

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF COMMISSION STAFF'S	)	SETTLEMENT
REQUEST TO INVESTIGATE NORTHERN	)	STIPULATION
STATES POWER COMPANY D/B/A	)	
XCEL ENERGY'S PROPOSED FUEL CLAUSE	)	EL16-037
RIDER	)	

**I. SETTLEMENT STIPULATION**

On November 30, 2016, Northern States Power Company doing business as Xcel Energy (Xcel Energy or Company) filed with the Public Utilities Commission (Commission) its monthly fuel clause rider (FCR) filing to be effective December 1, 2016. On November 30, 2016, Commission Staff (Staff) filed a petition to suspend the FCR for one hundred eighty (180) days to allow adequate time for Staff to evaluate whether certain power purchase agreements (PPAs) requested by the Company for cost recovery through the FCR are reasonable and cost effective. By order dated December 12, 2016 in the above captioned proceeding (the December 12 Order), the Commission suspended the Company's proposed FCR for one hundred eighty (180) days after November 30, 2016 (the Suspension Date) while retaining in effect the FCR rate filed on October 31, 2016. The Company chose not to place the FCR rates into effect subject to refund at the conclusion of the 180 days suspension period.

On May 8, 2017, Staff filed a Motion and Brief for Order to Show Cause Why Certain Costs Included in Proposed Fuel Clause Rider Should not be Disallowed (Motion). In its Motion, Staff identified a number of resources that should be evaluated which are: The RDF PPAs, more fully described in Attachment A; the C-BED PPAs, more fully described in Attachment B; the Capacity PPAs, more fully described in Attachment C; the Biomass PPAs, more fully described in Attachment D; the 187 MW Solar PPAs, more fully described in Attachment E; and the Aurora Solar PPA, more fully described in Attachment F (the RDF PPAs, the C-BED PPAs, the Capacity PPAs, the Biomass PPAs, the 187 MW Solar PPAs, and the Aurora Solar PPA are collectively referred to as the "Identified PPAs"). By Order dated May 25, 2017 in the above captioned proceeding (the May 25 Order), the Commission required the Company to appear and show cause as to why costs associated

with the Identified PPAs should be passed on to South Dakota customers through the FCR. On the same date, the Commission issued a Procedural Order in the instant proceeding.

On June 30, 2017, the Company filed Direct Testimony in the instant proceeding supporting the recovery of the Identified PPAs through the FCR. On July 28, 2017, Staff filed its Direct Testimony arguing that the costs of the Identified PPAs, except for the Capacity PPAs, should not be recovered. On August 8, 2017, the Company filed its rebuttal testimony proposing an alternative path to resolution of this Docket.

Staff and Xcel Energy (jointly the Parties) held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this matter. As a result of those negotiations, application of a proxy price to the Identified PPAs emerged as a reasonable path to resolving the issues raised in this proceeding. Both Xcel Energy and Staff also recognize that developing a just and reasonable proxy pricing methodology to be applicable to the relevant Identified PPAs at issue is a complex and time consuming endeavor. While the Parties have made some progress in working through certain proxy pricing issues as identified in this Stipulation, it is unlikely that proxy pricing issues could be satisfactorily resolved prior to the expiration of the one-year statutory deadline for processing this docket. To that end, the Parties, through this Stipulation agree to commence a new proceeding to examine proxy pricing issues applicable to the Identified PPAs.

Through the course of this Docket, Staff, through discovery, has also identified certain additional resources related to the State of Minnesota's legislative Made in Minnesota program as well as certain net metered resources. The Parties agree to address the impact of the costs of these programs on South Dakota customers through this Stipulation.

Additionally, the record to this proceeding has brought to light the need to reform the Company's FCR to provide additional transparency into its filings and the PPAs being recovered through the FCR. Staff has suggested important FCR reforms which the Parties agree to in this Stipulation as described further below.

The Parties have, therefore, entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will determine the outcome of this proceeding, commence an additional proceeding for the further examination of several of the Identified PPAs

to determine their final ratemaking treatment, and institute important reforms to the Company's FCR.

## II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purposes of resolving Docket EL16-037. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Stipulation, which may be executed in counterparts, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2. This Stipulation includes all terms of settlement. This Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation except as explicitly stated in this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission but for the additional proceeding contemplated by this Stipulation. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the

Commission as precedent in any other current or future FCR proceeding or any other proceeding before the Commission, but for the additional proceeding contemplated by this Stipulation.

4. The Parties stipulate that all pre-filed testimony, exhibits, and workpapers be made a part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled, the procedural schedule would have continued and additional record evidence from each of the Parties would have been developed.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

### **III. ELEMENTS OF THE STIPULATION**

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of this Stipulation is reliant on each and every other element of this Stipulation. In consideration of the promises of each of Xcel Energy and Staff to each other, the Parties agree to the following elements of this Stipulation:

1. Resolution of Docket No. EL16-037

The Parties agree that this proceeding shall be resolved, that the suspension of the FCR be lifted, and that the FCR should be filed by the Company consistent with the following disposition of the Identified PPAs:

a. Capacity PPAs

The record reflects that both Staff and Xcel Energy agree that there should be no disallowance associated with the Capacity PPAs. Therefore, the costs of the Capacity PPAs shall be recovered through the FCR retroactive to the Suspension Date.

b. Aurora Solar PPA

The record reflects that reasonable minds may differ regarding the prudence of the Aurora Solar PPA. The Company argued that the Aurora Solar PPA is a prudent resource to meet the capacity needs identified in its 2010 Integrated Resource Plan considering the forecast volatility that the Company was experiencing. Staff argued that the need for the Aurora PPA did not exist based on the Fall 2014 Resource Plan update and that there were lesser cost alternatives to meet both the capacity and fuel hedge purposes of the Aurora Solar PPA.

To resolve this proceeding, the Parties agree that the actual costs of the Aurora Solar PPA shall not be recovered from South Dakota customers. To help ensure that South Dakota customers are not unreasonably subsidized by service under the Aurora Solar PPA to the NSP System, the Company shall be allowed to recover through the FCR a credit equal to the Company's system average cost of fuel and purchased power per kWh (Attachment 1, Page 2, line 11 of the Company's monthly FCR filing) for the South Dakota share of the output of the Aurora Solar PPA. For this resource, the system average cost will be calculated using the averaging method currently used by the Company in the Fuel Clause Rider. The Company shall not recover a capacity credit associated with the Aurora Solar project for the term of the PPA.

Recovery of the Aurora Solar PPA energy credit through the FCR consistent with this Section III.1.b. of this Settlement shall be retroactive to the Suspension Date. The Parties agree that this resolution of the Aurora PPA shall not be considered precedential nor otherwise be relied upon in the additional proceeding described below.

c. Biomass PPAs

The record reflects that the Company entered into certain Biomass PPAs to comply with Minnesota's Biomass Mandate which was a prerequisite for continued service by the Company's nuclear fleet to the NSP System. The record also reflects that the Company has been recovering the costs of the Biomass PPAs since the time these resources were placed into service. Further, the record reflects that the Company is undertaking an initiative to terminate some, or all, of the Biomass PPAs.

In recognition of the Company's long-standing recovery of the costs of these resources, their link to continued service from the Company's nuclear fleet, and the Company's efforts to terminate these PPAs, the Parties agree that the Company may recover the costs of the Biomass PPAs in the FCR for their term, retroactive to the Suspension Date.

The Company may request the Commission approve recovery or special accounting treatment of the South Dakota share of costs of terminating some, or all, of the Biomass PPAs from South Dakota customers in a separate proceeding or in the Company's next rate case. This resolution of the Biomass PPAs through this Stipulation shall have no bearing on any future proceeding regarding the costs of terminating some, or all, of the Biomass PPAs. The Parties agree that the resolution of the Biomass PPAs in this Stipulation shall not be considered

precedential nor otherwise be relied upon in any future proceeding regarding the termination costs of the Biomass PPAs.

d. 187 MW Solar PPAs

The record reflects that the Company entered into the 187 MW Solar PPAs primarily to comply with Minnesota's Solar Energy Standard (SES). The record reflects that the Company ultimately obtained 162.25 MW of solar PPAs. The specific solar PPAs are Marshall Solar PPA (62.25 AC MW) and North Star Solar PPA (100 AC MW). Xcel Energy and Staff continue to disagree as to whether South Dakota customers should pay the full cost of these resources to continue being served by the NSP System. To resolve this proceeding, the Parties agree that for recovery of these resources through the FCR, the costs of the 187 MW Solar PPAs should be replaced with an energy and capacity proxy representing the energy and capacity contributions of these resources to the NSP System.

The Parties agree that the energy proxy price applicable to the 187 MW Solar PPAs shall be established in the additional proceeding described below. The Parties also agree that the capacity proxy applicable to the 187 MW Solar PPAs shall be the 2014 Cost of New Entry (CONE) as established by the Midcontinent Independent System Operator, Inc. (MISO) escalated on an annual basis at 2% until 2024 and applied to the MISO accredited capacity of these resources; provided, however, that no capacity proxy shall be applicable to the 187 MW Solar PPAs until 2024. Starting 2024 and for the duration of the PPA term, the capacity value shall be calculated as specified in Attachment G. The Parties selected 2024 as the date of commencement of recovery of the capacity proxy to be consistent with capacity planning assumptions in place at the time the Company entered into the 187 MW Solar PPA.

Until such time as the energy proxy price is established, the Company may recover the full costs of the South Dakota share of the 187 MW Solar PPAs through the FCR, retroactive to the Suspension Date, subject to refund. The application of the proxy energy and capacity pricing to the 187 MW Solar PPAs shall be retroactive to the Suspension Date upon completion of the additional proceeding described further below.

e. RDF PPAs, C-BED PPAs

The record reflects that the Company entered into the RDF PPAs and C-BED PPAs to further Minnesota statutory priorities. Both the Renewable Development Fund (RDF) and the Community Based Energy Development statutes have been amended or repealed such that these Minnesota programs will no longer drive resource decisions. Xcel Energy and Staff continue to disagree as to whether South Dakota customers should pay the full cost of these resources to continue being served by the NSP System. To resolve this proceeding, the Parties agree that for recovery of these resources through the FCR, the costs of the RDF PPAs and C-BED PPAs should be replaced with an energy and capacity proxy representing the energy and capacity contributions of these resources to the NSP System. The Parties agree that the energy proxy price and capacity proxy price applicable to RDF PPAs and C-BED PPAs shall be established in the additional proceeding described below.

Until such time as both the energy and capacity proxy prices are established, the Company may recover the full costs of the South Dakota share of the RDF PPAs and C-BED PPAs through the FCR, retroactive to the Suspension Date, subject to refund. The application of the proxy energy and capacity pricing to the RDF PPAs and C-BED PPAs shall be retroactive to the Suspension Date upon completion of the additional proceeding described further below.

2. Additional Proceeding on Proxy Pricing

The Parties agree that an additional proceeding is necessary to determine the energy proxy price applicable to the 187 MW Solar PPAs and the energy and capacity proxy prices applicable to the RDF PPAs and the C-BED PPAs. To that end, the Parties agree as follows:

No later than 120 days following the Commission's adoption of this Stipulation, the Company shall make its initial filing to commence the agreed to additional proceeding. The Company's initial filing shall include the following: (i) a proposal for an energy proxy to be applicable to the 187 MW Solar PPAs; (ii) a proposal for an energy and capacity proxy to be applicable to the RDF and C-BED PPAs, provided that the proposed energy and capacity proxies need not be the same for all of the RDF PPAs and C-BED PPAs; (iii) information regarding different proxy pricing options available; (iv) a rationale for the Company's proposed proxy prices; and (v) any other information that the Company deems appropriate to include.

No later than 30 days prior to making its initial filing, representatives from the Company shall meet and confer with Staff regarding the contents of the Company's initial filing. The Company shall undertake reasonable efforts to provide additional information in its initial filing as Staff may reasonably request.

In the event that (i) the Company files a rate case prior to making its initial filing in this additional proceeding; or (ii) the Company files a rate case while this additional proceeding is underway, the Company may request that the Commission consolidated this additional proceeding and the Company's rate case. Staff reserves the right to object to such consolidation.

3. Made in Minnesota, Net Metered Resources

The Parties differed with respect to how the costs associated with net metered resources should be recovered. The Company argued for continued cost recovery of these resources from South Dakota while Staff disagreed for policy reasons. To resolve this proceeding, the Parties agree that the actual costs associated with Minnesota net metering resources currently in the FCR shall not be recovered from South Dakota customers.

4. FCR Reforms

The record reflects Staff's suggestions for additional information to be filed with the Company's monthly FCR filing. The Company has reviewed Staff's suggestions and agree that these suggestions would provide additional transparency regarding the Company's FCR recovery. To that end, with each of its monthly FCR filings, the Company shall include the following additional information for any new PPA with a term of one year or more which the Company seeks to recover through the FCR: (i) list of all PPA counterparty names; (ii) project descriptions including project names, fuel type, project types, site location; (iii) year of petition or contract; (iv) Minnesota Public Utility Commission docket number, as available; (v) commercial operation date; (vi) contracted capacity; (vii) PPA term; (viii) PPA price. Further, the Company shall disclose any new resource or cost recovered through the FCR that is acquired pursuant to another states' laws and initiatives in each monthly filing. The Company shall begin implementing these requirements in the monthly FCR filing immediately following the Commission's adoption of this Stipulation.



The Parties recognize that further refinement to these FCR reforms is likely necessary. The Parties agree to work together to make such refinements and develop a more transparent FCR filing that provides the Commission adequate information to review costs.


**[SIGNATURE PAGE FOLLOWS]**

This Stipulation is hereby executed as of the 22 day of August, 2017 by the authorized representatives of the Parties:

Northern States Power Company

d/b/a Xcel Energy

By:


  
Aakash Chandarana

Its: RVP of Rates & Regulatory Affairs

South Dakota Public Utilities Commission

Staff

By:

  
Kristen N. Edwards

Its: Staff Attorney

**[SIGNATURE PAGE TO STIPULATION OF SETTLEMENT**

**DOCKET NO. EL16-037]**