TO: COMMISSIONERS AND ADVISORS

FROM: LORENA REICHERT AND AMANDA REISS

SUBJECT: STAFF RECOMMENDATION FOR DOCKET EL17-032

DATE: DECEMBER 15, 2017

STAFF MEMORANDUM

1.0 OVERVIEW

On August 4, 2017, Northern States Power Company dba Xcel Energy (Xcel or Company) filed with the Commission a request for approval of tariff revisions to its Occasional Delivery Energy Service Rate Code E50 and Time of Delivery Energy Service Rate Code E52.

Under Section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), electric utilities are required to purchase energy offered by Qualifying Facilities (QFs), which are cogeneration facilities[1] and small power production facilities[2]. Utilities are required to purchase energy and capacity from QFs at rates which reflect the incremental costs of energy, capacity, or both, that the utility would have incurred to generate or purchase the energy if it was not supplied by the QF. These incremental costs are termed the utility's avoided costs.

Federal Energy Regulatory Commission (FERC) regulations required states to establish standardized rates for QFs with an installed capacity of 100 kW or less. These standardized rates are included in Xcel's tariff as Rates E50 and E52, and were first approved in Docket F-3365[3]. These tariffs are reviewed annually and revised when necessary.

This filing updates the energy and capacity payments as well as metering charges based on current data, each of which are more thoroughly explained below.

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[1] Cogeneration facilities are generating units that produce electricity and steam simultaneously.
[2] Small power production facilities have a maximum size of 80 MW and have a primary energy source (75 percent or more) of biomass, waste, renewable resources, geothermal resources, or any combination thereof.
[3] In the Matter of the Investigation of the Implementation of Certain Requirements of Title II of the Public Utilities Regulatory Policy Act of 1978 Regarding Cogeneration and Small Power Production

2.0 PROPOSED ENERGY AND CAPACITY PAYMENTS

Xcel calculates the energy payments for purchases from qualifying facilities based on its most recent Integrated Resource Plan filing, annual marginal cost update, and annual inputs. The company uses the NERA method to calculate avoided capacity costs.[4]

The Rate Code E50 energy payment is based on the average marginal cost.

Rate Code E52 energy payments are separated into on-peak and off-peak based on the Company's defined on and off-peak periods defined in the tariff. The On-Peak Period is defined as between 9:00 a.m. and 9:00 p.m. Monday through Friday, except for designated holidays. The Off-Peak Period is defined as all other hours. The On-Peak and Off-Peak payments are also based on the averages for the test year. In effect, the on and off distinction is meant as a payment for a payment for capacity contribution. Certainly, the capacity is not pre-scheduled so the payment is not fully inclusive of total capacity credit.

The current and proposed energy payments ($/kWh) are:

Rate Schedule	Current	Proposed
Rate Code E50	$0.0258	$0.0238
Rate Code E52 on-peak	$0.0336	$0.0310
Rate Code E52 off-peak	$0.0217	$0.0199

The proposed Rate Code E52 capacity payment uses the calculation of the present value requirement of the next combustion turbine. Staff confirmed with the company the completed cost of planned C.T. Unit.

The current and proposed capacity payments ($/kW) are:

Rate Schedule	Current	Proposed
Rate Code E52	$0.0052	$0.0051

3.0 STAFF RECOMMENDATION

Staff recommends the Commission approve the tariff revisions.

[4] See Xcel response to Staff data request 1-2