | 4300 220th St W Farmington, MN 55024 | Electronic Service | No | OFF_SL_12-1240_Official |
| John | Lindell | agorud.ecf@ag.state.mn.us | Office of the Attorney General-RUD | 1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130 | Electronic Service | No | OFF_SL_12-1240_Official |
| Michael | Loeffler | | Northern Natural Gas Co. | CORP HQ, 714 1111 So. 103rd Street Omaha, NE 681241000 | Paper Service | No | OFF_SL_12-1240_Official |
| Kavita | Maini | kmains@wi.rr.com | KM Energy Consulting LLC | 961 N Lost Woods Rd Oconomowoc, WI 53066 | Electronic Service | No | OFF_SL_12-1240_Official |
| Pam | Marshall | pam@energycents.org | Energy CENTS Coalition | 823 7th St E St. Paul, MN 55106 | Paper Service | No | OFF_SL_12-1240_Official |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|-----------|------------------------------|--------------------------------------|--|--------------------|-------------------|-------------------------|
| Brian | Meloy | brian.meloy@leonard.com | Leonard, Street & Deinard | 150 S 5th St Ste 2300 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| Andrew | Moratzka | apmoratzka@stoel.com | Stoel Rives LLP | 33 South Sixth Street Suite 4200 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| David W. | Niles | david.niles@avantenergy.com | Minnesota Municipal Power Agency | Suite 300 200 South Sixth Street Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |
| Bryan | Nowicki | bnowicki@reinhartlaw.com | Reinhart Boerner Van Deuren s.c. | 22 E Mifflin St Ste 600 Madison, WI 53703-4225 | Electronic Service | No | OFF_SL_12-1240_Official |
| Bob | Patton | bob.patton@state.mn.us | MN Department of Agriculture | 625 Robert St N Saint Paul, MN 55155-2538 | Electronic Service | No | OFF_SL_12-1240_Official |
| Joseph V. | Plumbo | | Local Union 23, I.B.E.W. | 932 Payne Avenue St. Paul, MN 55130 | Paper Service | No | OFF_SL_12-1240_Official |
| Kevin | Reuther | kreuther@mncenter.org | MN Center for Environmental Advocacy | 26 E Exchange St, Ste 206 St. Paul, MN 551011667 | Paper Service | No | OFF_SL_12-1240_Official |
| Richard | Savelkoul | rsavelkoul@martinsquires.com | Martin & Squires, P.A. | 332 Minnesota Street Ste W2750 St. Paul, MN 55101 | Electronic Service | No | OFF_SL_12-1240_Official |
| Steven | Schleimer | N/A | Calpine Corporation | 500 Delaware Ave Ste 600 Wilmington, DE 19801 | Paper Service | No | OFF_SL_12-1240_Official |
| Byron E. | Starns | byron.starns@leonard.com | Leonard Street and Deinard | 150 South 5th Street Suite 2300 Minneapolis, MN 55402 | Electronic Service | No | OFF_SL_12-1240_Official |

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|------------|-----------|-----------------------------------|------------------------------|--|--------------------|-------------------|-------------------------|
| James M. | Strommen | jstrommen@kennedy-graven.com | Kennedy & Graven, Chartered | 470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402 | Paper Service | No | OFF_SL_12-1240_Official |
| Eric | Swanson | eswanson@winthrop.com | Winthrop Weinstine | 225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629 | Electronic Service | No | OFF_SL_12-1240_Official |
| James | Talcott | jim.talcott@nngco.com | Northern Natural Gas Company | 1111 South 103rd Street Omaha, Nebraska 68124 | Electronic Service | No | OFF_SL_12-1240_Official |
| SaGonna | Thompson | Regulatory.Records@xcelenergy.com | Xcel Energy | 414 Nicollet Mall FL 7 Minneapolis, MN 554011993 | Electronic Service | No | OFF_SL_12-1240_Official |
| Kari L | Valley | kari.l.valley@xcelenergy.com | Xcel Energy Service Inc. | 414 Nicollet Mall FL 5 Minneapolis, MN 55401 | Electronic Service | No | OFF_SL_12-1240_Official |
| Lisa | Veith | lisa.veith@ci.stpaul.mn.us | City of St. Paul | 400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102 | Electronic Service | No | OFF_SL_12-1240_Official |