EL03-005

KC/D+1SW

DOCKET NO. EL03-005

In the Matter of IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL TO INCLUDE RENEWABLE ENERGY DEVELOPMENT FUND COSTS IN THE ELECTRIC FUEL CLAUSE ADJUSTMENT

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
2/25/03	Filed and Docketed;
2/27/03	Weekly Filing;
3/9/04	Order Dismissing and Closing Docket;
3/9/04	Docket Closed.

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Xcel Energy℠

EL 03-005

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February 25, 2003

Ms. Pam Bonrud, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Re: Application to include Renewable Development Fund costs in the Fuel Adjustment Clause.

Dear Ms. Bonrud:

Enclosed for filing is an original and ten copies of the petition of Northern States Power Company d/b/a Xcel Energy to include costs related to its Renewable Development Fund in the Fuel Clause adjustment.

If anyone has any questions, please call me at 339-8350

Sincerely,

JC Wilcox

Jim Wilcox

c. Kent Larson
Judy Poferl

EL03-005

BEFORE THE SOUTH DAKOTA
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL TO INCLUDE RENEWABLE ENERGY DEVELOPMENT FUND COSTS IN THE ELECTRIC FUEL CLAUSE ADJUSTMENT	)	Docket No. EL03-__ **PETITION FOR APPROVAL OF THE INCLUSION OF CERTAIN RENEWABLE ENERGY COSTS IN ITS FUEL CLAUSE**

INTRODUCTION

Pursuant to SDCL 49-34A-25 and related South Dakota Administrative Rules, Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") hereby petitions the South Dakota Public Utilities Commission ("Commission") for an order approving the inclusion in the monthly fuel clause adjustment of project costs associated with the Company's Renewable Development Fund projects. Recovery of Renewable Development Fund expenditures would be accomplished by including costs from FERC Account 407.3 in the monthly Fuel Clause adjustment. The Company also submits as part of this filing a revised South Dakota Fuel Clause Rider tariff, which the Company proposes as the rate mechanism for recovering these costs.

I. General Filing Information

A. Name, Address and Telephone Number of Utility

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Pierre, SD 57501
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C. Date of Filing and Date Proposed Change Will Take Effect

The date of this filing is February 25, 2003. Notwithstanding the provision of SDCL 49-34A-25 that Company can designate an effective date, Company requests this filing to be effective upon approval of the Petition.

D. Title of Utility Employee Responsible for Filing

James C. Wilcox
Manager, Government & Regulatory Affairs
Xcel Energy
500 West Russell Street
P.O. Box 988
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II. Background

SDCL 49-34A-25 permits public utilities to automatically adjust charges to reflect changes in the cost of purchased energy, and changes in the cost of fuel consumed in the generation of electricity. The company's current fuel adjustment clause is based on the sum of the current period cost of energy purchased and the cost of fuel consumed per kWh less the base period electric cost per kWh. The cost of energy purchased has traditionally been defined as the cost of purchased power and net interchange for those items listed in the Federal Energy Regulatory Commission ("FERC") uniform system of accounts Account 555. Also, other system-wide fuel resource related items like hydro, wind power and other renewable energy purchase contracts as well as the customer buyback program[1] and

[1]The Customer Buyback Program is used only during extreme high cost periods or during emergency conditions and after all other

financial instruments expenses are currently reflected in the fuel clause recovery computation.

This filing seeks authority to allow the inclusion of the Renewable Development Fund expenses in the monthly fuel clause adjustment. The Company also requests approval to update its South Dakota Fuel Clause Rider tariff language in order to provide for a rate mechanism through which these costs can be recovered. This Fuel Clause Adjustment (FCA) recovery method would be consistent with that used in Minnesota and proposed for use in North Dakota.

III. Proposed Application of Renewable Development Fund Expenses to Fuel Adjustments

A. Background

Xcel Energy operates the Prairie Island Nuclear Generating Plant at Red Wing, Minnesota, which uses "dry casks" to store spent fuel from the plant. In 1994, the Minnesota legislature passed an Act[2] affecting utilities operating nuclear power plants in the state. It established, among other things, a "renewable development fund" into which Xcel Energy is required to transfer $500,000 annually for each dry cask containing spent fuel that is stored at Prairie Island after January 1, 1999.

A Renewable Development Board ("Board") was formed in 2000 to develop and apply criteria and procedures for administering the Renewable Development Fund ("RDF" or "Fund"). The Board consists of two representatives from Xcel Energy and two representatives from the environmental community. The Board is responsible for administration of the Fund, including implementing the funding process, evaluating and selecting requests, and disbursing funds to successful applicants. All decisions of the Board are made by consensus, and the Board may seek technical consulting resources as necessary to administer the program. Projects receive funding, if they are selected in the bid solicitation process, as described further in Attachment

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resources including interruptible load relief programs have been called upon.

[2] Minn. Stat. 116C.779.7

A. Projects may be located in states other than Minnesota, and three projects, in fact, have been located in North Dakota.

B. Proposed Application of RDF Expenses to the Fuel Clause

The establishment of the RDF is an important step in assuring that Xcel Energy can continue to provide low cost, reliable, and environmentally sound energy to its customers. Consistent with this goal, this filing seeks authority for the Company to recover energy-resource-related RDF grant costs through the Fuel Clause Rider.

As described further in Attachment B, the projects slated to receive financial assistance in the initial funding cycle of the RDF were dedicated to the advancement of new renewable energy resources. These projects were grouped into three main categories:

Commercial Technology - projects that result in the actual development of new, commercially viable renewable resources.

Experimental Technology - projects that advance research and development of technologies currently within the fully commercial scale and the fundamental (experimental) research stage. Projects in this category could result in small-scale energy production.

Research and Development - projects that involve basic experimental research and development of "pre-commercial" renewable technologies in the early stages of development.

Currently nineteen projects have been awarded RDF grants. Since August 2002, cumulative RDF projects total $15,630,401, and approximately $115,000 of administrative costs have been incurred. The grants are projected to be disbursed between the years 2002 and 2007, as indicated in Attachment C, based on the achievement of identified project milestones.

Additional grants will be awarded in future funding cycles, with corresponding disbursement schedules that vary according to the parameters of the associated project. Upon Commission approval of this proposal, cumulative project expenditures to date will be included in the initial FCA calculation; therefore

the amounts allocable to South Dakota customers are to be collected through the fuel clause as the funds are disbursed and as administrative expenses are incurred.

It is anticipated that, in the future, approximately $8.5 million in grants ($500,000 for each existing cask) will be awarded each year until the casks are removed from the Prairie Island nuclear plant site. Because each grant has its own associated disbursement schedule, it is difficult to forecast the precise amount of disbursements per year; this proposal is based on an estimated 2003 fuel and purchased energy costs for South Dakota customers of approximately $345,000. The billing impact would be about 16 cents per month for the typical residential customer (see Attachment D).

C. Description of Accounting and Proposed Recovery

The Company proposes to include RDF costs recorded in FERC Account 407.3 (Regulatory debits) in the calculation of the fuel clause adjustment. SDCL 49-34A-25 provides that "[t]he commission shall permit a public utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to ..." costs of fuel, which requires the Commission to permit this variance to the existing FCA rules to allow for this accounting treatment.

Using the existing automatic FCA mechanism would be more efficient, more economical, and less confusing than creating another rate adjustment mechanism or billing line item.

To accomplish this, the Company believes the appropriate method is to include FERC Account 407.3 in the calculation of the fuel clause. A work order used exclusively to track RDF activity within this FERC account will ensure an appropriate audit trail. Account 407.3 is the expense account to which regulatory assets in account 182.3 would be amortized. This results in consistent ratemaking and FERC accounting treatment. The proposed accounting is further detailed in Attachment E.

Xcel Energy believes that this proposal is the optimal recovery methodology for these costs because:

1. SDCL 49-34A-25 clearly applies to fuel costs associated with the Prairie Island Nuclear Generating Plant, as one of the ". . . costs of fuel used in

generation of electricity . . . .." Disposal of spent fuel is but one of the necessary components of the use of that fuel.

2. The public interest is enhanced by the increased efficiency and elimination of customer confusion by using an already available and proven recovery mechanism.

3. The variance does not conflict with any provision of law; rather, it represents an efficient means of achieving the recovery of these fuel resource-related costs.

For these reasons, Xcel Energy believes that authority from the Commission for a variance to its automatic adjustment clause rules is warranted.

D. Update of Tariff Language in Fuel Clause Rider

Consistent with this request, Attachment F depicts the proposed revised Fuel Clause Rider (Sheet No. 64, 2nd Revision). The Company would also like to take this opportunity to update certain descriptions of the Rider along with the new Renewable Development Fund section to make this Rider language easier to understand and to be consistent with the language the Company uses in Minnesota and North Dakota. The Company believes that these revisions will clarify the fuel and purchased power recovery mechanism.

IV. The Requested Authorization is in the Public Interest

1. The Public Interest Is Not Adversely Affected

The Company believes that the public interest would not be adversely affected; that ratepayers benefit from the continued operation of the Prairie Island nuclear plant. Granting this request will provide the Company with the appropriate incentive to continue to encourage renewable fuel sources. Regulatory oversight of this request will be assured through the use of the accounting and record keeping procedures identified in Section III as well as the associated FERC Account 407.3 data to be

disclosed on the monthly Fuel Clause Adjustment report (see sample on Attachment G).

2. The Requested Authorization Will Not Conflict With Standards Imposed By Law

The Renewable Development Fund is a crucial step needed to extend the operating life of the Prairie Island nuclear generating plant. Therefore, the Renewable Development Fund helps to minimize the Company's fuel cost making this proposal consistent with the purpose of the Automatic Adjustment of Rates law and rules. Similarly, the Company currently has been purchasing energy from a variety of renewable resources like hydro, wind and biomass. The purchased energy from these renewable resources broadens our energy supply portfolio. Moreover, the relative magnitude of these renewable energy purchases is low, meaning that they will not create a burden to ratepayers.

V. Conclusion

Xcel Energy respectfully requests that the Commission approve this filing pursuant to SDCL 49-34A-25 and other relevant rules, allowing for recovery of Renewable Development Fund expenditures paid to date and in the future through the Fuel Clause Adjustment, effective upon the date of approval by the Commission.

Respectfully submitted this 25th day of February 2003.

Xcel Energy

By: _____

JAMES C. WILCOX
MANAGER, GOVERNMENT & REGULATORY AFFAIRS

I. RDF Proposal Solicitation Process

RFP Release and Response

In the initial RDF funding cycle, the Request For Proposals ("RFP") was issued to a list of more than 200 interested persons on July 16, 2001, leading to 76 proposals being received on August 20, 2001. Of the 76 proposals, 29 projects were proposed which would produce energy from biomass, hydro, solar and wind facilities (Category A) and 47 projects were of the experimental and research and development variety (Categories B and C). The Board was extremely pleased with the number and variety of proposals submitted, but recognized the challenge ahead in sorting through and analyzing this volume of materials in the short period of time allowed.

Definition of Categories

The RFP described the three categories of projects that were identified and prioritized for funding. For the initial funding cycle, the Board allocated funds to these categories using the following annual targets:

Category A – Commercial Technology - 60%
Category B – Experimental Technology - 20%
Category C – Research & Development - 20%

The Board has the discretion to vary from the funding targets for Category A if it determines that greater value can be realized by supporting a different mix of projects. In no case will the Board exceed the targets set for Category B and C projects. In this initial round of bidding, there were an ample number of Category A projects offered. If there had been an insufficient number of selected Category A projects to meet the target allocation, funds could have been deferred to future years, but that was not the case in this initial cycle. The Board will have the opportunity to consider revising these targets prior to future funding cycles.

Bidders were asked to identify their projects as being associated with a specific category; however, the Board could choose to evaluate projects in another category as well which it did in several cases. Applicants and the Board used the following guidelines to prepare and evaluate proposals.

Category A – Commercial Technology

Projects that result in the actual development of new, commercially viable renewable resources will belong to Category A.

- A new renewable resource is defined as either a newly constructed renewable energy facility or a refurbishment of an existing renewable energy facility that results in an increase in the production of renewable energy.
- Projects are considered to be commercially viable if the technology employed has been demonstrated to generate electricity on a commercial (not experimental) basis.
- Eligible technologies for new resource development include wind, solar, hydro and biomass. For this RFP, biomass and hydro resources were further defined.
    - Biomass resources: organic matter available on a renewable basis, limited to dedicated energy crops and trees; agricultural food and feed crops; agricultural crop wastes and residues; wood wastes and residues; aquatic plant and animal waste gasification. Biomass resources types that are not eligible for funding include direct combustion of animal waste or municipal waste.
    - Hydro projects: run of river with a head of less than 66 feet (20 meters).

- Cost-effectiveness and overall value will be given significant weight in evaluating proposals in this category.

- The Board desired to fund a minimum of four projects in Category A. The Board also sought to fund a diverse mix of renewable resource technology types in this category.

Category B – Experimental Technology

Projects that advance research and development of technologies that are in a stage of development between the fully commercial scale and the fundamental (experimental) research stage, and could result in small-scale energy production.

- Projects in the pilot-scale or field-testing stage of development are encouraged in this category. Technologies that potentially can be duplicated on a large scale are preferred.

- Technologies that could enhance the reliability and dispatchability of commercially viable projects are encouraged in this category. Examples might include energy storage or hybrid systems that could address the intermittent nature of renewables and improve the firmness of the resource.
- Projects that enhance the value of renewable energy production although the project does not actually have to produce renewable energy, e.g. storage technology.
- Funding decisions will consider whether continuing support of a successful project through additional stages of development could ultimately lead to full commercial viability.
- The Board encouraged proposals that provide for participation in larger collaborative programs and were cost-shared by others. Such a strategy could have the potential to reduce the duplication of several smaller programs and result in larger technology advances.

Category C – Research & Development

Projects that involve basic fundamental experimental research and development of "pre-commercial" renewable technologies in the early stages of development.

- This category includes fundamental research and development projects that could eventually lead to or support the development of commercially viable technologies.
- Technologies in this category could be 5 – 25 years from commercial viability.
- As stated in Category B above, the Board encouraged proposals that provide for participation in larger collaborative programs and were cost-shared by other contributions.

II. PROPOSAL EVALUATION

Guidelines for Assessing Proposal Eligibility

In addition to the priorities described above, the Board developed a set of guidelines for assessing proposal eligibility. These guidelines emphasized projects that would promote economic development in the region, offer resources priced reasonably relative to conventional electricity resources,

provide additional value by leveraging requested RDF funds with other sources, and have strategies in place for dissemination, use and replication of the renewable energy technology.

Proposals utilizing commercial technology (Category A) were evaluated separately from proposals for research and development (Categories B and C). Category A projects would result in the actual production of renewable energy. To evaluate the cost-effectiveness of these proposals it was necessary to take into consideration the amount of funding requested, the amount of energy to be produced, the price of energy, and other factors that are not applicable to proposals in Categories B and C, which involve exploration of developing technologies in an experimental or research and development form.

Project Evaluation Steps

The proposal evaluation and scoring process in the initial funding cycle consisted of the following activities:

- Upon receiving proposals on August 10, 2001, Xcel Energy staff provided one complete set of proposals to each of the four members of the RDF Advisory Board.
- Xcel Energy retained the services of PA Consulting, the National Renewable Energy Laboratory (NREL) and Oak Ridge National Laboratory (ORNL) to assist staff with synthesizing and evaluating proposals. NREL's and ORNL's roles were limited to proposals in Categories B and C.
- Xcel Energy staff developed spreadsheets containing information about all of the proposals. The spreadsheets were programmed to automate the process of screening and scoring proposals.
- The scoring spreadsheet was distributed to each of the RDF Advisory Board members who reviewed each proposal independently.
- Xcel Energy staff conducted a cost-effectiveness evaluation of proposals in Category A and incorporated the results of this evaluation into the scoring spreadsheets
- The Advisory Board met in person and conducted conference calls to review and discuss the merits of each proposal.
- Xcel Energy staff incorporated the scores assigned by each Board member into a master scoring spreadsheet that calculated average scores from each of the four Board members' individual scores.

- All Category A proposals were ranked according to their total scores, and by technology type.
- The Board reviewed the results of the master scoring spreadsheet and made Category A funding selections based on the resultant rankings, as well as its stated preference to fund a diverse mix and number of renewable energy technologies.
- The Advisory Board discovered that the scoring system did not work as well with Category B and C proposals as it did with Category A proposals. Although the criteria were valid, the scoring system seemed to place too much emphasis on nonscientific criteria. Consequently, in determining winning Category B and C proposals, the Board reduced its reliance on the scoring tableau and relied more on the following:
    - the guidelines set up for the fund;
    - the advice from NREL and ORNL;
    - a preference for funding within the Company's service area;
    - a preference for biomass or biomass enhancing technology because of the agricultural base of the region;
    - and a preference for strong links to renewable energy.

- The Board made Category B and C funding selections based on input received from NREL and ORNL and its own experience and review of proposals received, as well as its stated preference to fund a diverse mix and number of renewable energy technologies.

Evaluation Framework & Scoring Matrix

As described in the RFP, each proposal was evaluated and scored based on its responsiveness to five evaluation criteria:

1. Project Approach & Work Plan;
2. Project Team;
3. Economic Development Impact;
4. Technology Advancement (Categories B & C only);
5. Cost-effectiveness.

Each of the Board members assigned a score for each criterion that was multiplied by a specific weighting factor for each of the five criterion, as shown below. This scoring matrix applied to all criteria and project types (except the cost-effectiveness criterion for Category A projects).

Proposal Scoring – Point System

0 points Not Responsive to the Criterion
1 point Response is Minimal
2 points Responds Satisfactorily to Most RFP Requirements
3 points Responds Satisfactorily to All RFP Requirements
4 points Response is Specific and Superior, both quantitatively & qualitatively

Scoring Matrix

Criteria	Category A		Category B		Category C	
	Weight	Possible Score	Weight	Possible Score	Weight	Possible Score
Project Approach and Work Plan	15%	60	15%	60	15%	60
Project Team	10%	40	10%	40	15%	60
Economic Development Impact	15%	60	15%	60	10%	40
Technology Advancement	na	na	30%	120	40%	160
Cost-Effectiveness	60%	240	30%	120	20%	80
Total Possible Points	*100%*	*400*	*100%*	*400*	*100%*	*400*

Criteria Descriptions

Project Approach and Work Plan

- The project approach demonstrates a clear, appropriate and complete plan for achieving the program goals and objectives.
- The proposed work plan represents a well thought out and collaborative effort among different project activities and team members.
- There is a well-defined set of products to be produced as a result of the project work, and the products help to achieve the stated goals and objectives for the project.
- The schedule for implementing the work plan allows realistic timeframes for completing project activities and delivering products such as data, reports and/or renewable energy.
- The work plan allows for regular reporting of project progress to the Board or the RDF project manager.

Project Team

- The structure of the team provides clear roles and responsibilities among team members and ensures the project can stay on track, on schedule and within budget.
- The team members have the skill, experience and knowledge to conduct the work needed to develop the proposed technologies, products or services.
- The team includes entities with the financial ability and market position to facilitate the transfer of knowledge or products to the market.

Economic Development Impact

- The project could lead to diversification of electricity supplies in the Xcel Energy service area, especially those that are sustainable and indigenous to the region.
- The project provides benefits to the regional economy through:
  - Commercialization of useful products or services in the short-, medium-, or long-term;
  - Jobs created by the science, knowledge or commercialization of technology resulting from the program; and
  - Tax revenues or abatements, or other fiscal benefits resulting from development or expansion of new industries or creation of jobs.

Technology Advancement (Categories B and C only)

- The project will lead to the development of technologies, products or services that have a likelihood of commercial success.
- The proposal explains how the work is not duplicative of R&D work being conducted elsewhere, or how the proposed work will complement any related efforts.
- The proposal contains an explanation of how the proposed R&D work is not adequately provided by the competitive or regulated markets.

Cost-Effectiveness

The cost-effectiveness evaluation was conducted by Xcel Energy staff (to the extent possible for Categories B and C) and reviewed and discussed among the RDF Advisory Board.

In evaluating the cost-effectiveness of proposals in Category A, it was important to apply a method that was appropriate for the wide range of

projects proposed in terms of size, technology type, amount of funding requested, and whether the applicant was planning to sell the energy produced, or consume it on-site. For applicants that were planning to sell energy produced, the Board also considered the likelihood of success in obtaining a power purchase agreement at the price provided in the proposal.

As described in the RFP, staff calculated the amount of renewable energy generated over a 15-year period per dollar of RDF funding requested. The Board and staff also determined that the Ratepayer Impact Test ("RIM") test was the most relevant measure of Category A proposals as discussed further below.

The RIM test is calculated as follows:

$$\frac{\text{Xcel Avoided Energy Cost}}{\text{RDF \$ Requested + Energy Payments to Applicant + Lost Utility Revenue}}$$

In the numerator of this formula, Xcel Energy's avoided cost is the amount Xcel Energy would otherwise spend to purchase the amount of energy proposed on the open market. It is derived by multiplying the amount of energy proposed (on-and off-peak) times the forecasted market prices (on-and off-peak) in the MAPP region.

The denominator of the formula is calculated by summing the amount of funding requested, plus the energy payments that would be made to the project (if applicable), plus revenues lost to the utility (if applicable). For proposals that required a power purchase agreement with Xcel Energy or another entity, the energy payment amount was based on the price stated in each proposal. For proposals that qualified for net metering and proposed selling energy back to the utility, an estimate was made based on the net metering tariff. For proposals for self-generation, lost utility revenues were based on a applicants' rate class and associated tariff. For applicants located outside of Xcel Energy's service territory, we estimated revenue losses for the affected utility.

The numerator and denominator are both present valued to the year 2002 using a discount rate of 7.75% over a 15-year period, thereby accounting for the time value of money.

Category B and C Proposal Evaluation

After conducting its initial review of Category B and C proposals submitted in the initial funding cycle, the Advisory Board and Xcel Energy staff decided that they didn't have the technical expertise necessary to evaluate many of the proposals. To assist with the evaluation of these proposals, Xcel Energy retained the services of the National Renewable Energy Laboratory (NREL) to provide insight into the viability of the proposed technology studies and speak toward duplicative research being done in the field.

Scoring criteria developed and approved for Category B and C were thought to be an adequate assessment tool; however, once 'actual proposals' were in hand, the information did not fit well into the initial framework. Although the Board concluded that the scoring matrix outlined in the RFP was not well suited for evaluation of proposals received in Category B and C, it still considered how well each proposal complied with the evaluation criteria listed in the RFP.

Consequently, although the Board may not rely primarily on the numerical scoring approach, it may use the underlying evaluation criteria, to help steer final selections. The Board is confident that decision-making will be improved if rigid use of the numerical scoring approach is avoided.

In conducting its evaluation of the projects submitted in the initial cycle, the Board grouped each proposal within their technology type and combined their judgments with the comments and rankings from NREL and ORNL. Category B and C proposals were discussed together for better comparison, and the funds allocated for Category B and C were then combined and distributed as one amount. The general groupings were:

- Fuel development
- Biomass co-firing
- Fuel cell development
- Facility design & feasibility studies
- Hybrid systems, including storage for wind systems
- Hydro
- Wind forecasting/modeling/data collection systems
- Small wind
- Mechanical improvements and prototypes

All of the items that are intrinsic to the evaluation criteria established in the RFP were used for comparison. Research concepts, vision of future application possibilities, team experience, various cost components all helped inform the Board's opinions and assisted in valuing each of the proposals. Geographic preference was measured based on the location for the work to be done. As with Category A Proposals, the Board also had a preference to select an overall mix among project technologies.

With this initial project funding cycle, the Board relied much on the NREL/ORNL advice, but tempered it with judgments about where the money was going, a desire to fund across technologies and some preference toward biomass because of the agricultural nature of the upper Midwest.

Proposal Scoring and Selection Results

To incorporate the results of the RIM tests into the Category A scoring spreadsheet, the highest RIM test ratio was given a score of 4, and the lowest ratio was given a score of 0. All proposals then received a score between 0 and 4 based on an interpolation between the highest and lowest ratio. The resultant interpolated RIM test score was then entered into the Category A scoring spreadsheet under the cost-effectiveness criteria. As described above, for criteria other than cost-effectiveness, each individual Board member's scores were averaged and inserted into a master scoring spreadsheet.

In making funding decisions for Category A projects, the Board considered the results of the scoring matrix as well as its desire to select a diverse group of renewable technology types. The Board also considered how combinations of different proposals aggregated to fit with the total amount of funding available.

The total scores were calculated for each proposal by averaging the scores assigned to proposals by each Board.

For Categories B and C, project scoring was based primarily on the following:

- The degree to which requested funding leverages other investment sources. The proposed budget should clearly identify the amount of RDF funds to be used to perform the work identified in the work plan, and how any match funds will be allocated to the work plan. Xcel Energy wants to leverage the greatest amount of capacity per dollar of funding investment.

- The amount of RDF funding should be appropriate based on the identified goals and objectives of the project and the anticipated value and benefits of the project;
- The proportion of the budget dedicated to direct expenses (labor and materials) relative to overhead and other administrative costs.

Categories B and C are scored using a cost-effectiveness weighting factor of 30 and 20, respectively. Both Category B and C projects will be scored by multiplying these factors by a value between 0 and 4 in the Proposal Response scoring matrix.

As stated in the RFP, the numeric results from the bid evaluation are to be considered by the Renewable Development Board in awarding selection, but are not binding on the Board. The Board retains the right to consider other factors consistent with the best overall use of the Fund that the Board in its judgment determines appropriate, including the right to reject all bids.

Given the challenges of the scoring process for Categories B and C, the Board worked diligently to arrive at Board consensus through a thoughtful process that would yield meaningful results. The Board considered the criteria as well as its desire to select a diverse group of renewable technology types. As with Category A proposals, the Board also considered how combinations of different projects aggregated to fit with the total amount of funding available within Categories B and C.

III. PROPOSALS SELECTION

The Board selected the research and development projects it believes will best serve Xcel Energy customers in the 5-20 year future.

After careful consideration, the Board selected 8 Category A projects[1] comprising four renewable technologies - three biomass, one hydro, two solar and two wind projects. A total funding amount of almost $9.8 million will result in the development of over 12,000 kW of renewable energy.

[1] One project, MN Corn Processors, Inc., was withdrawn in mid-2002.

The Board selected 11 Category B and C projects comprising three renewable technologies - 7 biomass, 1 solar and 3 wind projects. A total funding amount of almost $6.3 million was granted for these projects.

IV. NEXT STEPS

Grant Contract Negotiations and Process Review

Disbursements from the renewable development fund will be made in accordance with individually negotiated grant contracts. RDF money will be used to reimburse the contractor for expenses paid by the contractor and will be paid after the Xcel Energy has received and approved the deliverables due for the billing period. Xcel Energy will administer and monitor expenses to be paid so that funds paid out do not exceed the total amount of funds granted to the project and authorized by the Board. Negotiations will begin immediately to complete and execute grant contracts with each of the Category B and C recipients. No power purchase agreements will be required for any selected proposal in these categories. Executed grant contracts will be submitted to the Commission for approval as soon as practical.

Of the $16.5 million accumulated for the Renewable Development Fund in this first cycle, a total of $15.6 million was awarded to selected projects over all categories. The remaining amount will be 1) used for allowable Board and administrative expenses, and 2) rolled forward into the next funding cycle. Additionally, in the event that any projects selected for funding do not come to fruition, money allocated to those projects will be returned to the fund and available for use in the next funding cycle.

Over the next few months, Xcel Energy staff and the Board is completing review of the experiences of this first RDF funding cycle taking note of which parts of the bidding and evaluation process went as expected and which parts may need alternative approaches. As with all new programs, "lessons learned" provide valuable opportunity for process improvement and enhancement. The Company intends on submitting a report on these lessons in the near future.

Category "A" Projects (Commercial Technology)

Crown Hydro
(Hydro, $5,100,000)

The Crown Hydroelectric project is a run of river, 3.2 MW facility with approximately 45 feet of head, located on the west bank of St. Anthony Falls in Minneapolis. It's anticipated that Crown Hydro will sell energy to Xcel Energy or another entity. In addition to the electrical generation component, this project will also help to revitalize the Mississippi riverfront at the Mill Ruins Park. Commercial operation of the Crown Hydro plant is expected in December 2002, with final completion of the project in April 2003.

AnAerobics, Inc.
(Biomass, $1,300,00)

AnAerobics, Inc. currently owns and operates a treatment system in Montgomery, Minnesota for Seneca Foods Corporation, the largest canned vegetable processor in the U.S. Using a first-of-its-kind technology, AnAerobics is simultaneously converting both solid and liquid waste from the corn and pea processing plant into methane gas and carbon dioxide. This facility generates methane that will be scrubbed and used as fuel to generate 1.7 MW of electricity to be sold to either Alliant or Xcel Energy. AnAerobics has partnered with Alliant Energy to operate the electrical generation system. The estimated completion date for the project is late 2002.

Minnesota Department of Commerce
(Solar, $1,150,000)

Under this proposal, the Minnesota Department of Commerce, State Energy Office will administer a rebate program for grid-connected photovoltaic energy installations that will buydown the up-front costs of facilities up to 4 kW in capacity. The rebate program will provide a rebate of $2,000/kW for up to 4 kW based on the nameplate rated capacity of the equipment, with a program total of approximately 400 kW of grid-capacity installed. Program participants will provide an estimated cost-share of $7000/kW, providing excellent leveraging of RDF dollars. The duration of the rebate program is four years.

Project Resources Corporation
(Wind, $900,000)

Project Resources Corporation, together with its development partner, enXco, Inc. will construct six 900 kW wind turbines, two each at three separate locations near distribution substations in southwest Minnesota. The development will employ the use of prototype Enron turbines that have yet to

be installed in the U.S. The development incorporates a new landowner investment program where individuals from the community can purchase shares and earn a return from the project without having turbines located on their land.

Pipestone - Jasper School System
(Wind, $752,835)
The Pipestone-Jasper Cooperative Wind Energy Project will result in the development of a 900 kW wind turbine, located on the property of a public school that is currently under construction. The school will use approximately 75% of the energy produced and will sell 25% to the Sioux Valley Southwestern Electric.

Minnesota Corn Processors *[* project withdrawn *]*
(Biomass, $400,000)
Minnesota Corn Processors, LLC (MCP) will install a methane engine to utilize methane from this processing facility located in Marshall, Minnesota. The methane, which is produced from an on-site residual-processing stream, is presently being flared. A reciprocating engine will burn methane to produce electricity at a capacity of 580 kW, which will be used on-site. The application of burning methane in a reciprocating engine has been used at many sites across the country however the methane production at this facility is a new process because it will use methane from a different residual process stream. The project will develop a report that can be used to show other industrial process facilities in the State how to implement similar projects. The estimated in-service date for the project is October 2002.

Science Museum of Minnesota
(Solar, $100,000)
The Science Museum of Minnesota is in the process of completing design work on a 1,000 square-foot, year-round building that will serve as an Environmental Experiment Center (ECC) and the operating headquarters for its 1.2 acre enclosed outdoor exhibit space called Science Park. This building will generate more energy than it uses on an annual basis by employing a photovoltaic-integrated roof. The excess electrical energy generated by the ECC will be fed directly into the Science Museum's nearby electrical service so there will be no need for a power purchase agreement. Contributions from the RDF financed the rooftop solar panel that was installed and operational in the summer of 2002.

Greden Dairy & Crop Farm
(Biomass, $80,000)

The Greden Dairy and Crop farm is a 900-cow facility located in Altura, Minnesota. This dairy farm animal waste project will anaerobically digest dairy manure waste to produce methane. The system will have a capacity of 100 kW, with about 325,000 Btu of excess heat being generated and used on site. Excess energy generated will be sold to Xcel Energy at a net metering rate, although the proposal also has a sub-proposal that will use the excess energy on site to operate a soybean processing facility. Under this option, soybean oil will be produced and either sold or used to replace diesel fuel in the farm machinery.

Category "B" and "C" Projects (Research and Development)

University of North Dakota Energy & Environmental Research Center
(Biomass, $1,250,142)

Development and Testing of an SOFC Gasification System

Biomass gasification is a concept that has been researched and demonstrated in smallscale demonstration projects, but has not been successfully demonstrated in largescale gasification plants or small-scale distributed production plants.

The work done under this proposal will pave the way for an economical small biomass power system by incorporating solid oxide fuel cells (SOFC) with gasification systems and eliminating redundant equipment, thereby reducing the cost of biomass gasification. The project will design and build a working, self-contained biomass gasification power system without external heating or cooling devices. Secondary design goals include a modular design that allows economic manufacture of components and making the system as automated as possible.

Colorado School of Mines
(Biomass, $1,116,742)

New Electrocatalysts for Proton Exchange Membrane Fuel Cells Based on Heteropoly Acids

Fuel cells represent an efficient link between renewable fuels - such as hydrogen and methanol from biomass or ethanol directly from corn – and

the generation of electricity. The proton exchange membrane fuel cell (PEMFC) has many distinct advantages but is limited to the use of clean hydrogen at temperatures <100 degrees C and employs large amounts of precious metal catalyst.

This project will study the behavior of metal substituted heteropoly acids (HPA) in a PEMFC using hydrogen, methanol or ethanol. This research could lead to the development of a direct methanol or ethanol fuel cell or to a more robust hydrogen powered system.

National Renewable Energy Laboratory
(Solar, $934,628)
Solid State Titania Solar Cell
This effort is fundamental research on a new solid state solar cell based on mesoporous Titanium Dioxide Film. The materials of the cell would be low-cost and readily available. The process steps in cell production will all be bench-top, wet chemistry, and significantly lower cost than other expensive procedures used in other solar cell production methods. Objectives of the project are (1) improving the efficiency of present day examples of such cells by adopting a novel sensitization method and (2) making the cell practical for the marketplace by developing a solid state version of the cell.

Sebesta Blomberg & Associates, Inc.
(Biomass, $738,654)
Feasibility of Producing Electricity and Heat Utilizing Steam Turbines and Spark Ignited Engine Generators at Generation II's Corn Ethanol Plant
This study will investigate the feasibility of producing electricity using steam turbines and spark-ignited generators based on gasification of spent distiller grains from the production of ethanol. The team will evaluate energy conditions at the Generation II plant, determine optimum gasifier and steam turbine sizes with the drying process, compare this sizing with the biomass fuel availability, characterize the fuel, and determine the site layout for the gasifier island and on-site fuel storage capacity. The Generation II ethanol plant is planned for construction in Brewster, Minnesota, in mid-2004.

The team anticipates that the wet distiller grains will be dried in a dryer and then sent to a gasifier where the dried distiller grains will be combusted. The hot gas from the gasifier will be used in two ways. Part of the gas will be sent to boilers where steam will be produced which will drive steam turbines to

produce electricity. Part of the gas will be sent to spark-ignited engine generators that will combust the low Btu gas to generate electricity. Although the equipment proposed consists of proven technology, it has not been integrated into a corn-ethanol plant as proposed in this study. Sebesta Blomberg will present the team's findings at the next annual International Fuel Ethanol Workshop.

University of Minnesota, Department of Electrical Engineering (Wind, $654,309)

Enhancing the Dispatchability of Wind Energy Using Inertial Storage and Hybrid Systems

The intermittent nature of wind affects the reliability and dispatchability of the resource. An inertial storage system could overcome these shortcomings by "firming up" the wind resource on a short-term basis (over a few tens of minutes) and by better utilizing the available transmission capacity, thus preventing it from becoming a bottleneck.

The goal of this study is commercialization of hybrid-storage systems to enhance the dispatchability of wind-derived energy. The design of a full-scale unit for field-testing will be presented at the end of the proposed three-year research project. The project investigates a hybrid system of wind, storage, and a turbine where the turbine uses the sub-component of the storage unit to lower the overall system cost.

National Renewable Energy Laboratory (Biomass, 638,635)

Development of a Centrifugal Filter for Removal of Tars and Particulates From a Biomass Gasifier Stream

Biomass gasification coupled with prime movers such as internal combustion engines, gas turbines and fuel cells is a renewable technology that could add substantially to the nation's mix of power production options. While biomass gasification has been practiced on and off for decades, removal of contaminants (tars and particulates) from the gas stream has been one of the major technical issues preventing this technology from realizing its full potential.

This development program proposes to bring to market a centrifugal filter effective in removing extremely small contaminants from biomass gasification streams, with the post-filter particulate levels being acceptable

for gas turbines. NREL and CPC will guide the design and performance criteria required for a commercially viable filter. MagStar Technologies, located in Hopkins, Minnesota, will complete the detailed design work and then fabricate prototype filters specifically designed for removing tars and particulates from the gas stream.

University of North Dakota Energy & Environmental Research Center (Biomass, $444,478)
Impacts of Biomass Cofiring on the Operation of a Next-Generation Power System
This study will test co-firing of biomass and coal using a high temperature heat exchanger technology that is currently being developed. This technology has shown promise as an efficient, environmentally cleaner high performance power system, but has yet to be tested using biomass cofiring.

The study involves field testing of two types of biomass – a woody material and a herbaceous material - with a Powder River Basin coal (or other coal of interest to Xcel Energy) at two different mix levels. The study will be funded in part by contributions from the U.S. Department of Energy.

Energy Performance Systems, Inc.
(Biomass, $266,508))
Economic and Technical Feasibility of Modifying the Minnesota Valley Plant (at Granite Falls) to Utilize Whole Trees as a Primary Fuel Source
This study will evaluate the economic and technical feasibility of modifying an existing coal plant in Minnesota to utilize whole trees, bailed waste wood, and hybrid grown trees as primary fuel sources. The study will also examine the option of adding a combined-cycle gas turbine system to increase capacity and plant efficiency.

EPS has developed and patented a wood combustion technology considered by the Electric Power Research Institute (EPRI) as having potential to be the best available wood-fired generation technology. The successful implementation of this technology could produce a clean source of base-load power as well as a new alternative crop for area farmers. The study would enlist the support of Oak Ridge National Labs, the Electric Power Research Institute, the University of Minnesota and the U.S. Forest Service.

Global Energy Concepts, LLC
(Wind, $75,000)
Advanced Methods for Development of Wind Turbine Models for Control Design

Significant benefits could be gained from developing sophisticated control schemes for variable pitch and/or variable speed wind turbines. These benefits generally fall into two categories: improved energy capture and reduced loading. While both of these benefits have potential to reduce the cost of wind energy, the latter has only seen limited application in commercial wind turbines. One of the reasons for this is that the design of sophisticated control systems for complex structures requires system models of equal sophistication and accuracy.

This study will develop linear models required for designing the necessary controls for variable pitch and/or variable speed wind turbines. It will investigate leveraging an existing commercial general-purpose structural dynamics code to extract the linearized system model or use identification techniques to obtain a realization of the linearized system model. The project will review these two methodologies, develop and exercise the selected approach to demonstrate feasibility, and document the results for commercial application and further research.

D.H. Blattner & Sons, Inc.
(Biomass, $68,470)
The Design & Installation of a Self-Erecting Wind Turbine
This project proposes to develop a "self-erecting" system that avoids the requirement of large and expensive cranes to install and maintain wind turbines and to enable wind turbines to be placed at greater heights. This development would also allow installation of wind turbines in more complex terrain and at a greater number of geographic locations than are practical using conventional cranes.

D.H. Blattner, in partnership with Elgood Mayo Corporation, has performed significant conceptual design for this self-erecting technology. D.H. Blattner is a heavy civil contractor, based in Avon, Minnesota. The firm has extensive construction experience and currently has contacts to erect almost 700 wind turbines throughout the U.S. The work under this proposal would build on already-completed development efforts by finalizing design parameters, fabricating and delivering a fullscale operational lifting device, and demonstrating the technology through fieldtesting.

University of North Dakota Energy & Environmental Research Center (Biomass, $60,000)

Biomass Impacts on SCR Performance

The EERC is forming a consortium of interested parties to evaluate the long-term effectiveness of selective catalytic reduction (SCR) for NOx control in coal-fired boilers that are also cofiring biomass material. Cofiring of biomass fuels provides a renewable energy resource and can significantly reduce CO2 emissions involved with the generation of electricity from coal combustion. The effect that cofiring biomass will have on catalysts for SCR of nitrogen oxides is poorly understood at best.

This project will involve bench-scale evaluations as well as long-term field testing with the aim to enhance the value of renewable energy production through the cofiring of biomass. The goals of this project are to determine the fundamental mechanisms of NOx reduction and potential blinding or masking of SCR catalysts because of flue gas constituents released from biomass fuels or from reactions of biomass and coal combustion constituents.

Northern States Power Company d/b/a Xcel Energy
South Dakota Electric Jurisdiction
Renewable Development Fund Projected Annual Award Payment Stream

	Tech. Type	*Grant Award*	*Award Payment Stream* 2002	2003	2004	2005	2006	2007	Total
Category A									
Crown Hydro, LLC	Hydro	$5,100,000	$1,100,000	$3,500,000	$500,000				$5,100,000
AnAerobics, Inc	Biomass	$1,300,000	$1,290,000	$10,000					$1,300,000
MN Dept. of Commerce	Solar	$1,150,000	$150,000	$300,000	$300,000	$400,000			$1,150,000
Project Resources Corp.	Wind	$900,000	$0	$18,000	$57,000	$825,000			$900,000
Pipestone-Jasper School	Wind	$752,835	$75,000	$677,835					$752,835
MN Corn Processors, Inc	Biomass	$400,000	[withdrawn]						$0
Science Museum	Solar	$100,000	$100,000						$100,000
Greden Farms	Biomass	$80,000		$80,000					$80,000
Subtotals		$9,782,835	$2,717,002	$4,587,838	$859,004	$1,227,005	$2,006	$2,007	$9,382,835
Category B/C									
UND Energy & Env. Res. Ctr	Biomass	$1,250,142	$131,417	$157,767	$491,416	$416,305	$53,237		$1,250,142
Colorado School of Mines	Biomass	$1,116,742	$69,556	$213,101	$224,432	$229,109	$228,452	$152,093	$1,116,743
Nat'l Renew. Energy Lab	Solar	$934,628		$304,819	$311,486	$318,323			$934,628
Sebesta Blomberg & Assoc.	Biomass	$738,654	$354,557	$384,097					$738,654
U of M, Dept of Elec. Eng.	Wind	$654,309		$208,805	$228,392	$200,606	$16,506		$654,309
Nat'l Renew. Energy Lab	Biomass	$638,635		$378,017	$260,618				$638,635
UND Energy & Env. Res. Ctr	Biomass	$444,478	$104,280	$340,198					$444,478
Energy Perf. Systems, Inc	Biomass	$266,508	$76,474	$190,033					$266,507
Global Energy Concepts, LLC	Wind	$75,000	$36,000	$39,000					$75,000
D.H. Blattner & Sons, Inc	Wind	$68,470	$68,470						$68,470
UND Energy & Env. Res. Ctr	Biomass	$60,000	$15,000	$30,000	$15,000				$60,000
Subtotals		$6,247,566	$855,753	$2,245,837	$1,531,344	$1,164,343	$298,195	$152,093	$6,247,566
Grand Totals		$16,030,401	$3,572,755	$6,833,675	$2,390,348	$2,391,348	$300,201	$154,100	$15,630,401

Less Withdrawn Project -$400,000 (MN Corn Processors, Inc.)
PROJECTED EXP.'s $15,630,401

Northern States Power Company d/b/a Xcel Energy
South Dakota Electric Jurisdiction

Estimated RDF Fuel Clause Recovery Impact on Residential Bills

Estimated RDF Impact

(1)	Annual RDF Amount $500,000/Cask x 17 Casks	$	8,500,000	
(2)	Budget 2003 System MWh Sales *		40,351,308	MWh
(3)	RDF Impact Per KWh on Fuel Clause Recovery (1) / (2) /1000	$	0.000211	/kWh **

Typical Residential Bill Impact

(4)	Typical Average Monthly Energy Consumption		750	kWh/Mo/Customer
	Applicable Residential Rates (At Current Level)			
(5)	Customer Charge	$	6.55	/Month
(6)	Summer Energy Charge	$	0.0725	¢/kWh
(7)	Winter Energy Charge	$	0.0626	¢/kWh
(8)	Average Energy Charge [(6) x 4 + (7) x 8] / 12	$	0.0659	¢/kWh
(9)	Average Monthly Bill (5) + [(4) x (8)]	$	55.98	
(10)	Applicable Average Fuel Clause Adjustment Factor *** (4) x 0.00275	$	2.06	

		Monthly	Annual
(11)	**Estimated Average Bill Without RDF Recovery** Monthly = (9) + (10) ; (Annual = Monthly x 12)	$ 58.04	$ 696.48
(12)	**Estimated RDF Impact On Fuel Clause** Monthly = (4) x (3) ; (Annual = Monthly x 12)	$ 0.16	$ 1.92
(13)	**Estimated Average Monthly Bill With RDF Recovery** Monthly = (11) + (12) ; (Annual = Monthly x 12)	$ 58.20	$ 698.40
(14)	**RDF Recovery Impact On Typical Residential Bill (%)** (12) / (11) x 100%	0.3%	0.3%

* Preliminary
** Based on preliminary 2003 budgeted SD MWh sales of 1,636,537 the estimated increase for SD customers is approximately $345,000.
*** Based on preliminary 2003 budget SD Average FCA factor (without RDF impact) of $0.00275/kWh.

Proposed Accounting For RDF Expenditures

The following provides a summary of the renewable development fund accounting including how FERC Account 407.3 would be used:

1. **Liability Recognition**

   Debit: Account 182.3 - Regulatory Asset (Deferred Debit)
   Credit: Account 253 – RDF Liability (Regulatory Liability)

2. **Cash Payment to Awardees**

   Debit: Account 253 – RDF Liability (detail work order)
   Credit: Account 131 – Cash

3. **Collection Through Fuel Clause and Reduction of Regulatory Assets**

   Debit: Account 407.3 – Regulatory Debits
   Credit: Account 182.3 – Regulatory Asset (detail work order)

4. **Recognition of Revenues**

   Debit: Account 142 – Customer Accounts Receivable
   Credit: Accounts 440 through 448 – Retail Revenue

Through work order numbers, entries for each specific project can be tracked.

FUEL CLAUSE RIDER

Section No. 5
2nd Revised Sheet No. 64
Canceling 1st Sheet No. 64

There shall be added to or deducted from the net monthly bill $0.00001 per kilowatt-hour for each $0.00001 increase above or decrease below $0.01092 in the fuel cost per kilowatt-hour sales.

The fuel cost shall be the sum of the following for the most recent two month period plus unrecovered (or less over recovered) prior cumulative energy costs:

1. The cost of fossil, nuclear, and other fuels, including but not limited to biomass, wood, and refuse derived fuel (RDF), consumed in the Company's generating stations as recorded in Accounts 151 and 518. C C

2. The net energy cost of energy purchases, including gains, losses, premium payments, and transaction costs related to financial instruments and linked transactions used to mitigate price volatility, as recorded in Account 555 exclusive of capacity or demand charges, irrespective of the designation assigned to such transaction, when such energy is purchased: C C

   a. On an economic dispatch basis, including such costs as the charges for economic energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; N N

   b. From a renewable energy source, including but not limited to hydro, wood, wind and biomass;

   c. From a qualifying facility as defined in 18 C.F.R. Part 292 (PURPA).

   d. The actual identifiable fuel costs associated with energy purchased for reasons other than those identified in items a, b and c above;

3. Expenditures related to Renewable Development Fund (RDFd) as these amount recorded in Account 407.3; C C

4. Less the fuel related costs recovered through intersystem sales.

The kilowatt-hour sales shall be all kilowatt-hours sold excluding intersystem sales for the same period.

A carrying charge or credit will be included in the determination of monthly fuel adjustment factors. Said charge or credit will be determined by applying one-twelfth of the overall rate of return granted by the South Dakota Public Utilities Commission in the most recent rate decision to the recorded balance of deferred fuel cost as of the end of the month immediately preceding the fuel adjustment factor determination.

NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY
Generation Fuel and Purchased Power Costs Per KWH

South Dakota Retail - Applied in Billing Month of Feb-2003 (SAMPLE FORMAT WITH PROPOSED RDF RECOVERY)

Fuel and Purchased Power Costs	Dec-2002	Nov-2002	Two Month Total
	(A)	(B)	(C)
(1) Account 151	$21,271,097	$20,202,072	$41,473,169
(2) Account 518	5,121,655	4,462,883	9,584,538
(3) Account 555 (Less Demand Related) Economic Dispatch	17,912,745	18,447,724	36,360,469
(4) Total System Costs	44,305,497	43,112,679	87,418,176
(5) Fuel Cost - InterSystem Sales	(7,311,431)	(6,593,932)	(13,905,363)
(6a) Net System Costs	$36,994,066	$36,518,747	$73,512,813
(6b) Account 407.3 - RDF Project Expenses	**$0**	**$0**	**$0**
(6c) Account 407.3 - RDF Admin. Expenses	**$0**	**$0**	**$0**
(6d) Account 407.3 - Total RDF Recovery	**$0**	**$0**	**$0**
(6e) Total [Line 6a + Line 6d]	$36,994,066	$36,518,747	$73,512,813
MWH Sales			
(7) Total Retail	3,339,324	2,972,865	6,312,189
(8) Non-Gen Municipals/Load Pattern Power	67,424	47,917	115,341
(9) Total System MWH Sales	3,406,748	3,020,782	6,427,530
(10) SD Retail MWH Sales	140,703	122,786	263,489
(11) Total Cost of Fuel Per KWH	1.086	1.209	1.144

Recovery Provision	South Dakota Rider	Recovery Provision Calculations:
(12) Two-Month Cost of Fuel/KWH - Oct-2002	1.062	
(13) Unrecovered Expenses per KWH - Oct-2002	0.024	Line (13) = 11A - 12
(14) Unrecovered Expenses ($) - Oct-2002	33,769	Line (14) = 10A x 13
(15) Recovery Adj Applied per KWH - Oct-2002	-0.152	
(16) Expenses Recovered ($) - Oct-2002	(213,869)	Line (16) = 10A x 15
(17) Prior Unrecovered Expenses ($)	(431,366)	
(18) Subtotal Unrecovered Expenses ($)	(183,728)	Line (18) = lines 14 - 16 + 17
(19) Carrying Charge on Unrecovered Expenses ($)	(1,490)	Line (19) = Overall Rate of Return/12 x Line 18
(20) Total Unrecovered Expenses ($)	(185,218)	Line (20) = line 18 + 19
(21) Rec. Provision per KWH Applied in Dec-2002	-0.070	Line (21) = line 20 / 10C
(22) Base Cost per KWH	1.092	Line (23) = line 11C + 21 - 22
(23) Refund Per KWH	0.000	
(24) Fuel Clause Adj per KWH Applied in Feb-2003	**-0.018**	Overall Rate of Return = 9.73

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of February 20, 2003 through February 26, 2003

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3705

ELECTRIC

EL03-005 In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval to Include Renewable Energy Development Fund Costs in the Electric Fuel Clause Adjustment.

Petition by Xcel Energy for approval to include Renewable Development Fund costs in its electric fuel adjustment clause. Xcel Energy operates the Prairie Island Nuclear Generating Plant at Red Wing, Minnesota which uses "dry casks" to store spent fuel from the plant. In 1994, the Minnesota Legislature passed an Act which requires Xcel Energy to transfer $500,000 annually, for each cask, into a Renewable Development Fund. The Renewable Development Fund promotes the advancement of new renewable energy sources. Xcel's petition states that inclusion of these Fund payments in its fuel clause would be efficient and is consistent with the purpose of the Automatic Adjustment Clause Statute SDCL 49-34A-25.

Staff Analyst: Dave Jacobson
Staff Attorney: Kelly Frazier
Date Docketed: 02/25/03
Intervention Deadline: 03/14/03

TELECOMMUNICATIONS

TC03-050 In the Matter of the Application of Exergy Group, LLC for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.

Exergy Group, LLC has filed an application for a Certificate of Authority to provide interexchange telecommunications services in South Dakota. The applicant intends to provide resold interexchange services, including 1+ and 101XXXX outbound dialing, 800/888 toll-free inbound dialing, directory assistance, data services, and travel card service throughout South Dakota.

Staff Analyst: Bonnie Bjork
Staff Attorney: Kelly Frazier
Date Docketed: 02/20/03
Intervention Deadline: 03/14/03

TC03-051 In the Matter of the Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and DIECA Communications, Inc. d/b/a Covad Communications Company.

On February 20, 2003, the Commission received a Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and DIECA Communications, Inc. d/b/a Covad Communications Company. According to the parties, this filing is an amendment to the original agreement approved by the Commission on November 18, 1999, in Docket TC99-017. The amendment is made in order to add terms, conditions and rates for Joint Testing as set forth in Attachment 1 and Exhibit A to the amendment. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than March 12, 2003. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Kelly Frazier
Date Docketed: 02/20/03
Initial Comments Due: 03/12/03

TC03-052 In the Matter of the Filing for Approval of Transfer of Certificate of Authority from Teleglobe USA Inc. to Teleglobe USA LLC d/b/a Teleglobe USA LLC (South Dakota).

Teleglobe USA Inc. and Teleglobe USA LLC d/b/a Teleglobe USA LLC (South Dakota) Inc. have filed an application to transfer the Certificate of Authority of Teleglobe USA Inc. to Teleglobe USA LLC d/b/a Teleglobe USA LLC (South Dakota) to provide resold interexchange telecommunications services in the State of South Dakota. Proposed services initially include switched outbound voice services and, in the future, prepaid and postpaid calling card services, 800/888, private line, and data services.

Staff Analyst: Bonnie Bjork
Staff Attorney: Karen E. Cremer
Date Docketed: 02/21/03
Intervention Deadline: 03/14/03

TC03-053 In the Matter of the Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and ICG Telecom Group, Inc.

On February 24, 2003, the Commission received a Filing for Approval of an Amendment to an Interconnection Agreement between Qwest Corporation and ICG Telecom Group, Inc. According to the parties, this filing is an amendment to the original agreement approved by the Commission on January 3, 2003, in Docket TC02-045. The amendment is made in order to replace the existing terms, conditions and rates for UNEs (Part E), in its entirety, with the new terms, conditions and rates for UNEs (Section 9.0), as set forth in Attachment 1 and Exhibits A, B, C and D to the

amendment. Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than March 17, 2003. Parties to the agreement may file written responses to the comments no later than twenty days after the service of the initial comments.

Staff Attorney: Kelly Frazier
Date Docketed: 02/24/03
Initial Comments Due: 03/17/03

You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe or unsubscribe to the PUC mailing lists at http://www.state.sd.us/puc

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April 2, 2003

Greg Rislov
Public Utilities Commission
State Capitol
500 East Capitol
Pierre, South Dakota 57501

RE: XCEL ENERGY; FUEL CLAUSE ADJUSTMENT FILING
DOCKET EL03-005
Our file: 0185

Dear Greg:

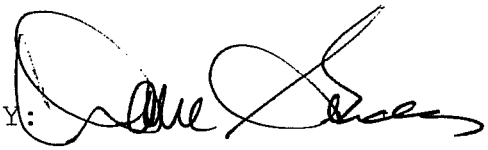
As we discussed on the telephone, concerning Commissioner Hanson's question at the Commission meeting on this docket, enclosed is a copy of Chapter 276, 1996 Session Laws, which was Senate Bill 80 from 1996 when the fuel clause statute was amended to provide for Commission approved fuel incentives. I pass this along because it carries with it the overstrikes and underlining showing how the statute was amended at that time.

My recollection that Commission approved fuel incentives dealt with forward contracting and hedging to give companies an incentive to save money in purchases of fuel, rather than simply buying on the open market. I recall back in 1996 that Bob Miller and I had several conferences with you in drafting this statute. As I recall it, it was a Commission statute, but that we did have some input into the manner in which it was structured. As we discussed on the telephone, the passage of this statute actually post-dated an incentive plan which had been approved for MidAmerican Energy. Part of the consideration was to make it clearer that such plans were acceptable within the fuel clause statute.

Please pass this along to the Commissioners and Staff.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

BY: 

DAG:mw

Enclosure

cc/enc: Jim Wilcox
Bob Miller

provisions of this Act apply to any incentive rate tariff approved by the commission in existence on the effective date of this Act.

Signed February 21, 1996.

CHAPTER 275

(SB 144)

PUBLIC UTILITIES ALLOWED TO ESTABLISH BUSINESS DEVELOPMENT RATES

AN ACT ENTITLED, An Act to authorize the Public Utilities Commission to permit certain flexible and competitive rate-making by public utilities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

That chapter 49-34A be amended by adding thereto a NEW SECTION to read as follows:

In addition to any other rate authorized by this chapter, the commission may approve business development rates authorizing a utility to negotiate and agree with a customer for specific rates which differ from standard rates otherwise applicable to the customer. All business development rates shall be approved as being in the public interest under such terms and conditions as the commission may provide in a proceeding under this chapter. If approved, no such business development rate constitutes a violation of § 49-34A-3 or a change in rates pursuant to § 49-34A-12. The provisions of this Act apply to any business development rate tariff approved by the commission in existence on the effective date of this Act.

Signed February 21, 1996.

CHAPTER 276

(SB 80)

CRITERIA FOR AUTOMATIC ADJUSTMENTS OF UTILITY RATES AMENDED

AN ACT ENTITLED, An Act to change the criteria for implementation of automatic adjustment of utility rates due to changes in energy, fuel and gas cost, ad valorem taxes, or approved incentives.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

That § 49-34A-25 be amended to read as follows:

49-34A-25. The ~~public utilities~~ commission shall permit a public utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in wholesale rates for energy delivered ~~or~~, the delivered costs of fuel used in generation of electricity ~~or the manufacture of gas, or ad valorem taxes paid. Provided that in the event an agency of the United States authorizes or orders a change in rates that a supplier of gas at wholesale may charge a public utility selling at retail, said utility shall file a revised rate schedule containing provision for the automatic adjustment of charges in direct relation to the changes in the wholesale rates~~, the delivered cost of gas, ad valorem taxes paid, or commission approved fuel incentives. The amended rate schedules shall be filed with the commission on or before the effective date of the change in wholesale ~~rates~~ costs, and if the

commission determines that ~~said~~ the revised rate schedule is in error, the commission may within ten days of receipt thereof require by order the public utility to file a bond or other security upon such terms and conditions as the commission may require and for such purposes as contained in §§ 49-34A-17 and 49-34A-22. Such rates ~~shall be permitted to~~ may go into effect on the date of the change in ~~wholesale rates~~ costs subject to the above refund provisions. Failure of the commission to enter an order in regard thereto shall be deemed approval. The public utility may appeal such order pursuant to and in accordance with § 49-34A-62.

Signed February 21, 1996.

CHAPTER 277

(SB 206)

BOND REQUIREMENTS FOR GRAIN DEALERS INCREASED

AN ACT ENTITLED, An Act to increase certain bonding requirements for grain dealers, to revise certain grain and warehouse license fees, to establish a grain warehouse fund, and to provide for its continuous appropriation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That § 49-45-9 be amended to read as follows:

49-45-9. Before any grain dealer license is issued by the commission, the applicant shall file with the commission a bond conditioned to secure the faithful performance of the applicant's obligations as a grain dealer and full and unreserved compliance with the laws of this state and the rules of the commission, relating to the purchase of grain by the grain dealer. The bond is for the specific purpose of protecting persons selling grain to the grain dealer. However, the bond may not benefit any person entering into a voluntary credit sale with a grain dealer. Any person who does business as a grain dealer without a bond is guilty of a Class 2 misdemeanor. Each day a person conducts the business of a grain dealer without a bond is a separate offense.

The minimum bond required to obtain a grain dealer license is fifty thousand dollars ~~if the value of the grain purchased during the grain dealer's previous fiscal year exceeds five hundred thousand dollars or if the grain dealer operates four or more tractors, truck tractors or straight trucks within the state. For all other grain dealers who purchase grain with a value of five hundred thousand dollars or less or operate less than four trucks, the minimum bond required is twenty five thousand dollars~~.

If the commission finds, after an opportunity for notice and hearing, that the bond filed by a grain dealer, ~~the amount of which is based upon the above formula~~ pursuant to this section, is inadequate because of circumstances peculiar to that grain dealer, the amount of that bond may be increased to such amount as the commission determines. In addition, the grain dealer may stipulate to a higher bond amount requested by the commission.

Section 2. That § 49-42-8 be amended to read as follows:

49-42-8. All money collected by the ~~public utilities~~ commission under chapters 49-42 to 49-45, inclusive, shall be paid into the state treasury and credited to the ~~general fund~~ grain and warehouse fund which is hereby established in the state treasury. Funds so credited and interest earned on

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL TO INCLUDE RENEWABLE ENERGY DEVELOPMENT FUND COSTS IN THE ELECTRIC FUEL CLAUSE ADJUSTMENT	))))))	ORDER DISMISSING AND CLOSING DOCKET EL03-005

On February 25, 2003, Xcel Energy (Xcel) filed a Petition with the Public Utilities Commission (Commission) for approval to include Renewable Development Fund costs in its electric fuel adjustment clause. Xcel operates the Prairie Island Nuclear Generating Plant at Red Wing, Minnesota, which uses "dry casks" to store spent fuel from the plant. In 1994, the Minnesota Legislature passed an Act which requires Xcel Energy to transfer $500,000 annually, for each cask, into a Renewable Development Fund. The Renewable Development Fund promotes the advancement of new renewable energy sources. Xcel's petition states that inclusion of these Fund payments in its fuel clause would be efficient and is consistent with the purpose of the Automatic Adjustment Clause Statute SDCL 49-34A-25.

The Commission has jurisdiction in this matter pursuant to SDCL Chapter 49-34A.

At its regularly scheduled meeting of March 2, 2004, the Commission considered this matter. The Commission voted to dismiss and close the docket. It is therefore

ORDERED, that the docket shall be dismissed and closed.

Dated at Pierre, South Dakota, this 9th day of March, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Melanie Kalbo

Date: 3/9/04

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr

ROBERT K. SAHR, Chairman dk

Gary Hanson

GARY HANSON, Commissioner

James A. Burg

JAMES A. BURG, Commissioner