

EL97-001



Northern States Power Company
South Dakota

500 West Russell
PO Box 988
Sioux Falls, SD 57101-0988
Telephone (605) 339-8200

December 30, 1996

Mr. William Bullard, Jr.
SD Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

RECEIVED

JAN 02 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Dear Mr. Bullard:

Enclosed is the fuel clause adjustment determination for NSP for the billing month of January 1997.

The fuel clause adjustment is negative 0.063 cents per kWh and is the value used in the application of Fuel Clause Rider No. 1 included in the Electric Rate Book, SDPUC No. 1 for Northern States Power Company (Minnesota).

The fuel clause adjustment for the billing month of January includes a small refund of ~~31,277 or 0.001¢ per kWh associated~~ with 1) interest income related to nuclear disposal fee refunds from the United States Department of Energy (DOE) and 2) an offsetting amount of interest expense associated with coal production tax liability paid by NSP to various fuel suppliers.

On May 20, 1996, the Federal Energy Regulatory Commission (FERC) issued an order under Docket No. EL-94-000 approving NSP's request to pass ~~these items through the fuel adjustment mechanism to wholesale electric customers. NSP is proposing similar treatment for its retail customers.~~

Periodically since December 1992, NSP received DOE refunds associated with nuclear fuel disposal fee credits. NSP returned the principal amount of these refunds to customers through the fuel adjustment clause as a reduction in nuclear fuel disposal expenses recorded in FERC Account 518. However, ~~NSP also received interest payments from the DOE, which are recorded in FERC Account 419; Interest and Dividend Income, a non fuel account. Since the interest was related to monies the customers previously paid to NSP, NSP is now returning the interest to customers through the fuel adjustment clause.~~

In addition to the DOE interest payments, NSP has incurred interest expense, recorded in FERC Account 431, associated with coal production tax liability. This expense was incurred due to a February 4, 1994 decision of the Montana Supreme Court, which concluded that Westmoreland Resources improperly excluded a portion of additional revenues received from NSP and others from its tax payments. Under NSP's contracts with Westmoreland for the years 1981 through 1986, NSP was responsible for this production tax liability.

W. Bullard

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Similar to the DOE refunds, the principal amount of the production tax liability has already been passed through the fuel adjustment clause. The remaining amount to be passed through is related interest expense.

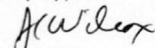
The net credit for the South Dakota jurisdiction of 0.001¢ per kWh (\$1,277 including interest, divided by January budgeted sales of 118,069 MWh) will be applied during the January billing month.

Megawatt-hour sales used for calculating the fuel clause adjustment for January include corrections for the understatement of sales associated with wholesale power for prior months. A true-up and related interest for prior months will be included in February's recovery provision. A more detailed explanation of the correction will be included in January's filing of the February FCA.

Megawatt-hour sales used for calculating the fuel clause adjustment included estimated sales due to a number of accounts that were not billed. The inclusion of estimated sales in this fuel clause adjustment calculation results in a fuel clause adjustment factor that more properly reflects the actual cost of fuel per kilowatt-hour.

Megawatt-hour sales for the month of November 1996, subject to Fuel Clause Rider No. 1 in the South Dakota jurisdiction, are shown on shown on the enclosed sheet.

Very truly yours,



James C. Wilcox
Government and Community Relations Manager

Enclosure

cc: Michael J. Hanson

NORTHERN STATES POWER COMPANY (MINNESOTA) & SUBS
GENERATION FUEL AND PURCHASED POWER COSTS PER KWH
 Months of October 1996 through November 1996
 South Dakota Retail
 For Revenue Month of January 1997

Fuel and Purchased Power Costs	November	October	Two Month Total
	(A)	(B)	(C)
(1) Account 151	\$18,847,520	\$19,135,057	\$37,982,578
(2) Account 518	5,418,785	5,978,306	11,397,091
(3) Account 555 (Less Demand Related) Economic Dispatch	9,118,614	9,673,313	18,791,927
(4) Total System Costs	33,384,920	34,786,676	68,171,596
(5) Fuel Cost - InterSystem Sales	5,147,495	4,929,322	10,076,817
(6) Net System Costs	\$29,237,425	\$29,857,355	\$59,094,780
MWH Sales			
(7) Total Retail	2,697,350	2,702,862	5,400,212
(8) Non-Gen Municipals/Load Pattern Power *	53,887	35,105	88,992
(9) Total System MWH Sales	2,751,237	2,737,967	5,489,204
(10) SD Retail MWH Sales	96,546	96,574	193,120
(11) Total Cost of Fuel Per KWH	1.026	1.090	1.058

* NOTE: Includes retroactive correction of sales for prior month. True-up and interest of prior months will be included in next months recovery provision.

Recovery Provision	South Dakota Rider	Recovery Provision Calculations:
(13) Nov Two-Month Cost of Fuel per KWH	1.025	Line (13) = Nov Line 11C (Pg 3 of 6)
(14) Nov Unrecovered Expenses per KWH	0.001	Line (14) = 11A - 13
(15) Nov Unrecovered Expenses (\$)	965	Line (15) = 10A x 14
(16) Nov Recovery Adj Applied per KWH	-0.039	Line (16) = Nov Line 22 (Pg 3 of 6)
(17) Nov Expenses Recovered (\$)	(37,653)	Line (17) = 10A x 16
(18) Prior Unrecovered Expenses (\$)	(91,515)	Line (18) = Nov Line 21 (Pg 3 of 6)
(19) Subtotal Unrecovered Expenses (\$)	(52,837)	Line (19) = lines 15 - 17 + 18
(20) Carrying Charge on Unrecovered Expenses (\$)	(429)	Line (20) = Overall Rate of Return/12 x 19
(21) Total Unrecovered Expenses (\$)	(53,326)	Line (21) = line 19 + 20
(22) Jan Recovery Provision per KWH	-0.028	Line (22) = line 21 / 10C
(23) Base Cost per KWH	1.092	Line (24) = line 11C + 23 - 20
(24) Jan Fuel Clause Adj Per KWH	-0.062	Overall Rate of Return = 9.73
DOE Credit and Prod Tax Interest Refund	-0.001	
(24a) Adjusted Jan Fuel Clause	-0.063	



Northern States Power Company South
Dakota

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email James.C.Wilcox@nspco.com

January 9, 1997

Mr. William Bullard, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Mr. Bullard:

In NSP's January 1997 fuel clause filing, we are seeking approval for both recovery and refund of two items we believe are related to the fuel clause process and should be accounted for in our fuel clause. These two items, however, are items accounted for in FERC accounts other than accounts 151 and 518, which are the two accounts presently approved by this Commission for automatic fuel clause adjustment.

As specified in my letter of December 30th, NSP proposes to refund the interest received from nuclear fuel disposal fee credits. Those credits were accounted for by NSP in FERC account 419. Also NSP proposes to recover interest expenses from a coal production tax liability. Those expenses were accounted for by NSP in FERC account 431. The actual credits and expenses for each of these items have already been "flowed" through the fuel clause process in the pre-approved FERC accounts. Because these two (very small in magnitude) items are time value of money related they were accounted for in other, but appropriate FERC accounts that have not been established as pre-approved for automatic fuel clause adjustment.

NSP proposes the Commission approve our request for fuel clause treatment of these two items and pursuant to South Dakota Public Utilities Commission Administrative Rule 20.10.13.20, NSP requests these items be approved without a 30 day notice.

If anyone has any questions, please call me at 339-8350.

Sincerely,

Jim Wilcox

c. Mike Hanson

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

IN THE MATTER OF THE FILING BY NORTHERN)
STATES POWER COMPANY FOR APPROVAL OF FUEL)
CLAUSE ADJUSTMENT)

ORDER APPROVING FUEL
CLAUSE ADJUSTMENT

EL97-001

On January 2, 1997, the Public Utilities Commission (Commission) received a filing by Northern States Power Company (NSP) for approval of a fuel clause adjustment. The company proposed to include in its fuel clause adjustment for the billing month of January a "small refund of \$1.277 or 0.001¢ per kWh associated with 1) interest income related to nuclear disposal fee refunds from the United States Department of Energy (DOE) and 2) an offsetting amount of interest expense associated with coal production tax liability paid by NSP to various fuel suppliers." The Company also requested that the Commission waive the 30-day notice requirement pursuant to ARSD 20 10 13 20.

At its regularly scheduled January 14, 1997, meeting, the Commission discussed final approval of the application. Jim Wilcox of NSP explained the filing. Commission Staff recommended approval.

The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-34A, specifically 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10 and 49-34A-12. The Commission found the request for both the recovery and refund of the above mentioned items were just and reasonable and approved the fuel clause adjustment. The Commission also voted to waive the 30-day notice requirement pursuant to ARSD 20 10 13 20. As the Commission's final decision in this matter, it is therefore

ORDERED that NSP's request for both the recovery and refund of the above mentioned items are approved. It is further

ORDERED that the 30-day notice requirement is waived pursuant to ARSD 20 10 13 20.

Dated at Pierre, South Dakota, this 23rd day of January, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Neldora Kalke

Date: 1/24/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner