office of energy security

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June 11, 2009

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Petition for Reconsideration and Amendment of the Minnesota Office of Energy Security**
Docket No. ET2, E002, et al/CN-06-1115

Dear Dr. Haar:

Attached is the Petition for Reconsideration of the Minnesota Office of Energy Security (OES) in the following matter:

> Application to the Minnesota Public Utilities Commission for Certificates of Need for Three 345 kV Transmission Line Projects with Associated System Connections.

The OES requests that the Minnesota Public Utilities Commission **grant reconsideration and amend certain of the conditions contained in the May 22 Order.** The OES is available to answer any question the Commission may have.

Sincerely,

/s/ STEVE RAKOW
Rates Analyst

SR/jl
Attachment

office of energy security

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PETITION BY THE MINNESOTA OFFICE OF ENERGY SECURITY

DOCKET NO. E002, ET2 ET AL/CN-06-1115

I. INTRODUCTION

On May 22, 2009 the Minnesota Public Utilities Commission (Commission) issued its *Order Granting Certificate of Need with Conditions* (Order). The Order approved the certificates of need (CNs) requested by Northern States Power Company, a Minnesota Corporation and wholly-owned subsidiary of Xcel Energy Inc. (Xcel) and Great River Energy, a Minnesota Cooperative Corporation (jointly, the Applicants).

Minnesota Rules 7829.3000 subp. 1 requires that a petition for reconsideration be filed within 20 days of the date of the Order. Pursuant to Minnesota Rules 7829.3000, the Minnesota Office of Energy Security (OES) hereby petitions the Commission for reconsideration of the Order.

Minnesota Rules 7829.3000 subp. 2 provides the content requirements for a petition for reconsideration:

> A petition for rehearing, amendment, vacation, reconsideration, or reargument must set forth specifically the grounds relied upon or errors claimed. A request for amendment must set forth the specific amendments desired and the reasons for the amendments.

Below the OES provides the grounds relied upon, the specific amendments desired, and the reasons for OES's requested (or recommended) amendments which can be summarized as.

- there are unexlored timing consequences;
- there are unexplored generation outlet capacity consequences;
- there are unexplored regional implications;
- the conditions raise costs in a manner not considered by the Commission;
- the Order mischaracterizes the Brookings line;

- the Order does not consider the cost of foregone projects;
- the Order does not consider the market consequences; and
- the Order does not explain how the conditions achieve the stated goal.

II. OES ANALYSIS

A. GROUNDS RELIED UPON

1. Applicable Standard

Minnesota Statutes and Minnesota Rules provide the Commission broad authority when making a decision, including a decision to reconsider a prior order. The Commission's standard for reconsideration is explained in the Commission's May 6, 2009 *Order Denying Reconsideration* in Docket No. E017, ET6131, ET6130, ET6144, ET6135, ET10/CN-05-619:

> The Commission finds that the petitions do not raise new issues, do not point to new and relevant evidence, do not expose errors or ambiguities in the original Order, and do not otherwise persuade the Commission that it should rethink its original decision. The Commission concludes that the original decisions are the ones most consistent with the facts, the law, and the public interest, and will therefore deny the petitions for reconsideration.

Thus, the Commission has ruled generally that a petition for reconsideration must:

- raise new issues;
- point to new and relevant evidence; and/or
- expose errors or ambiguities in the original Order.

The result of the new issues, new evidence, or errors must be that the Commission is persuaded that it should rethink its original decision and that a new decision is more consistent with the facts, the law, and the public interest.

2. Defining "New"

Part of the Commission's standard is to present new issues or new evidence. A collateral issue concerns the definition of the term "new" in this context. While "new" could mean several things, the OES concludes that the following items qualify as new:

- out-of-record information that the moving party requests be considered as part of the record, presumably for good cause;

- in-record information that, at the time of the initial decision, could not be evaluated properly as it was offered very late in the process (potentially on a surprise basis), could not be analyzed by parties, and thus was appropriately given little to no weight by the Commission; and
- a new argument that was not provided earlier (again, presumably for good cause).

3. Applicable Framework

Any new issues, new evidence, or errors that a party raises must be linked to the conclusion that a new decision is superior. During oral arguments, the OES explained the benefit-cost framework that is appropriate for decision-making regarding conditions:

> I would think in terms of the costs and benefits, to the extent you put conditions on the particular line, you gain megawatts of wind. For example, you force the utilities to buy 700 megawatts of wind on the Brookings line, you might gain a couple hundred megawatts, because most likely five or six hundred megawatts is going to be wind regardless of what we do here today, probably all 700, so your benefit of any condition is going to be rather small, first of all. And then you have to look at what are the costs of any conditions. And the costs are -- the number in the record is about $50 million in PVRR for a two or three percent change in PPA price. [4-16-09 transcript at page 32, lines 4 to 17]

The Commission's deliberations and resulting Order generally followed the approach recommended by OES; the Commission weighed the costs and benefits. Therefore, the OES concludes that the Order is not arbitrary and capricious.

Since the arbitrary and capricious standard cannot be met, a petition for reconsideration must present new information, new issues, or errors that impact the benefit/cost considerations in a way such that a superior decision is available based upon fact, policy, and law.

B. SPECIFIC AMENDMENTS DESIRED

First, as a participant in this proceeding, the OES can appreciate the difficulty that would occur in attempting to decipher the lengthy and complex record, after the fact, rather than following the discussions as they occurred during the evidentiary hearing. The OES notes that the Administrative Law Judge extensively probed, throughout the evidentiary hearing, the issue of the type of generation to be connected to the lines, along with the issue of conditions being placed on the line. Based on the thorough development of this issue throughout the proceeding, the ALJ rejected any conditions to require renewable energy to be interconnected to the lines.

Second the OES notes, as shown in the table below, that a significant number of wind facilities have been proposed to be built in Minnesota in the time since the CapX2020 lines were proposed. This list does not include all of the utility-owned wind facilities which are in process, and thus understates the amount of wind generation under development in Minnesota:

Table 1: Wind Projects Under Development Before the Commission

Wind Project	MW	Filed	Docket
Half Moon Power	205	5/18/2009	IP6736/CN-09-558
Heartland Wind	150	4/24/2009	IP6728/CN-09-471
EcoEnergy	200	8/14/2008	IP6688/CN-08-961
Noble Flat Hill	201	8/08/2008	IP6686/CN-08-951
Buffalo Ridge Power Partners	138	7/02/2008	IP6684/CN-08-785
Wapsipinicon	105	3/21/2008	IP6670/CN-08-334
WPL	200	11/08/2007	ET6657/CN-07-1425
Elm Creek	100	6/07/2007	IP6631/CN-07-789
Moriane II	49.5	12/17/08	E002/M-08-1487
Grand Meadow	100	6/25/2007	E002/CN-07-873
Ashtabula	48	9/02/2008	E017/M-08-1055
Langdon	40.5	1/30/2008	E017/M-08-119
Uilk	4.5	12/23/2008	E002/M-08-1502
Ridgewind	25	12/01/2008	E002/M-08-1428
Valley View	10	10/20/2008	E002/M-08-1235
Hilltop	2	1/16/2008	E002/M-08-47
Merricourt	150	12/3/2008	E002/M-08-1437
Nobles	200	12/3/2008	E002/M-08-1437

Third, one of the unanticipated consequences of placing conditions on the Brookings Line is the negative effect on wind projects not located along the Brookings Line. The conditions significantly decreased the attractiveness and, thus, value of non-Brookings wind projects since the Order's condition mandated that the CapX partners' priority for wind projects is now those projects which are located along the Brookings Line. The OES does not believe that the Commission intended to reduce the value of certain wind projects to the largest RES utilities or to impede their development or market attractiveness. However, for non-Brookings projects, those are exactly the consequences of the conditions.

Due to expected effects of unintended consequences of the conditions placed on the Brookings line, the OES recommends that the Commission amend the following language from ordering paragraph 3 of the Order:

> The Commission grants a Certificate of Need for the Brookings Project provided that they comply with the following conditions to the extent possible:

A. Applicants shall sign power purchase agreements (PPAs) or commit to utility-owned renewable generation projects within the timeframe of Minn. Stat. § 216B.1691, coordinated with the proposed in-service dates of each segment of the Brookings Project unless such action fails to conform to the Applicant's resource requirements as accepted or approved in its most recent IRP, RES report, or other relevant report.

B. Applicants shall submit network (firm) transmission service requests to the Open Access Same Time Information System of the Midwest Independent Transmission System Operator, Inc. (MISO), for the ~~total~~ amount of new ~~capacity enabled by this line to attempt, to the extent lawfully possible, to try to achieve full subscription of the capacity for renewable generation~~ renewable generation purchased under Part A.

C. Applicants shall make a compliance filing within 30 days of obtaining the Certificates of Need, detailing the ~~allocation~~ projected amount of the new transmission capacity ~~among~~ by the ~~owners~~ Applicants. The compliance filing shall address how much capacity will be enabled by this transmission line; the ~~allocation~~ projected amount of the capacity ~~among~~ by the Applicants; and the type of MISO transmission service Applicants will seek to serve the renewable generated electricity to be carried on this line, recognizing that MISO allocation and restriction of MISO managed transmission capacity is beyond the scope and authority of this Commission.

D. As necessary to comply with condition A., Applicants shall designate the new, renewable commitments as Network Resources pursuant to MISO's federal Transmission & Energy Markets Tariff, and seek the designation as soon as permitted under the MISO rules, but no later than 10 days after the Commission approves the PPAs or commitments,

E. Applicants shall report to the Commission any changes at MISO or the federal level that could affect these conditions.

OES appreciates the concerns and ideas that the Commissioners expressed during oral arguments and deliberations regarding representations by utilities as to the purpose of the proposed lines.[1] However, the OES has maintained throughout the proceeding that the lines are needed to interconnect both renewable and non-renewable generation facilities, improve reliability, and relieve congestion on the grid. To address the issue of the extent to which the lines are used for these purposes, the OES recommends that the Commission add the following conditions:

[1] In particular, see pages 81-82 of the transcript of the April 16, 2009 Commission deliberation.

1. The Applicants shall file a report, as part of the 2009 biennial transmission plan, containing the following combined-Applicant information to the best of their knowledge:

   A. the forecasted demand for interconnection, including:
      a. A forecast of the annual renewable capacity forecasted to be necessary to meet the Minnesota renewable energy standard (RES) for the CapX utilities through 2025, including estimates of:
         i. the gross Minnesota-RES need;
         ii. the Minnesota-RES qualifying resource already acquired; and
         iii. the net Minnesota-RES need.
      b. a forecast of the annual non-Minnesota RES required generation capacity needed by the CapX utilities through 2025[2];
      c. an allowance for generation capacity to be built in the region by non-CapX utilities through 2025 (for example, utilities without Minnesota load);[3]
      d. an explanation regarding how Minnesota's 1.0 percent to 1.5 percent energy saving goal was incorporated into the forecasts;
      e. a discussion of scenarios for the geographic distribution of the forecasted interconnection needs.
   B. Information on forecasted supply of interconnection, including:
      a. an estimate of the interconnection capability already approved but not yet used (i.e., available to meet the forecasted demand);
      b. a proposed transmission expansion plan with a specific size, type, and timing for individual projects;
      c. an estimate of the annual generation interconnection capability created by the proposed transmission plan;
      d. a brief explanation of any size, type, or timing issues inherent in the proposed transmission expansion plan (e.g., line B should come on-line 2 years after line A);
      e. an explanation of how the proposed plan deals with geographic uncertainty in interconnection needs; and
      f. a brief explanation of any non-interconnection benefits (i.e., reliability, reduced line losses, etc.) provided by the proposed transmission expansion plan.

[2] For clarity, this might include:
   a. renewables resources needed to meet renewable standards or objectives in other jurisdictions;
   b. renewable resources in excess of the quantity necessary to meet the Minnesota RES; and
   c. any resources needed to meet approved resource plans or required reserve criteria.

[3] Specifically, an allowance should be made for projects such as Wisconsin Power and Light Company's Bent Tree Wind Facility (Docket No. ET6657/CN-07-1425).

C. Resource plans filed pursuant to Minnesota Rules part 7843 after the Commission approves a transmission expansion plan shall explain how the generation plan will integrate the transmission plan into an overall system plan.

OES recognizes that certain transmission initiatives are currently underway that address the same or similar information on a subregional and regional basis. The conditions above are meant to provide a more detailed transmission "picture" for Minnesota that conforms within these initiatives.

As an example of the OES-proposed conditions, Attachment 1 shows a hypothetical demand for interconnection and transmission expansion plan. The goal of OES's proposed conditions is to produce a Commission-approved transmission expansion plan that details the projected size, type, and timing of planned transmission projects similar to resource plans. By creating a single "transmission for required resources" plan, the Commission will be better able to manage the goal of matching generation and transmission acquisition at a lower cost.

C. REASONS FOR THE AMENDMENTS

1. New Information Regarding Benefits of Conditions

a. Timing Considerations

New information exists that indicates there are significant timing impacts between the Brookings line and other transmission lines that studies have concluded are necessary in order to meet the Minnesota RES. For example, the timing of the Brookings, SD—Hampton Corner 345 kV line influences the timing of the next step in the utilities' plans to construct RES-related transmission. This issue was discussed in the Minnesota Transmission Owner's March 31, 2009 *Companion Report for the Southwest Twin Cities—Granite Falls Transmission Upgrade Study Technical Report and the Minnesota RES Update Study Technical Report* (Companion Report).[4] While the Companion Report was available prior to the date the record closed (April 16, 2009 per the Commission's Order), the Companion Report was not available for the evidentiary hearing or at a time that enabled attention and thoughtful, detailed analysis to be included in the record.

Of interest, the Companion Report identifies timing concerns at page 20:

> … the 230 kV corridor cannot be taken out of service without key segments of the proposed Brookings—Twin Cities line being in-service. Removing the 230 kV line without these segments in service will result in significant curtailment of Buffalo Ridge wind generation. This means that if the Corridor Upgrade is ultimately

[4] The Companion Report is available at: www.minnelectrans.com.

> approved for construction prior to completion of the Brookings Project, significant curtailed wind generation from Buffalo Ridge will result. It is beyond the scope of the Corridor Study to analyze the amount of such costs or the parties primarily responsible for those costs. However, it is expected that this issue will need to be addressed as it could impact the timing and cost of the Corridor Upgrade.

Emphasis added.

Further, the timing of the Hazel Creek—Blue Lake 345 kV line (Corridor project) impacts the timing of any potential upgrade to the CapX group 1 lines from "upsized" or double-circuit capable, single-circuit strung to fully double circuit. This significant timing concern is confirmed by the Companion Report which stated at pages 36-37:

> In addition, the analysis showed that this upgrade of the Hazel Creek to Blue Lake 230 kV line to a 345 kV double circuit is a pre-requisite to utilizing additional capacity for two CapX 2020 lines.

The importance of the timing link between the Brookings project and the Corridor project is also emphasized in the Minnesota Transmission Owner's March 31, 2009 *Capacity Validation Study* (CVS Report)[5] which states at page 52:

> After the Brookings County – Twin Cities line is completed, it would be possible to take the Corridor line out of service for construction, but the construction window is limited before the Corridor line is loaded back up again with more wind generation. If the Granite Falls – Blue Lake 230 kV line were taken out of service to be upgraded without a parallel line in place before the outage, existing generation in western Minnesota, North Dakota and South Dakota would be severely limited throughout the duration of the outage.

In summary, new information in the Companion Report and the CVS Report demonstrates there are significant timing issues involved with the Brookings line. The Commission's Order at point 3A does have some flexibility in terms of timing of the conditions: "Applicants shall sign power purchase agreements (PPAs) or commit to utility-owned renewable generation projects within the timeframe of Minn. Stat. §216B.1691, coordinated with the proposed in-service dates of each segment of the Brookings Project." However, the newly discovered timing considerations go beyond the issue addressed in the Order—how to match particular MW of generation and transmission. An issue of equal significance is to ensure that the overall transmission expansion plan happens in a manner such that the transmission system is available in time to meet all

[5] The CVS Report is available at www.minnelectrans.com.

generation needs. Therefore, the OES concludes that better information on timing considerations needs to be developed and reflected in a Commission Order. The OES's proposed conditions are designed to do so.

b. Capacity Considerations

New information indicates that there are significant generation interconnection capability impacts between the Brookings line and other transmission lines that studies have concluded are necessary in order to meet the Minnesota RES. For example, the generation interconnection capability made available by the Brookings line has been referred to as 700 MW in this proceeding. The Commission's Order reflects that record evidence. That said, the capability made available by any transmission line is a result of the performance of the transmission system, not an individual line. That concept was discussed in the record in general. However, new facts are now available that demonstrate the degree to which the capability of one line can be impacted by the surrounding system.

Table 12 of the CVS Report provides system capability under a wide variety of circumstances.[6] Starting with all of the CapX group 1 lines in place, the result is a regional transmission system with a capability of 2,415 MW [Table 12, line 2a]. When the second circuit is added to CapX group 1, the result is a capability of 2,627 MW [Table 12, line 2ab]. Thus, the second circuit adds 212 MW.[7]

A system with CapX group 1 and the Corridor project in-service result in a capability of 2,340 MW [Table 12, line 2ac]. When the second circuit is added to the CapX group 1 lines, the result is a capability of 2,662 MW [Table 12, line 2abc]. Thus, the second circuit now adds 322 MW[8], or 50 percent more system capability from the same improvement just by changing the underlying system configuration to provide more transfer capability between the Buffalo Ridge and the Twin Cities.

A more extreme example is possible. A system with CapX group 1, the Corridor project, and the La Crosse—West Middleton project results in a system with a capability of 3,917 MW [Table 12, line 2acg] due to the ability to carry energy from southwest Minnesota into Wisconsin and further east. When the second circuit is added to CapX group 1, the result is a capability of 4,915 MW [Table 12, line 2abcg]. Thus, the second circuit now adds 998 MW[9], or five times the system capability that upsizing added to CapX alone and three times the capability that upsizing added to CapX and the Corridor project.

[6] The following discussion assumes the historical interface flow with a Midwest ISO sink column because that appears to be the most realistic set of assumptions
[7] Calculated as 2,627 MW minus 2,415 MW equals 212 MW.
[8] Calculated as 2,662 MW minus 2,340 MW equals 322 MW.
[9] Calculated as 4,915 MW minus 3,917 MW equals 998 MW.

In summary, the CVS Report demonstrates that it is critical for the Commission to take an overall systems approach to transmission planning rather than a piecemeal transmission line-by-transmission line, project-by-project approach. Under the current regulatory practice, the Commission has not approved any particular transmission plan that resulted from a "vision study." Rather, the Commission only approves specific transmission projects that result from "certificate of need studies." While the OES certainly understands that the Commission, OES and all the parties, have had to rely on record evidence, the OES notes that it is critical for record evidence to include information pertaining not only to the specific line but also to the system as a whole and the lines' impact thereon. This issue is particularly critical when examining significant, both in size and in grid impact, transmission projects. The consequence of a systems approach is that the generation interconnection capability is not a result of a particular project but an overall system configuration that continually evolves.

This discussion demonstrates that the most important decisions actually take place during the "vision study" or planning phase where the overall system is considered. In the past the Commission has not been involved in approving an overall, fifteen-year transmission expansion plan. The OES conditions use these new facts as the foundation for a change in the Commission's approach, a change towards a more proactive Commission role.

2. New Information Regarding Costs of Conditions

a. Impact on UMTDI

On September 18, 2008, the Governors of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin announced the creation of the Upper Midwest Transmission Development Initiative (UMTDI). UMTDI is intended to accomplish two major tasks: first, to establish a plan that will guide and encourage the construction of interstate transmission lines to serve the upper Midwest region's commitment to cost-effective renewable (and other) generation while maintaining reliability; and second, to develop an equitable cost-sharing methodology. See Attachment 2 for further information.

UMTDI's work was not advanced sufficiently at the time when it could be entered into the evidentiary hearing record. The OES is concerned that the Commission was not able to adequately consider the impact that the ordered conditions would have on regional transmission planning initiatives such as UMTDI. Through the conditions the Commission attempted to ensure that the interconnection enabled by the Brookings line is fully subscribed by wind projects to be sold to Minnesota customers. The conditions appear to ensure there will be no room on the Brookings line for other states' generation. Thus, the conditions may impede the collaborative effort of the UMTDI. This is because commissions in neighboring states would have little incentive to engage Minnesota in regional planning efforts since the Commission's Order does not take into account regional needs, contrary to Minnesota Rules 7849.0120A and Minnesota

Statutes §216B.243, subd. 3(3), (7), and (9), which explicitly direct the Commission to incorporate regional considerations. Minnesota ratepayers are likely to benefit from such regional planning efforts and potential cost sharing among the states.

b. Which costs to minimize?

The Commission's changes to the Joint Intervenor's[10] conditions in the Order reflect a concern with minimizing costs. However, the Order did not go far enough. An important issue that was not raised throughout the proceeding is "which costs should be minimized?" There are many stages or phases of cost analysis and potential impact on ratepayers. Total costs can be minimized at the time they are incurred. However, costs for subsets of ratepayers can only be minimized at the time of allocation. In this case, Minnesota ratepayers are one "subset" among many states' customer "subsets" that ultimately may pay a share of the costs. While the Commission has attempted to minimize the total cost incurred, the Commission did not consider the cost allocation implications of its policy.

The Commission could not have considered the impact of its generation-related conditions upon transmission cost allocations because that issue was not debated in any detail in the record. In particular, the Commission's generation-related conditions may increase the transmission-related costs paid by Minnesota ratepayers. That is, by approving conditions attempting to link transmission outlet to generation purchases by Minnesota utilities, the Commission likely increased the total transmission costs expected to be borne by Minnesota ratepayers as opposed to ratepayers in other states.

The OES did not raise the issue of the impact of generation conditions on allocation of transmission costs during hearing because:

- the allocation issue had not been resolved;[11] and
- the generation cost imposed by the proposed conditions appeared to be more than sufficient to persuade the Commission not to approve them.

The OES did not anticipate that the Commission would modify the conditions in a manner not proposed by any party or at least not subject to sufficient discussion and testing in the record. Based upon the Order, the OES's analysis regarding the cost of the conditions was correct and the OES now has considered the transmission cost allocation impact of the ordered condition. Therefore, at this time the OES recommends that the Commission consider the transmission cost allocation implications of the Order. By imposing generation-related conditions, the Commission simultaneously biased the transmission cost allocation discussions and wind

[10] The Joint Intervenors are Fresh Energy, Izaak Walton League of America-Midwest Office, Wind on the Wires, and the Minnesota Center for Environmental Advocacy.
[11] See Attachment 3, a letter from CapX to the Midwest Independent Transmission System Operator dated April 16, 2009, which demonstrates that cost allocations were not resolved through the end of the hearing.

generation discussions[12] towards options that allocate more costs to Minnesota ratepayers. The transmission project at hand—the Brookings project—costs in excess of $650,000,000 and, thus, even a small change in cost allocation can create a significant, immediate cost increase for Minnesota ratepayers.

As indicated in the letter (Attachment 3), this bias might impact not only the Brookings project, but other transmission projects expected to be filed in the future as well. The transmission projects recommended by the Companion Report and the CVS Report have an estimated total cost of $1 billion; all projects might have a greater share of costs being allocated to Minnesota ratepayers due to the Order.

In summary, the Order attempted to reduce the generation-related cost of the conditions. However, the Order did not consider the impact on transmission cost allocation. Even small changes in allocations can lead to large shifts in costs when the costs in question are in excess of $1 billion. This evidence also demonstrates that the Commission may be better served pursuing its policy goals in a proactive manner within the transmission and generation planning processes as recommended by the OES, above. For example, the Commission could pursue its goals by ordering transmission expansion plans and generation expansion plans that match. This goal can best be accomplished by first ordering a transmission expansion plan (as in laid out in the recommendation and Attachment 1) and then ordering the utilities to consider that expansion plan within their generation planning proceedings as well as coordinate it with existing subregional and regional planning currently underway.

c. Acceleration of Generation

The April 22, 2009 *Direct Testimony and Attachments of Susan L. Peirce* (Peirce Direct) in Docket No. E002/CN-08-509 states at page 16:

> Assuming a 30 percent capacity factor for new wind additions, I estimate that Xcel will have sufficient renewable generation to meet its RES obligations through 2013. Assuming a 40 percent wind capacity factor, I estimate renewable generation resources sufficient to meet RES requirements through 2014. Excluding generation from silent PPAs, Xcel has sufficient renewable generation … through 2010.

Thus, depending upon future Commission decisions, Xcel may not need RES generation until 2015. The Peirce Direct in the proceeding noted above was not available prior to the close of the record and demonstrates that there is a significant potential for the ordered conditions to accelerate acquisition of generation in a manner which may not benefit Xcel's ratepayers. Thus, if the Commission proceeds with the ordered conditions intact, further information on cost

[12] See the earlier discussion immediately after Table 1.

impacts is needed. Additionally, it may be necessary for the Applicants to delay or reject other wind projects that are scheduled to come on-line in the 2012-'13 time frame, but that are located in other areas. In other words, the Commission may well be transferring economic development benefits amongst regions of the state with no information on the consequences.

Issues among types of developers may also arise due to the conditions included in the Order. It may be necessary for C-BED projects outside of the Buffalo Ridge area, with their associated claims for higher economic development benefits to be replaced by non C-BED projects with a presumably lower economic development benefit on Buffalo Ridge. The record (or, it is assumed, the Commission) has no information on the consequences of such a tradeoff. The OES-proposed conditions would provide pertinent information to allow the Commission earlier, proactive involvement so as to avoid or mitigate such potential negative consequences of the ordered-conditions.

3. Errors in the Order

a. Regional Reliability

The Order states at page 12:

> **Regional reliability.** Applicants conducted a study (the CapX 2020 Vision Plan) forecasting the amount of system-wide growth the region would experience by 2020, and concluding that the region would experience transmission overloads, outages, and voltage problems unless new capacity were added. They then considered which arrangement of transmission facilities could best accommodate this growth under six different scenarios. This process provided the foundations for the La Crosse and Fargo Projects.

This statement is in error; the CapX 2020 vision study provided the foundation for the Brookings project as well. This fact is made clear by the opening paragraph of the Brookings Study, Appendix A-4 of the Petition which states:

> The CAPX 2020 Vision Study established a high voltage backbone infrastructure plan to address load serving needs predicted to arise in and near the state of Minnesota over the next 15 years. … One component of this plan is a new 345kV line from southwestern Minnesota to the south side of the Twin Cities. This development, like others recommended by the CAPX 2020 Study, would be undertaken in coordination with the establishment of a Twin Cities EHV "outer loop".

The Order errs in that the Order does not reflect the fact that the Brookings line, as well as the other two lines, derives from the CapX 2020 vision study.

b. Purpose of the Brookings Line

The Order states at page 14:

> Applicants designed the Brookings Project primarily to enable an additional 700 MW of electricity generated in the wind-rich Buffalo Ridge area to reach customers in the Twin Cities.

This statement is in error on three counts. First, the Brookings line was not designed primarily to enable an additional 700 MW of electricity. Rather, the Brookings project was designed primarily to provide outlet capacity and meet regional reliability needs. This fact is made clear in the introduction to the Brookings Study, Appendix A-4 of the Petition which states:

> From these studies, considering
> - the general regional need for generation additions to serve load growth;
> - the specific need for outlet capacity for proposed generation additions on or near the Buffalo Ridge;
> - the inefficiency (economic and electrical) of small-scale transmission improvements;
>
> It had been concluded a high-capacity EHV (345 kV or 500 kV) transmission development is warranted between Southwestern Minnesota and the Twin Cities, particularly when incorporated as part of an overall transmission backbone electric transmission system for Minnesota.

The second error is the statement that the transmission line is designed for the generation to reach customers in the Twin Cities. The fact that the Twin Cities serves as one end point for the transmission line does not mean that this line is designed to deliver all of its power to the Twin Cities. Rather, building the Brookings line allows generation from the Buffalo Ridge to reach customers outside of the Buffalo Ridge. Those customers could be in the Twin Cities, but they could also be located elsewhere. The error is that the end point of a transmission line does not determine the customers served; transmission must be considered from a systems perspective rather than a linear[13] perspective.

[13] "Linear" means that generators are all at one end of the transmission line and the customers are all at the other end of the transmission line.

Third, as illustrated earlier herein, generation outlet (700 MW) cannot be calculated as a function of an individual line. Rather, it is a result of adding the line to a particular system configuration. Therefore, it would be correct to say that the Brookings line was designed to enable generation outlet generally. The specific quality of outlet depends upon how the system develops. In summary, the language of the Order does not reflect the systems aspect of transmission. It also does not reflect the fact that the Brookings line provides regional benefits, and that there are important regional implications from the Commission's generation-related conditions.

c. Brookings Line and Vision Plan List

The Order errs in placing significance on the fact that the Brookings Project configuration was not stated as a scenario tested in Hearing Exhibit No. 1 the *CapX Technical Update: Identifying Minnesota's Electric Transmission Infrastructure Needs* (CapX 2020 Vision Plan). The Order states at page 36:

> The Brookings Project is different; the factors that prompted Applicants to propose the Brookings Project differ from the factors that drove the Fargo and La Crosse Projects. Contrary to the ALJ's conclusion, the Brookings Project does not appear on the list of "common projects" recommended in each of the six scenarios tested in the CapX 2020 Vision Plan. Thus, the Fargo and La Crosse Projects were driven primarily to match transmission capacity to anticipated levels of demand, while the Brookings Project was driven primarily by the need for new sources of supply. [footnote omitted]

The CapX 2020 Vision Plan dated October 2005 indeed does not list the specific configuration for the Brookings Project that was the Applicants' final proposal in this proceeding. However, that fact is of little to no importance for purposes of the transmission planning process as explained below. Simply put, the Order does not reflect the fact that a vision study analyzes concepts and does not determine the specific end points.

The Applicants, OES, and ALJ should have made the transmission planning process clearer to the Commission. The transmission planning process is well summarized in the Companion Report, which states at page 15:

> Transmission planning studies tend to fall into two broad categories: vision studies and Certificate of Need studies. Vision studies take a high level, indicative look at the transmission needs; a Certificate of Need study is a more detailed analysis of the transmission system and is required by regulators to move forward to the next steps of constructing a transmission system.

The Order's error is that the CapX 2020 vision study was not performed to determine the specific end points and other configuration characteristics. Instead the purpose of the CapX 2020 vision study, as with any vision study, was to identify promising concepts. This fact is confirmed by the executive summary of the CapX 2020 vision study which concludes at page 3 "The CapX 2020 technical team believes the results documented here to be the basis for additional studies to better identify the transmission needs of the study region."

Thus, the purpose of the CapX 2020 Vision Plan was to provide basic concepts. In Appendix A-1 of the CapX 2020 Vision Plan there are two lines running from the west side of the metro to points west: Benton County—Granite Falls 345 kV line (northwest Twin Cities to Buffalo Ridge) and a Blue Lake—Ellendale 345 kV line (southwest Twin Cities to southeastern North Dakota). In this case the relevant conceptual idea is clear, particularly when considering the totality of the prior vision study work, which goes beyond the CapX 2020 Vision Plan.[14] Thus, the EHV Study correctly concluded that prior studies had demonstrated that "a high-capacity EHV (345 kV or 500 kV) transmission development is warranted between Southwestern Minnesota and the Twin Cities."

The Order's conclusion that the Brookings Project was driven primarily by the need for new sources of supply is in error because it was primarily to serve load growth in the region. The latter purpose is clearly supported by evidence in the record by the EHV Study, which lists regional need to serve load growth as a basic purpose for the Brookings line.

d. Redundancy of Order Conditions

The Order errs in concluding/explaining, without record support, that the ordered conditions are designed to ensure that transmission constraints do not prevent the delivery of electric service from renewable generators. The Order states at page 38:

> The Commission finds that the conditions are not merely redundant of other legal requirements. As previously noted, the RES directs a utility to acquire a specified share of its electricity from renewable sources, with the share increasing over time. But the RES provides

[14] The *SouthwestMinnesota→Twin Cities EHV Development Electric Transmission Study* (EHV Study) (part of Hearing Exhibit No. 1) specifically lists the following studies:

- CapX 2020 (May 2005);
- Buffalo Ridge Incremental Generation outlet ("BRIGO") (June 2005);
- Southwest Minnesota/Southeast South Dakota Electric Transmission Study (October 2001);
- MISO Northwest Exploratory (June 2005);
- MISO Buffalo Ridge "Group 2" Interconnection (2005); and
- MISO Buffalo Ridge "Group 3" Interconnection (2005).

> for a utility to modify or delay these requirements if, among other reasons, "transmission constraints prevent[] delivery of service...." (footnote omitted)
>
> While this Commission issues Certificates of Need and Route Permits, it does not control the allocation of transmission capacity. That is controlled by MISO in accordance with its federally regulated Transmission & Energy Markets Tariff (TEMT). The conditions are designed to, among other things, ensure that transmission constraints do not prevent delivery of electric service from renewable generators.

The Order errs in that the record does not support a conclusion that the ordered conditions will advance the stated goal. The question is will the conditions have the incremental impact of increasing the delivery of electric service from renewable generators. The evidence in the record contrasts with the Order's conclusion, as summarized in the *Rebuttal Testimony of Dr. Steve Rakow* at page 7:

> even if the conditions were ordered by the Commission today, it is already too late for Mr. Ellison's conditions to serve the intended purpose. The May 23, 2008 *Direct Testimony of Hwikwon Ham*, at page 16 states that:
>
> > During September 2007 and October 2007, around the time of the Application filing, 25,032 MW of wind generation interconnection requests were filed at MISO. Most of the requested generator is located in the Minnesota, South Dakota, and North Dakota region. Further, many of the requested specific interconnection points are the substations along the proposed Project lines.
>
> Thus, any activity ordered by the Commission would have a place in the MISO Queue behind many other requests to use the proposed transmission lines.

The Order states that the ordered conditions are designed to ensure that transmission constraints do not prevent delivery of electric service from renewable generators. However, the Order does not explain how the ordered conditions can aid in accomplishing the stated goal since MISO, rather than the Commission or utilities, operates the program to interconnect generation. The evidence in the record is that any transmission interconnection request resulting from the Commission's Order will be placed behind many other requests, renewable and/or non-renewable. The fact is that markets react much faster than government processes. In fact, the ordered conditions also serve to create further congestion in the MISO queue by creating

additional generation interconnection requests attempting to "sew up" the available capacity of the Brookings line. Therefore, the Order and the evidence in the record do not demonstrate that the ordered conditions will have any positive incremental impact in terms of increasing the probability of wind generation using the interconnection capability attributable to the Brookings project

4. Cost of Conditions

a. Impaired Market

The Order errs in its conclusion that the proposed conditions will not impair the market for electricity. The Order states at page 39:

> Moreover, the record does not support the conclusion that the proposed conditions would so impair the market for electricity that a utility's rates would increase substantially. MISO and OES argue that there are multiple developers vying for interconnection, and wind-powered generators will likely consume the Brookings Project's transmission capacity even in the absence of conditions. While the ALJ does not find the proposed conditions necessary, she also finds that Applicants have not convincingly demonstrated that the conditions would impede competitive bidding. It is therefore difficult to see how conditions designed to ensure this outcome would alter market dynamics. [footnotes omitted]

The error here is that there are significant issues that the Commission ignores to reach this conclusion. First, the fact that there are multiple developers vying for interconnection does not mean that market dynamics will not be altered by the conditions. In fact, the very purpose of the ordered conditions is to alter the market dynamics relative to the RES. The current RES is premised on ordered, open competition among all qualifying generators at all locations and all Minnesota-serving utilities. The ordered conditions limit the market amongst sellers by confining them geographically to projects that can use the proposed lines. The ordered conditions limit the market amongst buyers by confining them to Applicants. There is no basis in economic theory or the record for a conclusion that ordered conditions limiting access to the market can be done in such a manner that market dynamics are not altered.

b. Cost of Forgone Projects

The Order errs in that it does not consider the impacts in terms of projects that will not be proposed due to the conditions. Specifically, in Docket No. E002/CN-08-992 the Commission has approved an exemption request and a notice plan for a set of 161 kV lines proposed to meet generation interconnection needs in the Rochester area—the regional incremental generator outlet (RIGO) projects. The applicant for the RIGO certificates of need (CNs) would be Xcel.

OES understands RIGO would create approximately 700 MW of generation interconnection capability. Considering the intent of the conditions—to require transmission applicants to purchase the resulting generation interconnect capability—it would not be prudent for Xcel to file a CN petition for RIGO given the precedent that would be set in the instant proceeding if the conditions on the Brookings line are not removed. Xcel itself has no need for 700 MW of generation interconnection capability, either in the Rochester area or elsewhere for the foreseeable future. Thus, Xcel has a significant disincentive to build these transmission lines since the Company would risk having similar conditions placed on the line.

The potential applicant(s) for a CN for the Corridor project (discussed elsewhere in this petition) have not been determined. However, same consequences apply to the Corridor project. Transmission planning studies indicate that the Corridor project would create about 2,000 MW of generation interconnection capability. Simply put—even if utilities willing to bear the conditions could be found—there is no set of applicants that could justify acquisition of 2,000 MW of generation in any year the Corridor project might come on-line. Again, it would not be prudent for any utility to file a CN for the Corridor project unless the utility can demonstrate a clear need for 2,000 MW of generation interconnect during the on-line year. The resulting precedential effect of the conditions, therefore, is another unintended consequence: an impediment for any new transmission lines of any significant size.

In summary, the Commission's approval of the Joint Intervenor's conditions likely sacrifices 2,700 MW of generation interconnection capability, and under current resource plans much of this would serve renewables, for the purpose of attempting to insure that 700 MW of generation interconnection capability is used by renewables. Ultimately the Commission's larger choice in this docket has been to continue down a path that ensures that transmission development occurs on a project-by-project basis with applicants not proposing more interconnection capability than they can justify for their customers themselves. From the OES's review of the Commission's deliberations, it is not clear that the Commission realized or had the opportunity to consider that consequences of the path it chose. If the Commission did not intend the above-discussed result, the Commission should reconsider the conditions as proposed by OES.

III. OES RECOMMENDATION

Due to expected effects of unintended consequences of the conditions placed on the Brookings line, the OES recommends that the Commission revise the following Ordering paragraph language from ordering paragraph 3 of the Order:

> The Commission grants a Certificate of Need for the Brookings Project provided that they comply with the following conditions to the extent possible:
>
> A. Applicants shall sign power purchase agreements (PPAs) or commit to utility-owned renewable generation projects within

the timeframe of Minn. Stat. § 216B.1691, coordinated with the proposed in-service dates of each segment of the Brookings Project unless such action fails to conform to the Applicant's resource requirements as accepted or approved in its most recent IRP, RES report, or other relevant report.

B. Applicants shall submit network (firm) transmission service requests to the Open Access Same Time Information System of the Midwest Independent Transmission System Operator, Inc. (MISO), for the ~~total~~ amount of new ~~capacity enabled by this line to attempt, to the extent lawfully possible, to try to achieve full subscription of the capacity for renewable generation~~ renewable generation purchased under Part A.

C. Applicants shall make a compliance filing within 30 days of obtaining the Certificates of Need, detailing the ~~allocation~~ projected amount of the new transmission capacity ~~among~~ by the ~~owners~~ Applicants. The compliance filing shall address how much capacity will be enabled by this transmission line; the ~~allocation~~ projected amount of the capacity ~~among~~ by the Applicants; and the type of MISO transmission service Applicants will seek to serve the renewable generated electricity to be carried on this line, recognizing that MISO allocation and restriction of MISO managed transmission capacity is beyond the scope and authority of this Commission.

D. As necessary to comply with condition A., Applicants shall designate the new, renewable commitments as Network Resources pursuant to MISO's federal Transmission & Energy Markets Tariff, and seek the designation as soon as permitted under the MISO rules, but no later than 10 days after the Commission approves the PPAs or commitments,

E. Applicants shall report to the Commission any changes at MISO or the federal level that could affect these conditions.

OES appreciates concerns that the Commissioners expressed during oral arguments and deliberations regarding representations by utilities as to the purpose of the proposed lines. However, the OES has maintained throughout the proceeding that the lines are needed to interconnect both renewable and non-renewable generation facilities, improve reliability and relieve congestion on the grid. To address the issue of the extent to which the lines are used for these purposes, the OES recommends that the Commission add the following conditions:

1. The Applicants shall file a report, as part of the 2009 biennial transmission plan, containing the following combined-Applicant information to the best of their knowledge:

   A. the forecasted demand for interconnection, including:
      f. A forecast of the annual renewable capacity forecasted to be necessary to meet the Minnesota renewable energy standard (RES) for the CapX utilities through 2025, including estimates of:
         i. the gross Minnesota-RES need;
         ii. the Minnesota-RES qualifying resource already acquired; and
         iii. the net Minnesota-RES need.
      g. a forecast of the annual non-Minnesota RES required generation capacity needed by the CapX utilities through 2025[15];
      h. an allowance for generation capacity to be built in the region by non-CapX utilities through 2025 (for example, utilities without Minnesota load);[16]
      i. an explanation regarding how Minnesota's 1.0 percent to 1.5 percent energy saving goal was incorporated into the forecasts;
      j. a discussion of scenarios for the geographic distribution of the forecasted interconnection needs.
   B. Information on forecasted supply of interconnection, including:
      f. an estimate of the interconnection capability already approved but not yet used (i.e., available to meet the forecasted demand);
      g. a proposed transmission expansion plan with a specific size, type, and timing for individual projects;
      h. an estimate of the annual generation interconnection capability created by the proposed transmission plan;
      i. a brief explanation of any size, type, or timing issues inherent in the proposed transmission expansion plan (e.g., line B should come on-line 2 years after line A);
      j. an explanation of how the proposed plan deals with geographic uncertainty in interconnection needs; and
      f. a brief explanation of any non-interconnection benefits (i.e., reliability, reduced line losses, etc.) provided by the proposed transmission expansion plan.

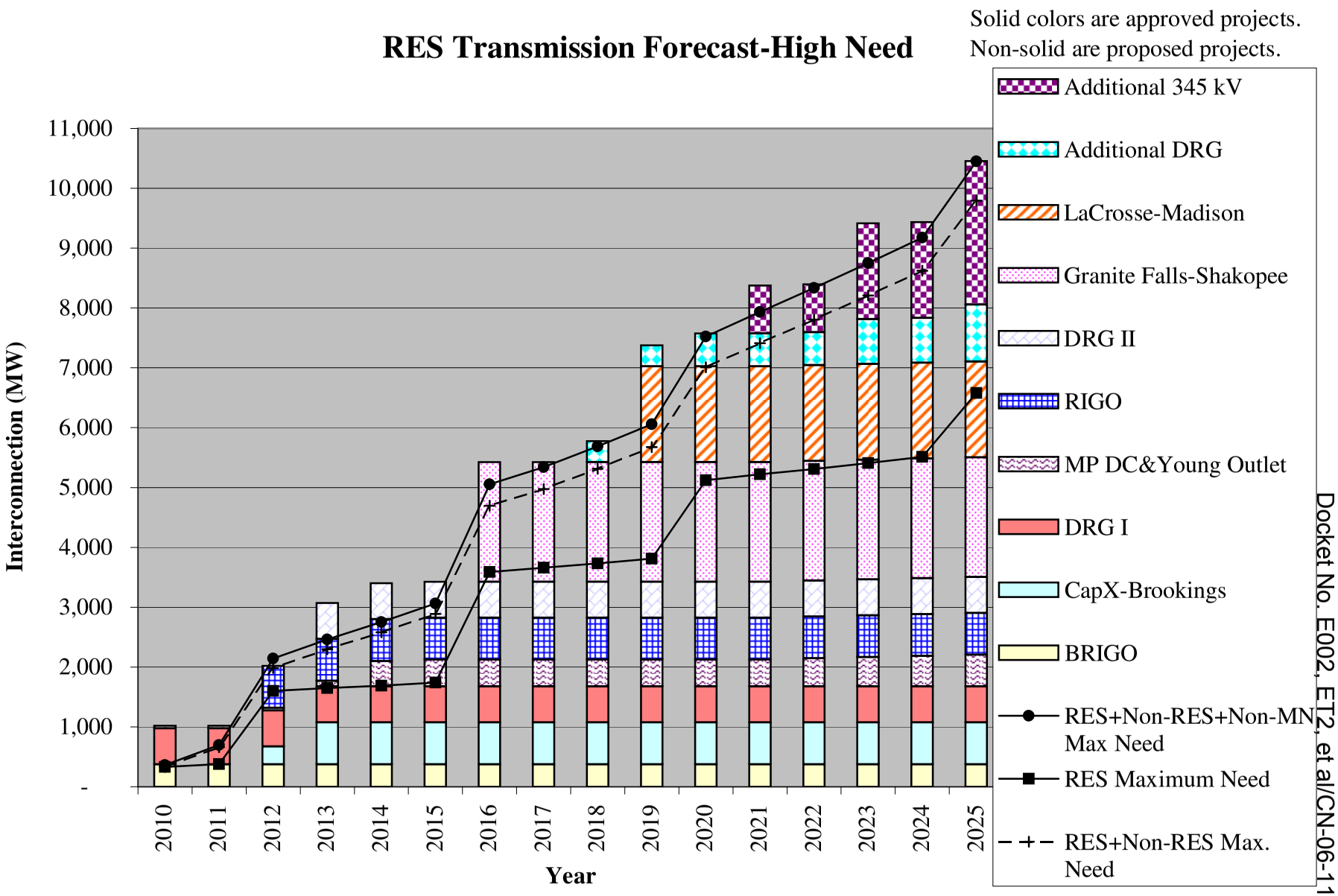
[15] For clarity, this might include:
   d. renewables resources needed to meet renewable standards or objectives in other jurisdictions;
   e. renewable resources in excess of the quantity necessary to meet the Minnesota RES; and
   f. any resources needed to meet approved resource plans or required reserve criteria.

[16] Specifically, an allowance should be made for projects such as Wisconsin Power and Light Company's Bent Tree Wind Facility (Docket No. ET6657/CN-07-1425).

C. Resource plans filed pursuant to Minnesota Rules part 7843 after the Commission approves a transmission expansion plan shall explain how the generation plan will integrate the transmission plan into an overall system plan.

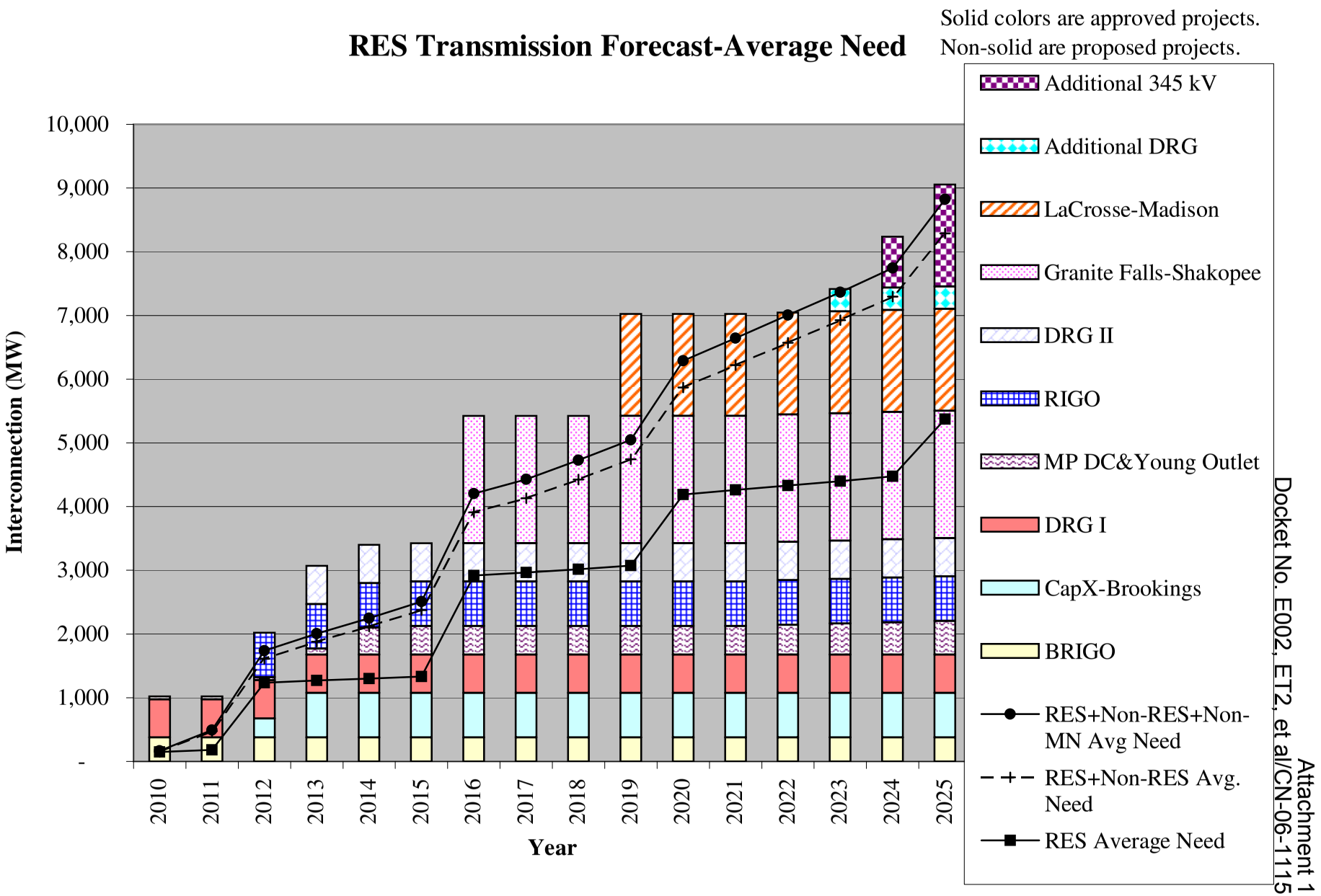
/jl

Numbers are Illustrative only--Specific numbers are neither actuals nor firm estimates.



Docket No. E002, ET2, et al/CN-06-1115
Attachment 1

Numbers are Illustrative only--Specific numbers are neither actuals nor firm estimates.



Docket No. E002, ET2, et al/CN-06-1115
Attachment 1

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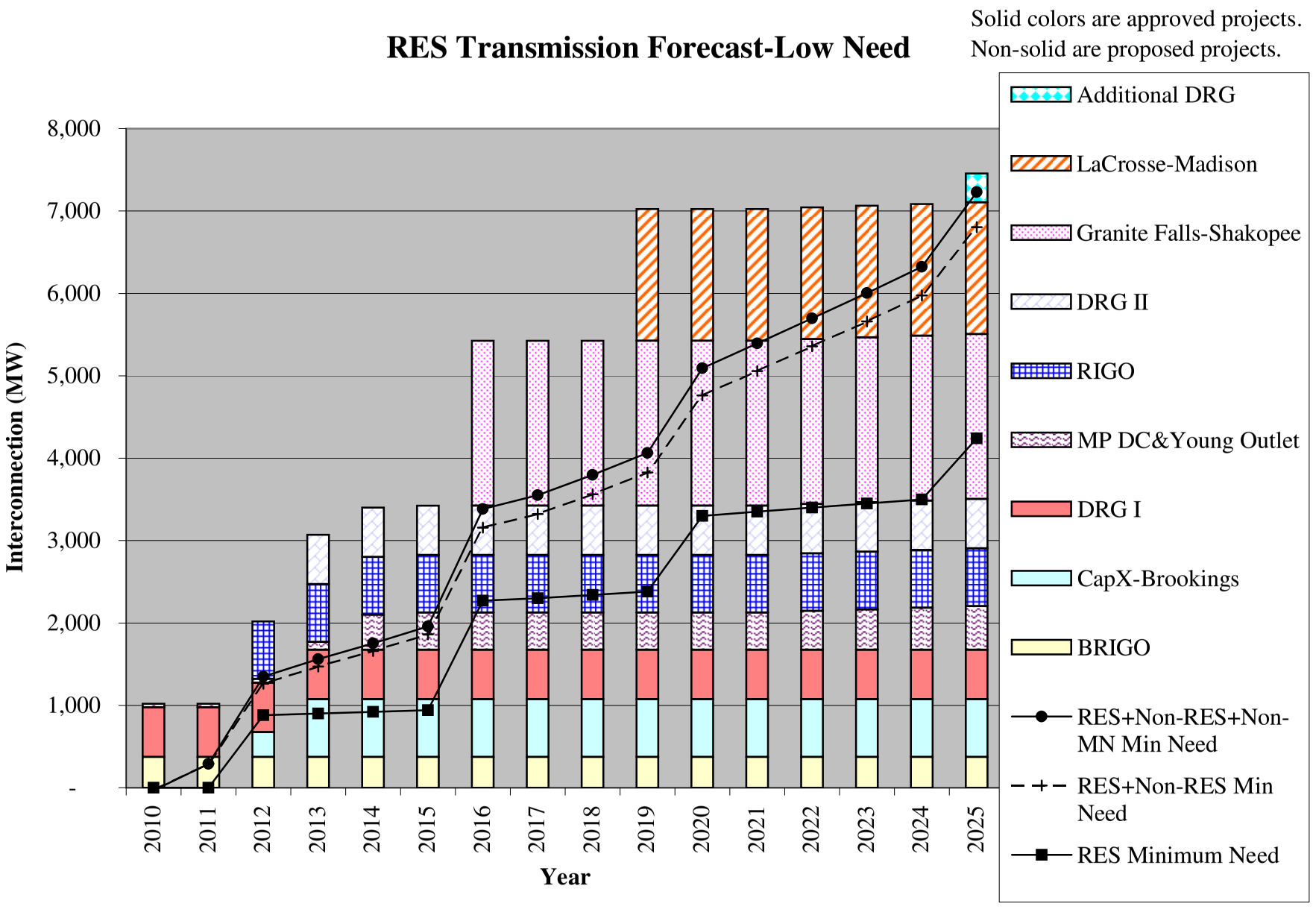

Docket No. E002, ET2, et al/CN-06-1115
Attachment 1

Date: October 28, 2008

Dear Transmission Stakeholder:

On Thursday September 18, 2008, the Governors of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin announced the creation of the Upper Midwest Transmission Development Initiative (UMTDI). The UMTDI member states seek to accomplish two major tasks: first, to establish a plan that will guide and encourage the construction of interstate transmission lines to serve the upper Midwest region's commitment to cost-effective renewable generation while maintaining reliability; and second, to develop an equitable cost-sharing methodology.

This initiative is not intended to replace or duplicate the other regional transmission planning efforts already underway. Rather, the UMTDI Executive Committee, acting on behalf of our Governors, will build upon and unite those components into a plan that we all can support and implement.

The UMTDI addresses very complicated issues. For example some of the questions we hope to work with you to find answers to over the next six months are as follows:

1. How much renewable energy should the upper Midwest states plan for, over what time-frame, and in what increments?

2. What voltages, how many miles of new or upgraded transmission and how much related infrastructure is needed in the upper Midwest region to meet our states' renewable electricity goals, ensure regional reliability and promote economic dispatch?

3. Where are the greatest potential renewable resources located in the upper Midwest? Where are the most accessible potential renewable resources located in the upper Midwest? Where are the markets for that energy? What are the likely and most appropriate means to deliver renewable generation to load?

4. Once potential generation sites are determined along with development timeframes what are the estimated costs of constructing an economically and operationally optimal network of needed transmission additions or upgrades? Over what timeframe?

5. What options exist to control or mitigate the costs of transmission construction?

6. How should the costs of needed transmission construction be apportioned across the region? For example, should producers and/or sellers of the energy interconnected to a particular transmission line be apportioned a certain percentage for delivering their product over that line? Should energy buyers/users of energy delivered by a specific powerline bear a cost allocation percentage for

that line? Should States through which a transmission line crosses but does not necessarily provide energy pay a portion of the costs of the transmission line?

7. What benefits from transmission additions can be demonstrated, how are they measured, and what is the business case for investments in these facilities?

As this Initiative begins, we would appreciate your thoughts on the above-mentioned questions. We would also encourage you to raise other issues of concern to you which may not be noted above. We ask that your responses be as concise as possible and that you submit them at umtdi@misostates.org on or before November 21, 2008, after which they will be posted to http://www.misostates.org/UMTDIList.htm. In the meantime, we will be developing a formal initiative process that will be inclusive, transparent, iterative, and effective.

Finally, we will hold a stakeholder meeting on November 7, 2008 from 1:00 to 3:00pm at the Midwest ISO St. Paul offices. While we hope that you can attend in person, we will provide teleconference linkage to the meeting. You can register for the meeting and get the conference number if desired at http://events.SignUp4.net/UMTDI110708. Registration will close on Wednesday, November 5.

Thank you in advance for your assistance. We look forward to working with you to take this important step in planning for electric transmission that will serve our region's energy and renewable needs well.

Iowa:
Commissioner John Norris, Chair, Iowa Utilities Board
Roya Stanley, Director, Office of Energy Independence

Minnesota:
Commissioner David Boyd, Chair, Minnesota Public Utilities Commission
Mr. Joshua Gackle, Office of the Governor, State of Minnesota

North Dakota:
Commissioner Susan Wefald, President, North Dakota Public Service Commission
Commissioner Tony Clark, North Dakota Public Service Commission
Ms. Sandi Tabor, Director of North Dakota Transmission Authority

South Dakota:
Commissioner Gary Hanson, Chair, South Dakota Public Utilities Commission
Mr. Hunter Roberts, Energy Policy Director for the State of South Dakota

Wisconsin:
Commissioner Eric Callisto, Chair, Wisconsin Public Service Commission
Nate Zolik, Executive Assistant to the Chair, Wisconsin Public Service Commission

CapX2020

Delivering electricity you can rely on

April 16, 2009

Mr. Clair Moeller, Vice President, Transmission Asset Management
Midwest Independent Transmission System Operator, Inc.
1125 Energy Park Drive
Saint Paul, MN 55108

Subject: CapX2020 Utility Investors Request for Process to Determine Appropriate Cost Allocation for the CapX2020 Brookings – Hampton 345 kV Transmission Line Project.

Dear Clair,

As the Midwest ISO is aware, the CapX2020 Brookings – Hampton 345 kV Transmission Line Project ("Brookings Project") does not yet have cost allocation certainty. At this stage in development of the Brookings Project, it is critical, on behalf of the anticipated investors in the Brookings Project and their customers, that there be cost allocation certainty in order to more fully understand future customer rate impacts. This issue has been the subject of ongoing discussion between the investing utilities and the Midwest ISO and we believe that a process including other potentially affected stakeholders should be initiated by the Midwest ISO in order to efficiently and expeditiously reach a fair and feasible solution.

In a letter dated November 14, 2008, we requested the Midwest ISO to include the Brookings Project in Appendix B for MTEP '08 due to the uncertainty surrounding double circuit capability, and whether the Minnesota Public Utilities Commission (MPUC) would order it to be included in the Brookings Project. As a result of that uncertainty, the Brookings Project was included in Appendix B of the approved MTEP '08.

On February 27, 2009, the Minnesota Administrative Law Judge assigned to the CapX2020 Application for Certificate of Need for the three CapX2020 345 kV projects issued her report and recommended that all portions of the Brookings Project not originally proposed as double circuit construction be constructed as double circuit capable. The MPUC has scheduled its hearing of this matter on April 15 and 16 and we expect a decision on the Certificate of Need in the near future, that will address this project configuration issue.

Given this expected imminent resolution of the facilities to be approved for construction, the CapX2020 utilities believe it is now essential to address and resolve the cost allocation issue. Therefore, we request that the Midwest ISO facilitate the discussion among the stakeholders, advancing the matter to an expeditious and workable resolution that will allow the investors to keep moving forward with the Brookings Project.

The Midwest ISO's analyses have confirmed multiple system benefits for the Brookings Project. Those benefits include providing outlet to a large number of generators, including wind, as well as functioning as a vital element to maintain regional grid reliability and support future growth and additional generation interconnections. The CapX2020 utilities' own analyses of future transmission system needs, conducted as part of the Minnesota Renewable Energy Standard studies, also confirmed the value of the Brookings Project to the regional system as a whole, in that it "unlocks" much greater capacity for the anticipated subsequent transmission project(s). In short, the Brookings Project is important for many reasons, and will provide significant regional benefits, and the CapX2020 utilities remain committed to its implementation.

We understand that, absent any other approved approach, the RECB I tariff for transmission access projects, or generator interconnections (GI), is applicable to the Brookings Project. However, the Brookings Project investors recognize that there may be difficulties implementing the GI cost allocation provisions for the Brookings Project due to the project's scale and the many generators it will likely serve. The Brookings Project investors are committed to exploring with MISO and other stakeholders reasonable alternatives to RECB I, or if a reasonable alternative cannot be created, to making the implementation of RECB I fit as well as possible for the Brookings Project. We are also committed to working with the Midwest ISO and other stakeholders to develop the necessary tariff provisions that can be supported by the FERC and state utility regulators.

The issue of cost allocation for projects involving generation is not limited to the Brookings Project. Many initiatives under way right now are examining cost impacts related to generator outlet-type projects. These initiatives could provide useful guidance for the Brookings Project. Midwest ISO- related initiatives include the Forward Looking Generator Interconnection Process (FLIP), the initiative to resolve the LODF allocated component for network upgrades for generation interconnection (i.e. the issue first raised by Otter Tail Power and Montana Dakota Utilities) and the re-initiated RECB process. Also of interest are initiatives led by state policy makers, including the Upper Midwest Transmission Development Initiative of the states of Iowa, Minnesota, North Dakota, South Dakota and Wisconsin, and the Organization of MISO States (OMS) involvement in the RECB process.

At this stage in the development of the Brookings Project, we request the creation of a forum, as soon as possible, that would include the Brookings Project investors, Midwest ISO, affected generators, OMS representatives and other directly affected stakeholders. This would allow all to review the Brookings Project and discuss the options while working together to find a solution that allows the Brookings Project to be built for the benefit of all involved. We believe this is the most productive approach for addressing and resolving the cost allocation issue. We are committed to working on reaching a fair and feasible approach that allows the Brookings Project to continue moving forward.

We look forward to hearing back from you at your earliest convenience so that meetings of the affected stakeholders can be scheduled.

Sincerely, on behalf of the CapX 2020 utilities participating in the Brookings Project:

Kent Larson
Vice President, Transmission
Xcel Energy

Will Kaul
Vice President, Transmission
Great River Energy

c: via email

Patrick Clarey, Federal Energy Regulatory Commission

Burl Haar, Minnesota Public Utility Commission

Jeff Kaman, Iowa Utilities Board

Eric Laverty, Midwest Independent Transmission Systems Operator

Jerry Lein, North Dakota Public Utility Commission

Christopher Miller, Federal Energy Regulatory Commission

Randy Pilo, Wisconsin Public Service Commission

Greg Rizlov, South Dakota Public Utility Commission

Sandi Tabor, North Dakota Transmission Authority

Marya White - Minnesota Office of Energy Security

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Office of Energy Security
Petition for Reconsideration

Docket No. ET2, E002, et al/CN-06-1115

Dated this **11th** day of **June**, **2009**

/s/Sharon Ferguson

E002/CN-06-1115

15-2500-19350-2

OAH Service List as of July 23, 2008

All Parties have agreed to E-File documents at: www.edockets.state.mn.us. Filing with edockets shall constitute service on the Public Utilities Commission, the Department of Commerce and the Office of Administrative Hearings.

As of this date, all parties have agreed to accept service by e-mail at the e-mail addresses listed below. However, where indicated, parties have requested that the e-mail be followed by mail or delivery of a hard copy.

In the event that a pleading or attachment cannot be filed and served electronically, it must be filed and served on each of the parties at the addresses listed.

Documents that contain trade secret or nonpublic data may be e-filed, but may not be copied or served electronically.

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*****If there is a trade-secret version and a public version of the same document, only hard copies of the trade-secret version must be provided.

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