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Public Service Commission of Wisconsin
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May 5, 2010

Ms. Sandra J. Paske, Secretary
Public Service Commission of Wisconsin
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

RE: Northern States Power Company – Wisconsin, an Xcel Energy Company, 4220-CE-169
Request for Approval to Construct a Biomass Gasifier at its Bay Front
Generating Facility

Dear Ms. Paske:

Order Point One in the Final Decision for the above captioned docket, dated December 22, 2009, requires Northern States Power Company, a Wisconsin corporation, and wholly owned subsidiary of Xcel Energy Inc. (“NSPW” or “Company”) to promptly notify the Public Service Commission of Wisconsin (“PSCW” or “Commission”) if the project scope, design, or location changes significantly or as soon as the Company reasonably expects the project costs to exceed \$58,118,470 by more than 10 percent. By this letter, NSPW is responding to Order Point One.

In the Certificate of Authority (CA) application and the subsequent public hearing, NSPW estimated the total project cost at approximately \$58.1 million and requested a 20 percent cost over-run margin. The Company made this request based on: 1) the innovative nature of the biomass gasification technology for utility purposes; 2) the inherent risk associated with commercializing a novel technology at utility size, i.e., 20 MW; and 3) the uncertainty related to engineering a match between a possible gasification technology and the existing cyclone boiler. Subsequently, the PSCW approved a 10 percent cost over-run margin.

In the four months since the Final Decision was issued, NSPW has contracted with equipment suppliers and consultants to complete additional detailed development work for the project. The work further evaluated the existing boiler, evaluated a variety of gasification technologies and potential suppliers, and further developed/optimized the overall project layout.

As a result of the work performed, the Company has determined that the scope of the work necessary to accomplish the project goals has expanded beyond that estimated at the time of the CA application. The results of the gasification technology evaluation indicate that enhancements will be needed to the gasification system equipment to increase the energy concentration in the

synthetic gas in order to maintain stable combustion without significant natural gas co-firing. In addition, further development and refinement of our cost estimates have determined that the project capital costs will be higher than originally estimated. This includes increases in direct costs for the gasifier building, the gasifier itself and related mechanical and electrical systems, as well as increases in indirect costs such as architectural and engineering consulting costs driven by the increased complexity of the project. The Company now believes a more accurate estimate of the total project capital cost is approximately \$79.5 million.

The Company is looking at ways to reduce the project capital cost, but because of the size of the estimated increase, NSPW believes it is prudent to discuss the project, options, and potential next steps with the Commission staff before proceeding further.

NSPW remains committed to increasing the use of biomass fuel at the Bay Front plant at a reasonable cost to our customers. We look forward to an opportunity to meet with the Commission staff within the next two weeks to begin these discussions. Please contact me at (608) 280-7308 or at david.d.donovan@xcelenergy.com to schedule a meeting or if you have any further questions.

Sincerely,



David Donovan
Manager, Regulatory Policy

C: Internal Distribution
Robert Norcross
Service List Docket No. 4220-CE-169