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June 7, 2016

----- Via Electronic Filing -----

Darrell Nitschke  
 Executive Secretary  
 North Dakota Public Service Commission  
 State Capitol  
 600 East Boulevard  
 Bismarck, ND 58505-0480

**RE: FUEL COST RIDER TARIFF COMPLIANCE FILING - REVISED  
 (CASE NOS. PU-12-813, ET. AL.)**

Dear Mr. Nitschke:

Northern States Power Company, doing business as Xcel Energy, submitted on April 29, 2016 a Fuel Cost Rider (FCR) Tariff Compliance Filing pursuant to the *Order Approving Settlement*, dated March 9, 2016, issued by the North Dakota Public Service Commission in the case referenced above. Based on subsequent discussions with Commission staff, we wish to propose a few additional revisions to the FCR Tariff to ensure consistency and clarity with the Commission’s Order.

**Fuel Cost Rider**

Sheet No. 5-76 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 clarify that the purpose of the Rider is to recover the Qualifying System Cost of Fuel incurred by the Company.

Sheet No. 5-76.1 has been modified to clarify that the Fuel Cost True-Up Factor includes the North Dakota retail customer share of Renewable Energy Credit sales.

Sheet No. 5-76.2 further revises our April 29, 2016 submittal to make it more clear that the costs and volumes of 15 Community-Based Energy Development and two small solar purchased power agreements are excluded from the calculation of the monthly FCR charge.

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|-----|--|------------------|-----------|-----|--|------------------|-----------|
| 161 | PU-13-195  | Filed 06/07/2016 | Pages: 10 | 146 | PU-13-742  | Filed 06/07/2016 | Pages: 10 |
|     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |
|     | Northern States Power Company                            |                  |           |     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |
|     | David Sederquist   |                  |           |     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |
| 144 | PU-13-194  | Filed 06/07/2016 | Pages: 10 | 143 | PU-13-706  | Filed 06/07/2016 | Pages: 10 |
|     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |
| 154 | PU-13-743  | Filed 06/07/2016 | Pages: 10 | 285 | PU-12-813  | Filed 06/07/2016 | Pages: 10 |
|     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |     | Compliance filing – revised Fuel Cost Rider (FCR) Tariff |                  |           |

## 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. 5-76, revision 4

Sheet No. 5-76.1, revision 3

Sheet No. 5-76.2, revision 5

We propose to make these tariff revisions effective July 7, 2016, unless the Commission would prefer to take a different course of action. Please contact me if you have any questions regarding this filing at 701-241-8632.

Sincerely,

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

DAVID H. SEDERQUIST  
SENIOR REGULATORY AND FINANCIAL CONSULTANT

cc John Chow, Xcel Energy  
Amy S. Fredregill, Xcel Energy

Enclosures

**Legislative**

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSB NO. 2**

**FUEL COST RIDER**

Section No. 5  
~~3rd~~<sup>4th</sup> Revised Sheet No. 76

**FUEL COST RIDER CHARGE**

A Fuel Cost Rider (FCR) Charge will be added to the monthly customer bill to recover the Qualifying System ~~Cost of Fuel and other energy-related costs incurred by the Company~~, as defined below, ~~incurred by the Company~~.

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**QUALIFYING SYSTEM COST OF FUEL**

The qualifying system cost of fuel includes:

1. The cost of fuels consumed in the Company's generating stations as recorded in Federal Energy Regulatory Commission (FERC) Accounts 151 and 518;
2. The cost of energy purchases, exclusive of capacity or demand charges, as recorded in FERC Account 555 including but not limited to:
  - a) Energy that is purchased on an economic dispatch basis;
  - b) Energy purchased from a renewable energy source with the exception of the Purchased Power Agreement (PPA) Cost Exclusion defined below. The energy that would have been provided to North Dakota customers from these excluded PPAs will be repriced at the Qualifying System Cost of Fuel absent these contracts;
  - c) Net costs, excluding administrative charges otherwise recoverable in rates, associated with the Company's participation in wholesale electric energy markets operated by Independent System Operators or entities that have received FERC approval to operate energy markets;
  - d) Energy purchased from a qualifying facility as defined in the Code of Federal Regulations, Section 18, Part 292;
  - e) Gains, losses, premium payments, and transaction costs related to financial instruments and linked transactions used to mitigate price volatility;
3. The actual identifiable fossil and other fuel costs associated with energy purchased for reasons other than identified in (2) above;
4. Less fuel-related costs and associated net costs of the Midwest Independent System Operator (MISO) Day 2 market recovered through intersystem sales.

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(Continued on Sheet No. 5-76.1)

Date Filed: ~~12-18-12~~<sup>04-29-16</sup> By: ~~David M. Sparby~~<sup>Christopher B. Clark</sup> Effective Date: ~~05-01-14~~  
President ~~and CEO~~ of Northern States Power Company, a Minnesota corporation  
Case No. PU-12-813 Order Date: ~~02-26-14~~

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSA NO. 2**

**FUEL COST RIDER (Continued)**

Section No. 5  
~~2nd~~<sup>3rd</sup> Revised Sheet No. 76.1

**FUEL COST FACTOR**

The qualifying system cost of fuel per kWh is the sum of the costs defined in the previous section for the most recent four-month period divided by the qualifying kilowatt-hour (kWh) sales for the same period. Qualifying kWh sales are system kWh sales excluding intersystem sales.

The Fuel Cost Factor (FCF) for each service category is the qualifying system cost of fuel per kWh multiplied by the corresponding service category ratio (shown below) plus the applicable Fuel Cost True-Up Factor. The applicable billing FCF (rounded to the nearest \$0.00001) reflects a daily pro-ration of the FCFs for the calendar months included in the billing cycle and is applied to monthly billed kWh to determine the ~~Fuel Cost~~<sup>R</sup> Charge.

**SERVICE CATEGORY RATIO**

<u>Service Category</u>	<u>Associated Rate Codes</u>	<u>Ratio</u>
Residential	D01, D02, D03, D04, D05, D10	0.9969
C&I Non-Demand	D05, D10, D12, D14, D18, D19, D34, D40, D42	1.0318
C&I Demand Non-TOD	D16, D20, D41	1.0184
C&I Demand TOD On-Peak	D17, D21, D22, D62, D63	1.2798
C&I Demand TOD Off-Peak	D17, D21, D22, D62, D63	0.7954
Outdoor Lighting	D11, D30, D31, D32, D33	0.7341

**FUEL COST TRUE-UP FACTOR**

The Fuel Cost True-Up Factor for each service category is the product of the applicable service category ratio and the net of 1) the North Dakota balance of unrecovered ~~Qualifying System Cost Of Fuel costs~~ from prior months divided by the North Dakota retail kWh sales for the most recent four month period, ~~and~~ 2) the North Dakota retail customer share of intersystem sales margin credit per kWh, ~~and 3) the North Dakota retail customer share of Renewable Energy Credit sales proceeds per kWh described below.~~

(Continued on Sheet No. 5-76.2)

Date Filed: ~~12-18-12~~<sup>04-29-16</sup> By: ~~David M. Sparby~~<sup>Christopher B. Clark</sup> Effective Date: ~~05-01-14~~  
 President, ~~and CEO of~~ Northern States Power Company, a Minnesota corporation  
 Case No. PU-12-813 Order Date: ~~02-26-14~~

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2**

**FUEL COST RIDER (Continued)**

Section No. 5  
~~4th~~<sup>5th</sup> Revised Sheet No. 76.2  
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**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 net revenue generated by the sale of Renewable Energy Credits shall be credited to customers in the month following such sale.

**PURCHASED POWER AGREEMENT (PPA) COST EXCLUSION**

Pursuant to the Commission's March 9, 2016 Order Accepting Settlement (Case Nos. PU-12-813, et. al.), the costs and volumes of fifteen Community-Based Energy Development (C-BED) and two small solar PPAs are to be excluded from the calculation of the Company's monthly FCR charge. The exclusion takes effect with the May 2016 FCR charge.

**PURCHASED POWER AGREEMENT-NEW (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 of 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.~~

**Non-Legislative**

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2**

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**FUEL COST RIDER**

Section No. 5  
4th Revised Sheet No. 76

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**FUEL COST RIDER CHARGE**

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(Continued on Sheet No. 5-76.1)

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By: Christopher B. Clark

Effective Date:

President, Northern States Power Company, a Minnesota corporation

Case No. PU-12-813

Order Date:

**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2**

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**FUEL COST RIDER (Continued)**

Section No. 5  
3rd Revised Sheet No. 76.1

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**FUEL COST FACTOR**

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(Continued on Sheet No. 5-76.2)

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**NORTH DAKOTA ELECTRIC RATE BOOK - NDPSC NO. 2**

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**FUEL COST RIDER (Continued)**

Section No. 5  
5th Revised Sheet No. 76.2

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**INTERSYSTEM SALES MARGINS**

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**NEW PPA COST RECOVERY REVIEW**

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Date Filed: 04-29-16

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