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## **SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

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September 6, 2011

Patricia Van Gerpen  
Executive Director  
SD Public Utilities Commission  
500 E. Capitol Ave.  
Pierre, SD 57501

**Re: EL11-015 - In the Matter of the Filing by Northern States Power Company dba  
Xcel Energy for Approval of its Revised Rate Sheets for its Occasional Delivery  
Energy Service and Time of Delivery Energy Service**

Dear Ms. Van Gerpen:

On June 15, 2011, the Commission received an application by Northern States Power Company d/b/a Xcel Energy (Xcel or Company) for approval of revised tariff sheets applicable to cogeneration and small power production services. Specifically, the Company proposes price adjustments for Occasional Delivery Energy Service (Occasional Delivery) Rate E50 and Time of Delivery Energy Service (TOD) Rate E52.

Upon review of the filing, Staff recommends Commission approval of these tariff revisions.

In accordance with Commission Order F-3365 regarding Section 210 of the Public Utilities Regulatory Policy Act of 1978, Xcel proposes changes to the energy and capacity payment rates for cogeneration and small power production facilities of 100kW or less. In its filing, the Company offers revised tariff sheets to reflect a decrease in energy payments under Occasional Delivery Rate E50, and a decrease in energy and capacity payments for TOD Rate E52.

***Energy Payments***

The Company cites declining natural gas prices as the primary cause for the decrease in energy prices. Energy payments under these tariff provisions represents the Company's estimated system average incremental energy costs, adjusted for losses. The costs are derived by estimating the marginal costs to operate different marginal units. This includes developing estimates for peaking units, combined cycle units, and market purchases. As natural gas is the primary fuel source in these generation units, the marginal costs are heavily influenced by changes in natural gas prices. A decrease in estimated natural gas prices directly affects the price of the Company's avoided energy costs payable to customers.

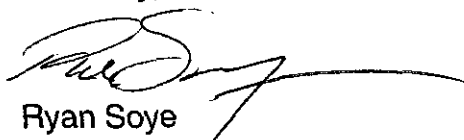
***Capacity Payments***

For capacity payments, Staff researched the cost estimates to construct a single cycle combustion turbine. Staff compared the estimates of all South Dakota regulated utilities and several regional utilities. This information was gathered from past docket filings, integrated resource plans, and web based information services. The evaluation shows the Company's cost estimates to be representative of current industry averages. Although Xcel's estimate was noticeably lower than other utilities in the state, this is attributable to plant size and economies of scale. Due to the high capacity rating of the turbine used in the Company's cost estimate, its avoided capacity cost per unit is lower than other South Dakota utilities.

***Additional Tariff Revisions***

During the review process, a discrepancy was found in the proposed Occasional Delivery Rate E50 tariff sheet. Item number five (#5) under the *Terms and Conditions of Service* section should be excluded. However, as no South Dakota customers receive service under this tariff provision, the update is merely clerical and has no effect on customer billing.

Sincerely,



Ryan Soye  
Staff Attorney