

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
**NORTHERN STATES POWER COMPANY,** )  
a Wisconsin corporation and wholly owned )  
subsidiary of Xcel Energy Inc., for authority to )  
implement a power supply cost recovery plan and )  
establish power supply cost recovery factors for )  
the 12-month period ending December 31, 2011. )  
\_\_\_\_\_)

Case No. U-16423

At the February 22, 2011 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman  
Hon. Monica Martinez, Commissioner  
Hon. Greg R. White, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On September 30, 2010, Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy, Inc. (NSP-W), filed an application, with supporting testimony and an exhibit, seeking authority to implement a power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 2011.

A prehearing conference was held on November 18, 2010 before Administrative Law Judge Barbara A. Stump (ALJ).<sup>1</sup> NSP-W and the Commission Staff participated in the proceedings. The ALJ granted intervenor status to Citizens Against Rate Excess. Subsequently, the parties submitted a settlement agreement resolving all the issues in the case.

<sup>1</sup>ALJ Dennis W. Mack was substituted for the retiring ALJ Stump.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree to a PSCR factor of up to 24.13 mills per kilowatt-hour (kWh), or \$0.02413 per kWh, for the 12-month period ending December 31, 2011, effective with the first billing month immediately following Commission approval of the settlement agreement. The 2011 PSCR factor of \$0.02413 per kWh is a result of NPS-W's 2011 plan-year factor of \$0.02778 per kWh in addition to a factor of (\$0.00365) per kWh resulting from a roll in of NSP-W's non-reconciled 2010 PSCR overrecovery. The parties agree that the roll in of the non-reconciled 2010 PSCR overrecovery will be subject to review and Commission approval in NSP-W's 2010 PSCR reconciliation proceeding in Case No. U-16033-R.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy, Inc., is authorized to implement a power supply cost recovery factor of up to \$0.02413 per kilowatt-hour in its monthly billings to its retail electric customers during the 12-month period ending December 31, 2011, effective with the first billing month immediately following Commission approval of this order.
- C. Within 30 days of this order, Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy, Inc., shall file with the Commission tariff sheets substantially the same as those attached to the settlement agreement.
- D. If Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy, Inc., desires to apply a lesser power supply cost recovery factor than that

approved by this order, it shall notify the Commission at least ten days prior to the use of the lesser factor and shall file during that billing month a tariff sheet showing the lesser factor applied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Greg R. White, Commissioner

By its action of February 22, 2011.

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Mary Jo Kunkle, Executive Secretary

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NORTHERN STATES POWER COMPANY, ) Case No. U-16423  
a Wisconsin corporation and wholly owned )  
subsidiary of Xcel Energy Inc., for authority to )  
implement a power supply cost recovery plan and )  
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the 12-month period ending December 31, 2011. )  
\_\_\_\_\_ )

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 333 of the Rules of Practice and Procedure Before the Commission, 2000 AC, R 460.17333, Northern States Power Company, a Wisconsin corporation and wholly owned subsidiary of Xcel Energy Inc. (hereafter “NSP-W”), the Michigan Public Service Commission Staff (“Staff”), and Citizens Against Rate Excess (“CARE”) agree as follows:

1. On September 30, 2010, NSP-W filed with the Michigan Public Service Commission ("Commission") its Application, along with the testimony and exhibit of its witness Karl J. Hoesly, to implement a Power Supply Cost Recovery (“PSCR”) plan and factors for the 2011 calendar year.

2. On October 22, 2010, the Commission’s Executive Secretary issued a Notice of Hearing directing NSP-W to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan electric service area and to intervenors in Case

No. U-16033. The Commission further directed NSP-W to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan electric service area. Complying with the directives, NSP-W filed the requisite Affidavit of Mailing and Proof of Publication with the Commission on November 10, 2010.

3. On November 18, 2010, Administrative Law Judge (“ALJ”) Barbara A. Stump presided over a prehearing conference in this matter, and Staff entered its appearance. CARE was granted intervenor status. Later a substitution notice was filed, with ALJ Dennis W. Mack replacing retiring ALJ Stump.

4. On January 12, 2011, CARE filed the Direct Testimony of Dr. Robert Loube.

5. The parties have engaged in settlement discussions, and as a result, have successfully reached a compromise on all of the contested issues in this case.

6. The parties agree that NSP-W's 2011 PSCR plan is reasonable and should be approved by the Commission. The parties agree that NSP-W should be authorized to implement a uniform PSCR factor of up to \$0.02778 per kilowatt hour (kWh) in its Michigan retail electric customers' monthly bills, effective with the first billing month immediately following a Commission order approving this Settlement Agreement through the December 2011 billing month.<sup>1</sup> Pursuant to the Commission's August 16, 2001 Opinion and Order issued in Case No. U-12614, NSP-W is authorized to roll-in prior year underrecoveries or overrecoveries into current year PSCR factors. The parties agree that NSP-W should be authorized to roll a non-reconciled 2010 plan year overrecovery of \$500,589 into the 2011 PSCR plan factor. The combination of (i) NSP-W's 2011 plan year factor of \$0.02778 per kWh, and (ii) a factor of

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<sup>1</sup> For the period prior to the issuance of an MPSC order approving the Settlement Agreement, NSP-W has self-implemented its filed PSCR factor pursuant to Section 6j(9) of Act 304.

(\$0.00365) per kWh to reflect the non-reconciled PSCR overrecovery for 2010, results in a 2011 PSCR factor of \$0.02413 per kWh.

7. The parties agree that NSP-W's non-reconciled 2010 PSCR overrecovery as identified in this Settlement Agreement is based on currently available information, and therefore, may not be identical to the amount NSP-W will seek to reconcile in its 2010 PSCR reconciliation proceeding in Case No. U-16033-R, and shall be subject to final review and Commission approval in the 2010 PSCR reconciliation proceeding in Case No. U-16033-R.

8. NSP-W's tariff sheet reflecting the agreed-upon factor is attached hereto as Attachment 1 and is acceptable to the parties hereto.

9. Further, the parties agree that NSP-W's 2-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and should be accepted for filing.

10. All of the signatories are of the opinion that this Settlement Agreement is reasonable, will promote the public interest and will aid in the expeditious conclusion of this case.

11. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the positions of the parties, and does not constitute a party admission of unreasonableness or imprudence. This Settlement Agreement is also intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge, or contest the Commission's Order accepting and approving this Settlement Agreement without modification. If the Commission does not accept the Settlement Agreement without modification, the Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

12. All offers of settlement and discussions relating to this Settlement Agreement are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding or matter. This Settlement Agreement does not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.

13. All signatories waive Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281 as it applies to this proceeding, if the Commission approves this Settlement Agreement without modification.

Respectfully submitted,

NORTHERN STATES POWER COMPANY,  
a Wisconsin Corporation

**Sherri A.**

Digitally signed by: Sherri A. Wellman  
DN: CN = Sherri A. Wellman C = US O =  
Miller Canfield  
Date: 2011.02.04 14:42:04 -05'00'

Dated: February 4, 2011

By: **Wellman**

Its Attorney  
Sherri A. Wellman (P38989)  
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.  
One Michigan Avenue, Suite 900  
Lansing, Michigan 48933  
(517) 482-2070

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

**Michael J. Orris**

Digitally signed by Michael J. Orris  
DN: cn=Michael J. Orris, o=Michigan Attorney  
General, ou=Public Service Division,  
email=orrism@michigan.gov, c=US  
Date: 2011.02.04 15:07:41 -05'00'

Dated: February 4, 2011

By:

Its Attorney  
Michael J. Orris (P51232)  
Assistant Attorneys General  
Public Service Division  
6545 Mercantile Way, Suite 15  
Lansing, MI 48911  
(517) 241-6680

