
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: ERIC PAULSON AND KRISTEN EDWARDS
RE: EL21-019 - In the Matter of the Filing by Northern States Power Company dba Xcel Energy for Approval of Tariff Revisions to Its Rates for Small Power Production and Cogeneration
DATE: December 2, 2021

Commission Staff (Staff) submits this Memorandum regarding its recommendations for the above captioned matter.

BACKGROUND

On June 24, 2021, the South Dakota Public Utilities Commission (Commission) received a filing from Northern States Power Company dba Xcel Energy (Xcel or Company) for approval of tariff revisions for small power production and cogeneration rates.

The Commission officially noticed Xcel's filing on July 1, 2021 and set an intervention deadline of July 16, 2021. No petitions to intervene or comments were filed.

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 facilities¹ and small power production facilities². Utilities are required to purchase energy, capacity, or both from QFs at rates which are just and reasonable, non-discriminatory, in the public interest, and reflect the incremental cost 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. Pursuant to 18 CFR 292.302, at least every two years, each electric utility must provide to its State regulatory authority data from which avoided costs may be derived. The Commission affirmed this requirement for Xcel in an Order Approving Tariff Sheets in Docket F-3365³.

Consistent with the two-year requirement Xcel has historically followed, Xcel filed updated rates in this current docket using the same methodology as it has in the past. Xcel seeks to revise the Company's

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.

Occasional Delivery Energy Service tariff and Time of Delivery Energy Service tariff, Rate Codes E50 and E52. This filing updates the energy and capacity payments based on current data and reflects no change in the monthly metering charges. The proposed revisions will affect 14 customers currently receiving generation payments for their small qualifying facilities per these rate schedules⁴. The Company’s calculation of the avoided costs underlying the proposed payments is discussed more thoroughly below.

ENERGY PAYMENTS

Xcel’s energy payment per kWh is based on its calculation of avoided energy costs derived from the estimated system average incremental energy costs by seasonal peak and off-peak periods for each of the next five years, adjusted for energy loss factors. The marginal energy cost forecast is updated annually and is similar to the forecast produced for the Company’s Upper Midwest Resource Plan. The Occasional Delivery Energy Service payment proposed is based on the 2021 estimated system average annual incremental energy costs adjusted for losses, whereas the Time of Delivery Energy Service payment is based on the 2021 estimated system average annual incremental energy costs adjusted for losses, separated by on and off peak. The current data results in changes to the current energy payments, as shown in the table below:

| Rate Schedule | Current Energy Payment | Proposed Energy Payment |
|---|-------------------------------|--------------------------------|
| Occasional Delivery Energy Service Rate Code E50 | \$0.0237 per kWh | \$0.0202 per kWh |
| Time of Delivery Energy Service Rate Code E52 (on-peak) | \$0.0302 per kWh | \$0.0255 per kWh |
| Time of Delivery Energy Service Rate Code E52 (off-peak) | \$0.0203 per kWh | \$0.0173 per kWh |

CAPACITY PAYMENTS

The Company utilizes the cost of the next combustion turbine (CT) planned for the system when determining the capacity payment for Rate Code E52. Updating the avoided capacity costs based on the CT planned for the system at the time the 2021 rates were calculated results in changes to the capacity payment, as shown in the table below:

| Rate Schedule | Current Capacity Payment | Proposed Capacity Payment |
|--|---------------------------------|----------------------------------|
| Time of Delivery Energy Service Rate Code E52 | \$0.0062 per kWh | \$0.0065 per kWh |

⁴ In response to Staff’s DR1-2, Xcel indicated there are 13 customers on Rate E50 and 1 customer on Rate E52.

INDIVIDUAL CUSTOMER NOTICE

New starting July 1, 2021, utility companies are required to send notice to small qualifying facilities pursuant to ARSD 20:10:13:17. Xcel filed their petition prior to the July 1, 2021 date but staff felt it would be best if notices were sent out. In response to DR1-1, Xcel agreed to send out notices starting with the October 1, 2021 bills. After a complete billing cycle had elapsed, staff waited to bring this docket before the Commission to allow for any interventions to be heard that may have been filed due to receiving of the notice. No interventions have been filed.

RECOMMENDATION

Staff recommends the Commission approve the tariff revisions as proposed in Xcel's filing. Although Xcel's filing does not request a specific effective date, Staff recommends an effective date of January 1, 2022, consistent with the January 1 effective dates approved in recent years.