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Xcel Energy

Case No.: EL15-014

Response To: South Dakota Public Utilities Commission Data Request No. 1-6

Requestor: Karen Cremer

Date Received: May 11, 2015

Question:

If Xcel is penalized by MISO for not meeting its registered demand response resource capacity, would these penalties be recovered through the fuel adjustment clause? How would the costs of such penalties impact both peak/energy controlled customers and firm service customers?

Response:

Failing to adequately control during an event initiated by MISO requires the Independent System Operator to assess penalties including the Locational Marginal Price (LMP or energy price) plus any applicable Revenue Sufficiency Guarantee (RSG) to the applicable demand that did not respond. Both of these charges are currently recovered by the Company through the Fuel Clause Rider (FCR).

In the event we failed a second time, or the first time after a MISO investigation, MISO can/will unqualify the portion of the Company's demand response capacity that failed to respond for the remainder of the Planning Year. Additionally, the demand response capacity that failed to respond will be ineligible the following MISO Planning Year. In this situation, MISO would assess a daily capacity charge based on the actual auction clearing price for the remainder of the Planning Year. Capacity costs are not recovered through the FCR, but through base rates. The supply of peak capacity requirements from controllable service programs is a substitute for physical generation resources. Reduced participation in the controllable service programs that provide demand response would be replaced by physical generation capacity. The net capacity supply cost difference, the difference between controllable service discounts and the incremental cost of physical generation, would be recognized in the total cost of service in subsequent rate case filings for recognition in base rates.

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Date: May 20, 2015