

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

IN THE MATTER OF COMMISSION STAFF'S	)	SETTLEMENT
REQUEST TO INVESTIGATE NORTHERN	)	STIPULATION
STATES POWER COMPANY D/B/A	)	
XCEL ENERGY'S PROPOSED FUEL CLAUSE	)	EL18-004
RIDER		

**I. SETTLEMENT STIPULATION**

On November 30, 2016, Northern States Power Company doing business as Xcel Energy (Xcel Energy or Company) filed with the Public Utilities Commission (Commission) its monthly fuel clause rider (FCR) filing to be effective December 1, 2016. On November 30, 2016, Commission Staff (Staff) filed a petition to suspend the FCR for one hundred eighty (180) days to allow adequate time for Staff to evaluate whether certain power purchase agreements (PPAs) requested by the Company for cost recovery through the FCR are reasonable and cost effective. By order dated December 12, 2016 in Docket No. EL16-037, the Commission suspended the Company's proposed FCR for one hundred eighty (180) days after November 30, 2016 (the Suspension Date) while retaining in effect the FCR rate filed on October 31, 2016.

On May 8, 2017, Staff filed a Motion and Brief for Order to Show Cause Why Certain Costs Included in Proposed Fuel Clause Rider Should not be Disallowed (Motion). In its Motion, Staff identified a number of resources including RDF PPAs, C-BED PPAs, and biomass PPAs, and solar PPAs. On August 22, 2017, the Company entered into a Settlement Agreement that was approved by the Commission on September 19, 2017. Key components of the agreement include:

- The Company shall be allowed to recover the costs associated with the Mankato Energy Center I and Canon Falls capacity power purchase agreements (PPAs),
- The Company shall be allowed to recover a credit equal to the Company's system average cost of fuel and purchased power per kWh for the South Dakota share of the output of the Aurora solar PPA,
- The Company may recover the costs of certain biomass PPAs, and may request the Commission approve recovery or special accounting treatment of the South Dakota share of the costs for terminating any of the biomass PPAs,
- The Company shall not recover from South Dakota customers the costs associated with Minnesota net metered resources, and
- The Company shall include additional information in its monthly FCR filings regarding any new PPA with a term of one year or more which would go through the FCR for cost recovery.

In addition, the Company and Staff agreed that an additional proceeding was necessary to determine an energy proxy price applicable to the Company's 187 MW solar PPA portfolio, as well as the energy and capacity proxy price applicable to several Renewable Development Fund (RDF) and Community-Based Energy Development (C-BED) PPAs (collectively, Proxy Priced Resources). The Proxy Priced Resources are listed in Attachments A, B and C. The Settlement Agreement also stipulated that the proposed energy and capacity proxy prices need not be the same for all of the RDF and C-BED PPAs.

On January 29, 2018, the Company filed its petition for approval of proxy prices for the 187 MW solar portfolio, C-BED wind PPAs, three RDF solar projects and one RDF biomass project. The Company's petition presented eight proxy pricing options including system average pricing, market pricing, index pricing, synthetic resource pricing, and actual resource pricing. In its petition, the Company requested approval of:

- A market-based proxy price using the Company's Fall 2014 Forecast for our 187 MW Solar Portfolio as well as three Renewable Development Fund (RDF) solar projects and one RDF biomass project;

- An index-based proxy price using the 2016 Lawrence Berkley Laboratory Market Report for the Company's Community-Based Energy Development (C-BED) wind projects and two RDF wind projects; and
- Implementation of our proxy pricing proposal beginning retroactively on December 1, 2016, which is consistent with the date of the initial suspension of our fuel clause adjustment.

Staff and Xcel Energy (jointly the Parties) engaged in an effort to arrive at a mutually acceptable resolution of this matter. As a result of those discussions, the Parties have reached agreement on the application of the proxy prices to be applied to the Proxy Priced Resources. The Parties have, therefore, entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will determine (1) the outcome of this proceeding; (2) the prices to be relied on for future fuel clause recovery for the Proxy Priced Resources; and (3) a refund to South Dakota customers for the difference between the PPA prices and the agreed-upon proxy prices since December 2016.

## II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket EL18-004. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises set forth below, the Parties agree as follows:

1. Upon execution of this Stipulation, which may be executed in counterparts, the Parties shall immediately file this Stipulation with the Commission

together with a joint motion requesting that the Commission issue an Order approving this Stipulation in its entirety without condition or modification.

2. This Stipulation includes all terms of settlement. This Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation except as explicitly stated in this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party, nor representative thereof, shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future FCR proceeding or any other proceeding before the Commission.

4. The Parties stipulate that the Company's petition and all attachments be made a part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled, additional record evidence from each of the Parties would have been developed.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

### III. ELEMENTS OF THE STIPULATION

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of this Stipulation is reliant on each and every other element of this Stipulation. In consideration of the promises of each of Xcel Energy and Staff to each other, the Parties agree to the following elements of this Stipulation:

1. Resolution of Proxy Priced Resources

The Parties agree that this proceeding shall be resolved, that the Company shall make the refund described below, and that future FCR filings shall be consistent with the following disposition of the Proxy Priced Resources:

a. 187 Solar PPAs (Appendix A)

The record reflects that the Company entered into the 187 MW Solar PPAs primarily to comply with Minnesota's Solar Energy Standard (SES). The record reflects that the Company ultimately obtained 162.25 MW of solar PPAs. The specific solar PPAs are Marshall Solar PPA (62.25 AC MW) and North Star Solar PPA (100 AC MW). In Docket No. EL16-037, the Parties agreed that the capacity proxy for the 187 MW Solar PPAs shall be the 2014 Cost of New Entry (CONE) as established by the Midcontinent Independent System Operator (MISO) escalated on an annual basis at two percent until 2024.

For the energy proxy, NSP proposed a market-based proxy price using the Company's 2014 Fall Forecast. After several discussions and further analysis, Staff and the Company agreed that the LMP at the generation node for the Marshall Solar resource and the North Star Solar resource best represent the marginal energy impact to the NSP system and South Dakota customers. Therefore, the proxy price established for the Marshall Solar PPA shall be the day-ahead LMP at the NSP.MARSHSOLAR commercial pricing node, and the proxy price established for

the North Star PPA shall be the day-ahead LMP at the NSP.NSTRSOLAR commercial pricing node. NSP shall continue to refund 100 percent of asset based margins to South Dakota customers, including margins due to the addition of the Solar PPAs. The Parties agree that this resolution of the 187 Solar PPAs shall not be considered precedential nor otherwise be relied upon in a future proceeding.

b. CBED PPAs (Appendix B)

The record reflects that the Company entered into the C-BED PPAs to further Minnesota statutory priorities. The Community Based Energy Development statute has been repealed such that this program will no longer drive resource decisions. C-BED wind projects, like other wind resources, provide energy and capacity to the NSP system and a hedge against fuel price fluctuations. The Company procured the C-BED wind projects within the same timeframe (2008 – 2012) as other, non-C-BED wind resources after determining they were reasonable and prudent resource additions to our system. After discussions and analysis, the Company and Staff agree that it is reasonable to use the index price from the Lawrence Berkley Lab (LBL) Report for 2010 as the proxy price for each C-BED PPA that exceeds the LBL Market Report price. The Company calculates the 2010 LBL Report wind price to be \$41.98/MWh, discounted to 2010 dollars as shown in Appendix D. The Parties agree that this resolution of the C-BED PPAs shall not be considered precedential nor otherwise be relied upon in a future proceeding.

c. RDF PPAs (Appendix C)

The record reflects that the Company entered into the RDF PPAs to further Minnesota statutory priorities. The Renewable Development Fund (RDF) statute has been amended such that this Minnesota program will no longer drive resource decisions. While relatively small in terms of capacity, RDF wind and solar projects also provide an energy and capacity benefit to all NSPM jurisdictions. The RDF

resources include four solar PPAs, including the Dragonfly Solar PPA added during the course of the proceeding, two wind PPAs, and one biomass PPA. For the RDF wind PPAs, the Company and Staff agree to use the existing C-BED PPA price because these prices are lower than the LBL index established above in Section III(1)(b). For the RDF solar and biomass PPAs, the Company and Staff agree to use the energy rate currently in effect for small qualifying facilities under the Company's Occasional Delivery Energy Service tariff.

d. Customer Refund

The Parties agree that the Company will refund current customers as of the refund date for the difference between the proxy prices established in this Stipulation and the amounts recovered from South Dakota customers since December 1, 2016. The Company will provide the credit through a reduction to future FCR rates, which will occur no later than 60 days from a Commission order approving this Stipulation. The final amount of the refund will be calculated following Commission approval of this Stipulation and implementation of the proxy prices established above in the FCR and refunded to customers over a period of three months.

**[SIGNATURE PAGE FOLLOWS]**

This Stipulation is hereby executed as of the 18<sup>th</sup> day of December, 2019 by the authorized representatives of the Parties:

Northern States Power Company

d/b/a Xcel Energy

By: \_\_\_\_\_

Its: Regional Vice-President

South Dakota Public Utilities

Commission Staff

By: \_\_\_\_\_

Its: staff attorney

**[SIGNATURE PAGE TO STIPULATION OF SETTLEMENT  
DOCKET NO. EL18-004]**