BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF COMMISSION STAFF'S REQUEST TO INVESTIGATE NORTHERN STATES POWER COMPANY dba XCEL ENERGY'S PROPOSED FUEL CLAUSE RIDER	**))))))**	EL16-037 PETITION TO SUSPEND PROPOSED FUEL CLAUSE RIDER

COMES NOW, Staff of the South Dakota Public Utilities Commission (Commission) and hereby files this request pursuant to SDCL § 49-34A-26, which provides for investigation of rates or services by the Commission. Staff of the Commission (Commission Staff) respectfully requests an order from the Commission suspending Northern States Power Company dba Xcel Energy's (NSP or Company) proposed Fuel Clause Rider (FCR) for 180 days beyond November 30, 2016.

The Commission authorized the FCR tariff sheets, Section No. 5, Sheet Nos. 64 – 64.2, pursuant to South Dakota Codified Law (SDCL) 49-34A-25 in Docket EL14-058. SDCL §49-34A-25 allows for

> the automatic adjustment of charges for public utility service in direct relation to changes in wholesale rates for energy delivered, the delivered costs of fuel used in generation of electricity, 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 changes in costs, and if the commission determines 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 SDCLs 49-34A-17 and 49-34A-22. Such rates may go into effect on the date of the change in costs subject to the above refund provisions. Failure of the commission to enter an order in regard thereto shall be deemed approval.

Commission Staff requests an opportunity to evaluate whether the purchase power agreements (PPA) requested for cost recovery through the FCR are reasonable and cost effective considering other electricity alternatives. Commission Staff requests that the Commission issue an order suspending the FCR pursuant to SDCL §49-34A-14 for 180 days beyond November 30, 2016.

FACTUAL BACKGROUND

NSP operates as a public electric utility in Minnesota, North Dakota, South Dakota, Wisconsin and Michigan. On October 12, 2016, Company representatives met with Commission Staff regarding NSP's 2016-2030 Upper Midwest Resource Plan[1]. The Company discussed electric generation resources scheduled to be placed in-service during the next five years. Three projects, North Star Solar (100 MW), Marshall Solar (63 MW), and Aurora Solar (100 MW) (collectively referred to as the 2016 projects), were scheduled to be placed in-service in 2016. The Company confirmed these projects were added to its portfolio through three PPAs that would be recovered through the FCR. At this meeting, Commission Staff requested NSP provide the PPAs associated with the 2016 projects. On October 20, 2016, Commission Staff also requested that NSP provide each projects' expected in-service date, the first month NSP will incur costs associated with each PPA, and the anticipated rate effective date that the FCR will commence recovery of costs associated with each PPA.

On November 2, 2016, NSP provided the information requested by Commission Staff.[2] NSP asserted that it incurred costs associated with the Marshall Solar PPA in October 2016 when

[1] See Attachment 1 – 2016-2030 Upper Midwest Resource Plan Presentation
[2] See Confidential Attachment 2 – Reply to Informal Data Request Following up to an Informational Commission Visit on October 12, 2016

the project began producing test energy, and the costs will first be recovered through the FCR in December 2016. The Company indicated the Marshall Solar PPA has a 25-year term and its levelized cost of energy (LCOE) is [redacted].

NSP also stated that the costs associated with the North Star Solar project and the Aurora Solar project will first be recovered through the FCR in January 2017. According to the discovery response, the North Star Solar project has a LCOE of [redacted] over a 25-year term, and the Aurora Solar project has a LCOE of [redacted] over a 20-year term.

The Company filed the FCR effective December 1, 2017, on November 30, 2016.[3] NSP calculates and submits its FCR each calendar month. Commission Staff has not been able to specifically identify the Marshall Solar PPA costs requested for recovery in the FCR filing, so Commission Staff must rely on the Reply to Informal Data Request provided by NSP regarding its inclusion for recovery.

At the LCOE associated with the Marshall Solar project, Commission Staff believes it is necessary to evaluate the resource to determine whether the PPA is reasonable and cost effective considering other electricity alternatives. Commission Staff requests a suspension to allow adequate time to evaluate the Marshall Solar project. Since the costs associated with specific PPAs are not identified in the FCR filing, Commission Staff may determine that additional resources need to be evaluated for cost effectiveness through its investigation.

Although the Aurora Solar and North Star PPAs are not currently requested for recovery in the proposed FCR effective December 1, 2016, Commission Staff believes there is a similar need to evaluate these resources for prudency. Commission Staff proposes to review these

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[3] Confidential Attachment 3 – NSP's December FCR

resources during the suspension period after the costs are incurred and NSP affirms that it will request recovery related to these agreements from South Dakota customers.

LEGAL ANALYSIS

NSP is a public utility as defined by SDCL § 49-34A-1(12). SDCL § 49-34A-25 provides in pertinent part that public utilities may file automatic adjustments of charges for public utility service in direct relation to changes in wholesale rates for energy delivered. Staff reviews these filings pursuant to SDCLs §§ 49-34A-6, 49-34A-8, 49-34A-8.4, 49-34A-25, and 49-34A-104.

SDCL § 49-34A-8 provides:

> The commission, in the exercise of its power under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, economical, and reasonable service and to the need of the public utility for revenues sufficient to enable it to meet its total current cost of furnishing such service, including taxes and interest, and including adequate provision for depreciation of its utility property used and necessary in rendering service to the public, and to earn a fair and reasonable return upon the value of its property.

Per the above statute, Staff's prerogative in its review of FCR filings is, among other things, to ensure that the expenses are just and reasonable. In its analysis, Staff considers whether the expenses are "prudent, efficient, and economical, and are reasonable and necessary to provide service" as required by SDCL § 49-34A-8.4.

CONCLUSION

Commission Staff respectfully requests that the Commission suspend NSP's proposed FCR pursuant to SDCL §49-34A-14 for 180 days beyond November 30, 2016, to allow adequate time to evaluate whether the PPAs requested for cost recovery through the FCR are reasonable and cost effective considering other electricity alternatives.

Dated this 30th day of November, 2016.

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