MEMORANDUM

To: Commissioners Clark, Cramer and Kalk

Fr: Christopher Marohl

Da: February 28, 2012

Re: 2/29/12 Consent Agenda, NSP Updated Cogeneration Rates
Case No. PU-12-69

On January 4, 2012, NSP filed its annual update of cogeneration and small power production rate schedules as required under the federal Public Utilities Regulatory Policies Act of 1979 (PURPA) and Commission rules. These schedules provide standard rates for purchases of energy and capacity from small customer-owned Qualifying Facilities (QFs) as defined under PURPA. PURPA originally obligated utilities to purchase energy delivered by QFs at a price equal to the costs the utility would have paid to purchase the energy elsewhere (avoided cost). However, amendments to PURPA under the Energy Policy Act of 2005 allow FERC to relieve utilities of that purchase obligation if the FERC finds that the QF has access to energy markets such as the MISO Day-2 market.

The filing includes revised tariff rates for NSP's Net Energy Billing Service, Purchase and Sale Billing Service, and Time of Day Purchase Service. NSP reports that it started serving its first customer in North Dakota under one of these tariffs in June 2011. This customer did generate more electricity than he or she used in one of the months while under these rates, therefore it is reasonable to assume this customer will be affected by this filing.

Avoided energy payment rates have increased while summer and winter capacity payment rates have decreased. Metering charges have remained unchanged.

I recommend the Commission approve the filing.