

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Northern States Power Company
2015 Power Purchase Agreement Costs
Compliance

Case No. PU-16-458

AFFIDAVIT OF SERVICE BY CERTIFIED AND ELECTRONIC MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Geralyn R. Schmaltz deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **6th day of October, 2016**, she deposited in the United States Mail, at Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

- **Order Regarding 2015 Power Purchase Agreement Costs**

The envelope was addressed as follows:

Dave Sederquist
Sr. Regulatory/Financial Consultant
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102
Cert. No. 7016 0600 0000 4633 7997

Geralyn R. Schmaltz further deposes and says that on the **6th day of October, 2016**, she electronically mailed one copy of the same.

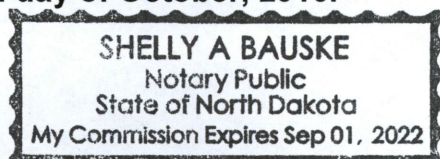
The electronic mail was addressed as follows:

Sagonna Thompson
regulatory.records@excelenergy.com

The addresses shown are the respective addressee's last reasonably ascertainable post office and electronic mail address.

Subscribed and sworn to before me
this **6th day of October, 2016**.

SEAL



Shelly A Bauske
Notary Public

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
2015 Power Purchase Agreement Costs
Compliance**

Case No. PU-16-458

ORDER REGARDING 2015 POWER PURCHASE AGREEMENT COSTS

October 5, 2016

Preliminary Statement

On June 10, 2016, Northern States Power Company (NSP) filed a Compliance Filing in accordance with Section I.B.1 of the Comprehensive Settlement Agreement (CSA) in Case Nos. PU-12-813, et. al. as approved by the Commission's February 26, 2014 order. Section I.B.1 requires the Company to annually provide a list of new Power Purchase Agreements (PPAs) less than 50 MW in size that have been included in the Company's Fuel Cost Recovery Rider (FCR) during the previous year. This filing states that the North Dakota jurisdictional share of the costs associated with one new PPA were added to the FCR in 2015.

Discussion

The PPA at issue is a 718 AC kW solar facility identified as the School Sisters of Notre Dame (Sisters). The price of this project is significantly greater than the Company's average system cost. On September 16, 2015 the Commission issued an order regarding the Advance Prudence – 100 MW Aurora Solar, LLC Project (Case No. PU-15-95). In that order the Commission states:

“Given that NSP entertains the Geronimo Solar PPA to meet Minnesota requirements, and it is not a least-cost project. Advocacy staff recommended the costs and benefits of the Geronimo Solar PPA should not be allocated to the North Dakota jurisdiction.”

Similarly, in the Commission's order regarding Advance Prudence – 187 MW Solar Energy Portfolio (Case No. PU-14-810), the Commission stated:

“Given that NSP entertained the Solar Project to meet Minnesota requirements, and not because it is a least-cost project, Advocacy staff recommended the costs and benefits of the Solar Project should not be allocated to the North Dakota jurisdiction.”

The new PPA with Sisters does not materially change the Company's fuel costs as reflected in the FCR. However, NSP stated in its January 29, 2016 Supplement to its 2015 Upper Midwest Integrated Resource Plan that it plans to add nearly 700 MW of small solar to its system at a cost of 12 cents per kWh with 259 MW coming into service in 2016. While a single project may be immaterial, a thousand such projects will be material and for this reason inclusion of the Sisters project should be denied in order that if the Company chooses to request additional projects that are expensive but nevertheless mandated in Minnesota, the Commission has established a precedence for this denial. The Commission supports projects that reflect least cost planning and need. This Project does not meet these standards.

In the past, a number of PPAs that were not least cost options were included in the FCR. However, the culmination of these projects resulted in the Commission issuing an Order on March 9, 2016, approving a settlement in Case Nos. PU-12-813, et al. that excluded all costs associated with fifteen Community-Based Energy Development projects and two small solar PPAs from the calculation of NSP's North Dakota FCR. Given this history and the direction NSP plans to pursue, the Commission will not ignore high cost resources on the basis of immateriality.

Furthermore, per the CSA, if the Commission does not commence a review of the new PPA within 6 months of the filing, the new costs will be recoverable from North Dakota customers automatically through the FCR for the life of the PPA.

Because of the immaterial nature of this one project (less than .01 cents per month for customer using 750 kWh's per month), it is not necessary or reasonable to go through the administrative process of retroactively adjusting the FCR. Instead, the Sisters project should be removed prospectively from the FCR.

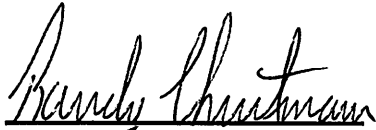
On August 17, 2016, the Commission issued a Notice of Opportunity for Hearing in this matter. No requests for a hearing were received.

Having considered this matter, the Commission issues the following:

Order

The Company shall exclude the costs of the School Sisters of Notre Dame from its Fuel Cost Adjustment Rider applicable to North Dakota Customers beginning with the Company's November 2016 Fuel Cost Adjustment filing which is expected to be filed on or about the last day of October 2016.

PUBLIC SERVICE COMMISSION



**Randy Christmann
Commissioner**



**Julie Fedorchak
Chairman**



**Brian P. Kalk
Commissioner**