
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: BRITTANY MEHLHAFF, PATRICK STEFFENSEN, AND AMANDA REISS
RE: EL19-031 - 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: October 9, 2019

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

BACKGROUND

On August 29, 2019, 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 September 5, 2019 and set an intervention deadline of September 20, 2019. 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.

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.

Consistent with the two-year requirement Xcel has historically followed, Xcel filed updated rates in this current docket. Xcel seeks to revise the Company’s 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. Such proposed revisions will affect 5 customers currently receiving generation payments for their small qualifying solar 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 2019 estimated system average annual incremental energy costs adjusted for losses, whereas the Time of Delivery Energy Service payment is based on the 2019 estimated system average annual incremental energy costs adjusted for losses, separated by on and off peak. The current data results in minor 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	\$0.0238 per kWh	\$0.0237 per kWh
Time of Delivery Energy Service Rate Code E52 (on-peak)	\$0.0310 per kWh	\$0.0302 per kWh
Time of Delivery Energy Service Rate Code E52 (off-peak)	\$0.0199 per kWh	\$0.0203 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 2019 rates were calculated results in minor changes to the capacity payment, as shown in the table below:

⁴ In response to Staff’s question, Xcel indicated there are 3 customers on Rate E50 and 2 customers on Rate E52. The total energy generated by these small power producers in 2018 was 11,331 kWh and the total payments by Xcel to these customers was \$298.66.

Rate Schedule	Current Capacity Payment	Proposed Capacity Payment
Time of Delivery Energy Service Rate Code E52	\$0.0051 per kWh	\$0.0059 per kWh

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, 2020, consistent with the January 1 effective dates approved in recent years.