

# Memorandum

To: Darrell Nitschke  
From: Sara Cardwell, Advocacy Staff<sup>SC</sup>  
Date: September 1, 2017  
Re: Response to Northern States Power Company's Compliance Filing  
2016 Power Purchase Agreement Costs  
Case No. PU-17-245

On June 21, 2017, 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 (PPA) less than 50 MW in size that have been included in the Company's Fuel Cost Rider (FCR) during the previous year. NSP must file for an Advance Determination of Prudence (ADP) from the Commission for any new PPA's or owned generation of at least 50 MW as ordered in Case No. PU-07-776 on December 31, 2008.

This filing states that two new PPAs were added to the FCR in 2016. The first PPA is a 22.8 MW combined heat and power project at the University of Minnesota. Because the University expects to fully utilize this system for its own needs, it is not expected that there will be much, if any sales to the Company. The second PPA is also with the University of Minnesota for a small wind project of 2 MW in size. The price the Company will pay for generation from each of these projects is within range of the Company's average system cost and therefore meets the least cost test.

The new PPAs do not materially change the Company's fuel costs as reflected in the FCR. The Company states that impact to the average residential using 750 kWh's per month will be less than \$0.0012.

On June 27, 2017, the Commission issued a Notice of Opportunity for Hearing in this matter. No requests for a hearing were received.

I recommend that the Commission continue to allow recovery of these two projects in the Fuel Cost Adjustment Rider.

cc: Dave Sederquist, NSP