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414 Nicollet Mall  
Minneapolis, Minnesota 55401

December 18, 2017

—Via Electronic Filing—

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

RE: SUPPLEMENTAL FILING  
COGENERATION AND SMALL POWER PRODUCTION TARIFF  
DOCKET NO. F-3365

Dear Ms. Van Gerpen:

Pursuant to the above referenced docket, Northern States Power, doing business as Xcel Energy, hereby submits this supplemental filing pertaining to the rate sheets for the Occasional Delivery Energy Service tariff and the Time of Delivery Energy Service tariff.

On August 4, 2017, the Company submitted a revised tariff rate for Occasional Delivery Energy Service and for Time of Delivery Energy Service. However, in recent conversations with Commission staff, some questions were raised regarding the calculation of the Net Annual Avoided Capacity Costs. We are submitting this supplemental filing to provide further clarification of this matter.

Our calculation of the Net Annual Avoided Capacity Costs is based primarily on the Strategist modeled Revenue Requirements of the next planned Combustion Turbine (CT). More specifically, we offer the following:

Net Annual Avoided Capacity Cost:

1. The next planned unit is current Black Dog Unit 6;
2. The present value revenue requirement of the proposed capital cost of the Black Dog Unit 6 project, as modeled in Strategist, is represented in Line (5) of Attachment A;
3. The original capital cost estimate is provided as a note in Attachment A;

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4. The capital forecast used in our initial filing represents an updated (mid-construction) estimate, shown in Line (1) of Attachment A; and
5. The completed cost of planned CT does not change the calculation of the avoided capacity cost. If Line (1) were changed from the original forecast to the mid-construction forecast, the calculation of the Net Annual Avoided Capacity would be unchanged.

In accordance with ARSD §§ 20:10:01:39 through 42, Xcel Energy respectfully requests confidential treatment of certain information contained in this filing. In compliance with ARSD § 20:10:01:41, we have clearly marked each page containing confidential information as “CONFIDENTIAL.”

Pursuant to ARSD § 20:10:01:41, we provide the following information in support of our request:

- (1) We request confidential treatment of certain portions of Attachment A to this document. Attachment A includes the confidential terms resulting from a Confidential Settlement in Docket No. EL14-058.
- (2) We request this document be treated as confidential forever.
- (3) If you have questions regarding this request please contact:  
Amanda Rome  
Lead, Assistant General Counsel  
Xcel Energy Services Inc.  
401 Nicollet Mall  
Minneapolis, MN 55401  
(612) 215-5331
- (4) We request confidential treatment on the grounds that the material is proprietary and trade secret information, the disclosure of which would result in material damage to the Company’s financial or competitive position. The claim for confidential treatment is based on ARSD § 20:10:01:39 (4) and SDCL § 1-27-30. The information contained within the referenced documents meets the definition of “trade secret” under SDCL § 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that “Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and... is the subject of efforts that are

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reasonable under the circumstances to maintain its secrecy.” The information also meets the definition of “proprietary information” under SDCL § 1-27-28, which is defined as “information on pricing, costs, revenue, taxes, market share, customers, and personnel held by private entities and used for that private entity’s business purposes.”

- (5) The noted document qualifies for confidential treatment because it contains proprietary business information which the Company does not disclose to the public. The confidential attachment includes the confidential terms resulting from a Confidential Settlement in Docket No. EL14-058. The disclosure of such information could have a negative impact on the ability to enter into such settlements. The Company treats this information as both highly confidential proprietary and trade secret information, not released to the public.

We appreciate this opportunity to provide additional information regarding our annual avoided capacity calculation. Please contact me at 612-330-7681 or [lisa.r.peterson@xcelenergy.com](mailto:lisa.r.peterson@xcelenergy.com) if you have any questions about this matter.

Sincerely,

/S/

LISA PETERSON  
MANAGER, REGULATORY ANALYSIS

c. Steve Kolbeck

Enclosure

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Confidential Data Highlighted in Yellow

Docket No. EL17-032  
Supplemental Filing  
Attachment A

Northern States Power Company Electric Operations - State of South Dakota COGENERATION AND SMALL POWER PRODUCTION FILING				
<b>Calculation of Net Annual Avoided Capacity Costs</b>				
	[Protected Data Begins:			
(1) Completed Cost of Planned C.T. Unit (2017\$)		\$/kW	Note (1)	
(2) Inflation Net of Technical Progress				
(3) Average Service Life		Years		
(4) Discount Rate (After Tax)				
Calculation of Marginal Capital Carry Charge Rate				
(5) Present Value of Revenue Requirements				Note (2)
(6) Annuity Factor Adjustment for Inflation **				
(7) Present Value of Revenue Requirements Adjusted for Inflation (5)*(6)				
(8) Marginal Capital Carrying Charge Rate (7)/(1)				
(9) First Year Revenue Requirement (2016\$) (1)*(8)			\$/kW	
(10) Present Value at 6.45% for 0 years			\$/kW	
(11) Present Value of Average Annual Fuel Savings			\$/kW	
(12) Annual Avoided Capacity Cost (10)-(11)			\$/kW	
(13) Adjusted for 15.00% Reserve Margin (12)*15.00%			\$/kW	
(14) Plus \$2.81/kW Fixed O & M (2017 \$) (13)+\$2.81			\$/kW	
(15) Adjusted for Losses (14)/0.9674			\$/kW	
(16) NET ANNUAL AVOIDED CAPACITY COST			\$/kW	Note (3)
(17) Net Annual Avoided Capacity Cost Average Over All Hours (16)*100/8760	Protected Data Ends]	¢/kWh		

\*\*  $AC = (r-j) \cdot (1+j)^{(t-1)} \cdot [1 / (1 - (1+j)^n / (1+r)^n)]$   
 Where AC = Annual Charge in year t  
 t = Year (=1)  
 K = Total Present Value Cost of Original Investment  
 r = Discount Rate (Overall Marginal Cost of Capital) (6.44%)  
 j = Inflation Rate Net of Technology Progress (2.64%)  
 n = Expected Service Life of Investment (.35 Years)

O & M = \$2.81

[Protected Data Begins:  
Note (1):  
Note (2):  
Note (3):

Protected Data Ends]