



2302 Great N. Drive  
Fargo, North Dakota 58102

January 22, 2013

**Via Electronic and Fed Ex**

Darrell Nitschke, Executive Secretary  
North Dakota Public Service Commission, Dept 408  
600 East Boulevard Avenue  
Bismarck, ND 58505-0480

RE: CLARIFICATION OF REQUEST FOR RECONSIDERATION  
GERONIMO ADP APPLICATION (CASE NO. PU-12-059)

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, respectfully provides the following clarification to our January 7, 2013 *Request for Reconsideration* in the above referenced case. We are providing this clarification letter because we are concerned that our request and proposed rate treatment options were apparently not clear, based on the discussion at the Commission's January 16, 2013 administrative meeting.

### **Finding of Fact 10**

Xcel Energy wishes to be clear that our *Request for Reconsideration* does not ask the Commission to reconsider the decision to dismiss our request for an Advance Determination of Prudence (ADP) for the Prairie Rose Wind (PRW) power purchase agreement (PPA). Rather, we are concerned about one sentence in Finding of Fact 10 of the December 21, 2012 order.

With respect to recovery of the energy costs for the PRW PPA, Finding of Fact 10 appears to nullify or modify our Commission-approved Fuel Cost Rider (FCR) tariff and the Commission's own Automatic Adjustment Clause rules without record evidence to support that Order finding.<sup>1</sup> As a result, we would not be allowed to recover any of the PRW PPA costs before or during the pendency of the "further proceedings" ordered by the Commission. In fact, the Commission ordered additional proceedings because the

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<sup>1</sup> The Commission's fuel automatic adjustment clause rules *require* the inclusion of net energy costs of energy purchases from a renewable energy source (69-09-02-39, Part 4-c(2)). The November 30, 2012 Stipulation with Commission staff concludes that the record in the ADP proceeding is not sufficient to determine the ratemaking for the PRW PPA costs.

record in the ADP proceeding was not sufficient to determine the rate treatment for the PRW PPA costs.

The PRW project is now in service, our North Dakota customers are being delivered a portion of the energy, and we are incurring the related energy costs. If the Commission does not reconsider Finding of Fact 10 (or at least the second sentence of the Finding), costs incurred before or during the future proceedings will be “stranded” (i.e., ineligible for recovery), regardless of the final outcome of the ordered proceedings<sup>2</sup>.

After follow-up discussions with Staff, we don’t believe the intent was to strand PWR PPA costs that are incurred prior to the Commission’s final decision on rate treatment and recovery. This may have been an oversight because the order language was revised in only a few minutes to accommodate a request by Commissioner Cramer during the December 21, 2012 regular meeting

### **Rate Treatment During the Interim Period**

In our *Request for Reconsideration* we also proposed two options that could be used during the interim until the Commission decides final rate treatment. Both options would be consistent with our understanding of the Commission’s intent, and both would protect our North Dakota customers while avoiding the inadvertent stranding of PRW PPA costs:

1. Recovery of PRW PPA costs incurred through the FCR until the further proceedings are complete, but subject to refund to customers or adjustment to reflect the Commission’s final ratemaking Order; or
2. Commission approval of deferred accounting for PRW PPA costs incurred until the future ratemaking proceedings are complete; once the Commission’s rate treatment Order is final, the Company would recover all or a portion of the deferred amount over an amortization period, as determined by the Commission.

### **The Further Proceedings**

Finally, we proposed in our *Request for Reconsideration* that our pending electric general rate case (Case No. PU-12-813) become the “further proceedings” directed by the

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<sup>2</sup> The issue for the “further proceedings” is the cost to be assigned to the energy used by our customers in North Dakota. If the PRW project was not in service, the Company would be incurring the cost of an alternative source of energy, and that cost would be included in the FCR. However, Finding of Fact 10 essentially allows North Dakota customers to receive the benefit of the energy, but without assigning *any* cost. Such a situation results in clearly unjust and unreasonable rates.

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Commission to address rate treatment of the PWR PPA costs, as we believe it makes sense to address this type of issue in a general rate case, and because doing so would be administratively efficient. However, we would also fully support a Commission decision to handle the PWR PPA rate treatment in a separate docket.

**Conclusion**

We appreciate the Commission's careful consideration of the implications of Finding of Fact 10, and our proposals for moving forward with a ratemaking proceeding. The Company believes that our *Request for Rehearing* provides a reasonable path forward and is consistent with the Commission's intent to ultimately allow rate recovery of PRW PPA costs only if such recovery is approved. Either recovery option we have proposed for the interim period will ensure rate protection for our North Dakota customers, and preserve the Company's ability to recover the cost of energy utilized by our customers during the interim period.

Please feel free to contact me at (701) 241-8632 if you have any questions.

Sincerely,



DAVID SEDERQUIST  
SR. REGULATORY CONSULTANT

c: Pat Fahn  
Mike Diller