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May 27, 2014

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

RE: FUEL COST RIDER AND RENEWABLE ENERGY RIDER TARIFF COMPLIANCE
FILING
ELECTRIC RATE SETTLEMENT (CASE NO. PU-12-813)

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submits the attached Fuel Cost Rider (FCR) and Renewable Energy Rider (RER) Tariff Compliance Filing pursuant to the *Order Adopting Settlement*, dated February 26, 2014, issued by the North Dakota Public Service Commission in the case referenced above.

In the *Revised Second Amended Settlement*, approved by the Commission in its February 26 Order, the Company agreed to file compliance tariff sheets implementing FCR tariff modifications, the Transmission Cost Rider (TCR) and proposing a new RER within 90 days of the date of the Order. The TCR tariff was included as Sheet No. 5-86 in our initial rate case filing and was established with a rate of \$0 / kWh as filed in the final rate implementation compliance filing, dated April 4, 2014.¹ We submit these remaining FCR and RER tariff changes for the Commission's approval.

Fuel Cost Rider

Sheet No. 5-76.2, which is part of the FCR Tariff in the Company's Rate Schedules section of the North Dakota Electric Rate Book—NDPSC No. 2, has been updated to reflect the changes agreed upon in the *Revised Second Amended Settlement* intended to provide additional transparency regarding rate recovery of renewable energy projects or purchases. These procedural changes include:

- The Company will notify the Commission in its monthly FCR filings of any new renewable projects, qualifying in part or whole for FCR cost recovery,

¹ A separate filing will be made to request to include specific costs for recovery through the TCR.

whose costs are included in the calculation of the Fuel Cost Factor. In addition, the Company will file an annual summary listing the new resources that have been included in the FCR during the previous calendar year.

- Future renewable energy resources or purchases with FCR-qualifying costs that are 50 MW or larger in size (nameplate capacity) will require approval of an Advance Determination of Prudence before included for recovery in the FCR; and
- MISO market energy purchases are not subject to the above requirements.

Renewable Energy Rider

Sheet No. 5-87 in the Company's Rate Schedules section of the North Dakota Electric Rate Book—NDPSC No. 2 replaces a cancelled tariff sheet with the new Renewable Energy Rider tariff. The tariff is intended to provide the Company cost recovery of owned renewable generation that is located in the state of North Dakota, and includes:

- The qualifying costs eligible for inclusion in the RER;
- The calculation methodology for the RER charge; and
- A description of the RER Tracker Account and true-up methodology.

As agreed to in the *Revised Second Amended Settlement*, only costs of renewable projects for which the Commission has granted an ADP are eligible for recovery under this rider.

We are not proposing an RER Factor to affect any charges under the RER tariff at this time.

Tariff Sheets

The following proposed tariff sheets are attached to this filing in legislative and non-legislative format:

North Dakota Electric Rate Book—NDPSC No. 2

- Sheet No. 1-2, revision 6
- Sheet No. 5-TOC-2, revision 6
- Sheet No. 5-76.2, revision 4
- Sheet No. 5-87, revision 2

Please contact me if there are any questions concerning this filing at 701-241-8632.

Mr. Nitschke
May 27, 2014
Page 3 of 3

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style with a prominent initial "D".

DAVID H. SEDERQUIST
SR. REGULATORY AND FINANCIAL CONSULTANT

Enclosures

Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSO NO. 2

TABLE OF CONTENTS (Continued)

Section No. 1
~~5th~~^{6th} Revised Sheet No. 2

<u>Section</u>	<u>Item</u>	<u>Sheet No.</u>
SECTION 5	RATE SCHEDULES (Continued)	
	<u>GENERAL</u> (Continued)	
	Peak-Controlled Service	5-32
	Peak-Controlled Time of Day Service	5-36
	Rules for Application of Peak-Controlled Service	5-42
	Real Time Pricing Service	5-53
	<u>MUNICIPAL</u>	
	Street Lighting System Service.....	5-59
	Street Lighting Service (Purchased Equipment)	5-60
	Street Lighting Service (Purchased Equipment) (Closed)	5-62
	Street Lighting Energy Service - Metered.....	5-63
	Rules for Application of Street Lighting Rates	5-64
	Small Municipal Pumping Service	5-67
	Municipal Pumping Service	5-68
	Fire and Civil Defense Siren Service	5-70
	<u>RIDERS</u>	
	Fuel Cost Rider	5-76
	Surcharge Rider.	5-77
	Residential Controlled Air Conditioning and Water Heating Rider	5-78
	Commercial and Industrial Controlled Air Conditioning Rider	5-80
	Off Season Load Rider	5-81
	Standby Service Rider.....	5-82
	Economic Development Rider (Closed).....	5-84
	Transmission Cost Recovery Rider	5-86
	<u>Renewable Energy Rider.....</u>	<u>5-87</u>
	Tier 1 Energy-Controlled Service Rider	5-88
SECTION 6	GENERAL RULES AND REGULATIONS	
	Table of Contents.	6-TOC-1
	General Service Rules.....	6-1
	Rate Application	6-8
	Metering and Billing	6-13
	Use of Service Rules	6-20
	Standard Installation and Extension Rules	6-25
	Curtailement or Interruption of Service	6-34
	Company's Rights	6-36
	Residential Billing of Vacant Rental Property	6-37

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(Continued on Sheet No. 1-3)

Date Filed:	42-48-4205-27-14	By: David M. Sparby	Effective Date:	05-01-14
		President and CEO of Northern States Power Company, a Minnesota corporation		
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NORTH DAKOTA ELECTRIC RATE BOOK – NDPSC NO. 2

**RATE SCHEDULES
TABLE OF CONTENTS (Continued)**

Section No. 5
~~5th~~^{6th} Revised Sheet No. TOC-2

<u>Item</u>	<u>Sheet No.</u>
<u>RIDER</u>	
1. Fuel Cost Rider.....	5-76
2. Surcharge Rider.....	5-77
3. Controlled Air Conditioning and Water Heating Rider.....	5-78
4. Commercial and Industrial Controlled Air Conditioning Rider.....	5-80
5. Off Season Load Rider.....	5-81
6. Standby Service Rider.....	5-82
7. Economic Development Rider (Closed).....	5-84
8. Transmission Cost Recovery Rider.....	5-86
<u>9. Renewable Energy Rider.....</u>	<u>5-87</u>
<u>9.10. Tier 1 Energy-Controlled Service Rider.....</u>	<u>5-88</u>

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Date Filed: ~~12-18-12~~⁰⁵⁻²⁷⁻¹⁴ By: David M. Sparby Effective Date: ~~05-01-14~~
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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSA NO. 2

FUEL COST RIDER (Continued)

Section No. 5
~~3rd~~^{4th} Revised Sheet No. 76.2

INTERSYSTEM SALES MARGINS

Intersystem Sales Margins are defined as intersystem sales revenues less the sum of fuel, energy costs (including costs associated with MISO Day 2 markets that are recorded in FERC Account 555), and any additional transmission costs incurred that are required to make such sales (referred to as "margins"). Retail customers will receive a per kWh credit for the retail share of total intersystem sales margins, as defined below:

1. Asset Based Margins: One hundred percent (100%) of the North Dakota state jurisdictional share of margins from asset based intersystem energy sales and ancillary services. These margins shall be the actual amounts of such margins recorded, subject to any MISO resettlements.
2. Non-Asset Based Margins: Fifty percent (50%) of the North Dakota state jurisdictional share of non-asset based margins from intersystem sales. These margins shall be the actual amounts of such margins recorded, subject to the FERC approved Joint Operating Agreement and any MISO resettlements. The retail share of the Non-Asset Based Margins will be calculated annually after the close of the calendar year, and will be credited to the Fuel Cost True-up Factor only if calendar year margins are positive.

SALES OF RENEWABLE ENERGY CREDITS

One hundred percent (100%) of the North Dakota state jurisdictional share of revenue generated by the sale of Renewable Energy Credits shall be credited to customers.

PURCHASED POWER AGREEMENT (PPA) COST RECOVERY REVIEW

1. The Company will report in each regular monthly FCR filing the costs and volumes of all PPAs included in the FCR calculation for the first time.
2. The Company will file annually a listing all new PPAs included in the FCR during the previous calendar year. The annual filing will include a description of the project, a summary of the justification for the contract or investment, the expected annual costs over the life of the contract, and the initial estimated monthly bill impact to residential customers. If the Commission does not commence review of the listed PPAs within six months of the filing, the PPAs listed will be deemed prudent for FCR recovery or other ratemaking purposes for the life of the PPA.
3. For all PPAs 50 MW or greater, an Advance Determination of Prudence (ADP) must be approved by the Commission before such costs are included in the FCR.
4. The Company's energy purchases from the MISO markets or other independent system operators are exempted from this Commission review.

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

CANCELED RENEWABLE ENERGY RIDER

Section No. 5
~~1st~~^{2nd} Revised Sheet No. 87

CANCELED

APPLICATION

Applicable to qualifying charges for electric service provided under all Company retail rate schedules.

RENEWABLE ENERGY RIDER

There will be included on each customer's monthly bill a Renewable Energy Rider ("RER") charge for purposes of recovering capital and operating costs of company-owned renewable energy generation located in the state of North Dakota and not presently reflected in base retail rates. The RER charge shall be determined by multiplying a customer's monthly billed kWh for electric service by the current RER Rate. The RER charge shall be calculated prior to the application of any city surcharges and/or sales tax.

DETERMINATION OF RER RATE

The RER Rate is determined by dividing the annual forecasted RER revenue requirement amount by the annual forecasted kWh sales. The annual forecasted RER revenue requirement is the sum of the RER costs for the forecast period and the carryover balance in the RER Tracker Account from the prior period. The RER Rate will be calculated annually, with the approval of the Commission. The present RER Rate is:

All Classes _____ \$0.000000 per kWh

All approved costs appropriately charged to the RER Tracker Account are eligible for recovery through this Rider, and all revenues recovered through the Rider are credited to the RER Tracker Account.

QUALIFYING RENEWABLE ENERGY RIDER COSTS

Qualifying RER costs include all annual revenue requirements eligible for recovery under N.D.C.C. § 49-05-16 and N.D.C.C. Chs. 49-02, 49-05 and 49-06. These costs include, but are not limited to, depreciation expense, property taxes, and operation and maintenance expenses related to Company-owned renewable energy project costs and capacity-related renewable energy purchased power costs not currently being recovered in base rates or eligible for recovery through the FCR. Eligible projects (or portions of these projects) must be located in the state of North Dakota and must have previously been granted an Advance Determination of Prudence by the Commission. A standard calculation will determine the annual forecasted revenue requirements for each resource determined by the Commission to be eligible for recovery under this RER.

TRUE-UP

For each calendar year the RER is in place, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between actual RER revenue and the actual RER costs (revenue requirements) for the recovery period. The true-up shall be recorded by May 1 of the following calendar year and will be included in the calculation of the RER rate effective for the next calendar year recovery period.

For example, Year 1 actual RER revenue will be compared to actual revenue requirements for the same period and the difference recorded as an adjustment to the Tracker Account on or before May 1 of Year 2. This difference would then be included in the calculation of the new RER Rate (application to be filed in Year 2) effective January 1 of Year 3.

Date Filed: 12-07-0705-27-14 By: David M. Sparby Effective Date: 03-01-09
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Non-Legislative

NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

TABLE OF CONTENTS (Continued)

Section No. 1
 6th Revised Sheet No. 2

<u>Section</u>	<u>Item</u>	<u>Sheet No.</u>
SECTION 5	RATE SCHEDULES (Continued)	
	<u>GENERAL</u> (Continued)	
	Peak-Controlled Service	5-32
	Peak-Controlled Time of Day Service	5-36
	Rules for Application of Peak-Controlled Service	5-42
	Real Time Pricing Service	5-53
	<u>MUNICIPAL</u>	
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NORTH DAKOTA ELECTRIC RATE BOOK – NDPSC NO. 2

**RATE SCHEDULES
TABLE OF CONTENTS (Continued)**

Section No. 5
6th Revised Sheet No. TOC-2

<u>Item</u>	<u>Sheet No.</u>
<u>RIDER</u>	
1. Fuel Cost Rider.....	5-76
2. Surcharge Rider.....	5-77
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9. Renewable Energy Rider	5-87
10. Tier 1 Energy-Controlled Service Rider.....	5-88

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2

FUEL COST RIDER (Continued)

Section No. 5
4th Revised Sheet No. 76.2

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NORTH DAKOTA ELECTRIC RATE BOOK - NDPSR NO. 2

RENEWABLE ENERGY RIDER

Section No. 5
2nd Revised Sheet No. 87

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