



2302 Great N. Drive
Fargo, North Dakota 58102
dave.sederquist@xcelenergy.com

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May 6, 2019

- Via Email and Federal Express -

Steve Kahl, Interim Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept 408
600 East Boulevard
Bismarck, ND 59505-0480

RE: APPLICATION FOR APPROVAL OF A VARIANCE TO THE FUEL COST RIDER TO
REFUND PROCEEDS FROM THE SHERCO UNIT 3 OUTAGE LITIGATION
SETTLEMENT
CASE NO. PU-19-____

Dear Mr. Kahl:

Northern States Power Company, doing business as Xcel Energy, respectfully submits to the North Dakota Public Service Commission an original and 3 copies of an application for approval of a variance to the Fuel Cost Rider (FCR).

The Company's Application contains trade secret information. In accordance with Section 69-02-09-02 of the North Dakota Administrative Code, an Application for Trade Secret Protection is being provided along with a single copy of the trade secret version of the Application and supporting testimony in a sealed envelope marked **PROTECTED INFORMATION – PRIVATE**.

Please contact me if you have any questions regarding this filing.

Sincerely,

DAVID H. SEDERQUIST
Sr. Consultant, Regulation & Finance

Enclosures

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**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF
NORTHERN STATES POWER COMPANY FOR
APPROVAL OF A VARIANCE TO THE FUEL
COST RIDER TO DELIVER TO CUSTOMERS
PROCEEDS FROM A SHERCO UNIT 3
OUTAGE LITIGATION SETTLEMENT

CASE No. PU-19-___

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the North Dakota Public Service Commission this application for approval of a variance to the Fuel Cost Rider (FCR). The variance would allow the Company to pass on to customers through the FCR rates the North Dakota jurisdictional portion of the settlement proceeds received at the conclusion of litigation with General Electric Company, General Electric International, Inc., GE Energy Services, Inc., and GE Energy Control Solutions, Inc. (collectively, GE). The litigation was in connection with the November 19, 2011 outage (the Event) at Unit 3 of the Sherburne County Generating Station (Sherco 3).

Since this type of credit is not included in North Dakota Administrative Code § 69-09-02-39 as an allowable FCR item, we respectfully request the Commission approve this one-time credit through the FCR under North Dakota Administrative Code § 69-09-02-39(10).

PETITION

I. FILING INFORMATION

Pursuant to Section 69-02-02-04 of the North Dakota Administrative Code, the following information is provided:

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A. Contact information for utility making the filing

Ryan Long
Lead Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall – 401, 8th Floor
Minneapolis, MN 55401
(612) 215-4659
Ryan.J.Long@xcelenergy.com

David H. Sederquist
Sr. Regulatory and Financial Consultant
2302 Great Northern Drive
PO Box 2747
Fargo, ND 58108-2747
(701) 241-8632
Dave.Sederquist@xcelenergy.com

We request that all communications regarding this proceeding, including data requests, also be directed to:

Lynnette Sweet
Regulatory Administrator
Xcel Energy
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

B. Date of filing and proposed effective date

The date of this filing is May 6, 2019. The Company proposes to pass the proceeds to customers through the FCR within 45 days of the Order.

C. Statutory Authority and Compliance

We submit this application pursuant to North Dakota Administrative Code §§ 69-09-02-39, governing utility automatic adjustment provisions, and 69-02-01-11, governing waiver of Commission rules.

D. Articles of Incorporation

Pursuant to Section 69-02-02-04 of the North Dakota Administrative Code, a certified copy of Xcel Energy's Articles of Incorporation is on file with the Commission, as is an original Certificate of Good Standing.

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III. BACKGROUND

In November 2011, Sherco 3 was in the process of turbine testing while returning to service after a scheduled maintenance overhaul outage. During this process, there was a failure of the root of certain blade attachments in one of the low pressure turbines. The failure was due to stress corrosion cracking resulting from a design flaw. The extensive damage resulting from the Event included vibration damage, flying debris, impact damage, contamination, fire and smoke damage, and metallurgical damage that extended from surface areas to the internal portions of equipment, structures, and systems.

Following the Event, we undertook a strategic review of the impacts of the Event on Sherco 3 and developed a plan to bring Unit 3 back to its pre-Event condition as quickly and safely as possible, and to minimize the overall rate impact on our customers. Given the severity of the Event, the restoration project ultimately lasted approximately 22 months.

On September 4, 2013 Sherco 3 was synchronized to the electric grid and commenced production of energy. The unit was then taken offline on September 7, 2013 to address certain post-restoration items, and re-synchronized on October 10, 2013. Sherco 3 was released for MISO dispatch on October 28, 2013, and continues to operate well.

On November 15, 2013, the Company, along with the joint owner of Sherco 3 (Southern Minnesota Municipal Power Agency) and the insurers of Sherco 3, filed a joint complaint against GE (the Lawsuit). The complaint, as amended on January 27, 2014, sought to recover costs associated with the Event.

On September 20, 2018, the Company settled the Lawsuit with GE, and on October 9, 2018, the Company's claims against GE were dismissed. The settlement of the Lawsuit resulted in a total payment of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** (the Settlement Amount) to the Company which will be credited in its entirety to customers. The North Dakota jurisdictional portion of the Settlement Amount is **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. The jurisdictional allocation of the Settlement Amount was calculated based on monthly sales from November 2011 (when the Sherco 3 outage began) until October 2013 (when Sherco 3 was released for MISO dispatch). See Attachment A for the jurisdictional calculation.

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IV. PROPOSED VARIANCE

A. Waiver

The Company respectfully requests the Commission waive the relevant provisions of North Dakota Administrative Code § 69-09-02-39 to allow the North Dakota jurisdictional portion of the Sherco 3 Settlement Amount to be credited to customers through the monthly FCR rate.

We believe that the FCR is an appropriate mechanism in which to incorporate this credit because fuel costs and replacement power costs related to the Sherco generating plant are routinely included in the monthly Fuel Cost Rider charge. Because the Settlement Amount relates to the operation of Sherco 3, we believe this is an appropriate mechanism through which to issue the credit. Issuing the credit through the FCR rates is also less administratively burdensome and can be implemented more quickly than issuing a stand-alone credit.

The credit would be included in the calculation of a future month's FCR rate such that the full credit amount would be generally issued during the time period the selected calendar month's FCR rate was in effect (typically a monthly FCR rate is in effect pro-ratably over two billing months given that nearly all billing cycles straddle two contiguous calendar months to some degree).

Specifically, the credit would be incorporated into the FCR true up section in a future FCR rate calculation. As the amount is confidential, it would be "rolled in" to the total true-up amount, avoiding the need for a separate true-up factor. In subsequent months, the rolling true-up calculation in the FCR mechanism ensures that all actual costs/credits are passed on to customers. Thus, fully 100 percent of the credit will be passed on to customers. If the Commission desires, we can provide a trade secret work paper showing that the ND jurisdictional credit was properly disbursed and when.

B. Tariff Modification

Because this is a one-time variance to allow a credit to be issued to customers through their FCR rate, no modification to any tariff is necessary.

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CONCLUSION

Xcel Energy respectfully requests the Commission approve the proposed variance to the Fuel Cost Rider to allow the Company to efficiently pass to North Dakota customers their jurisdictional portion of the proceeds of the Sherco 3 litigation Settlement Amount.

Dated: May 6, 2019

Northern States Power Company

Northern States Power Company - State of North Dakota
 Sherco 3 Settlement Proceeds - Derivation of Jurisdictional Allocation

[1] Sherco 3 Outage Period	[2] Net NSP System Retail MWh Sales	[3] North Dakota MWh Sales Subject to FCR	[4] North Dakota Jurisdiction Ratio
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[3]/[2]

		[PROTECTED DATA BEGINS]	
November	2011		
December	2011		
January	2012		
February	2012		
March	2012		
April	2012		
May	2012		
June	2012		
July	2012		
August	2012		
September	2012		
October	2012		
November	2012		
December	2012		
January	2013		
February	2013		
March	2013		
April	2013		
May	2013		
June	2013		
July	2013		
August	2013		
September	2013		
October	2013		
Period Total			[PROTECTED DATA ENDS]

[5]	Total Settlement Amount	[PROTECTED DATA BEGINS]
[6]	North Dakota Allocation	[PROTECTED DATA ENDS]
	[5] x Period Total [3]	

[1] Sherco 3 outage period was from November 19, 2011 through October 28, 2013 when the unit was released for MISO dispatch.
 [2] NSP System retail MWh sales include Minnesota (less Windsorce MWh), North Dakota, South Dakota, and
 NSP-Wisconsin retail sales. Source of data: Company EEF Electric Data Bank.
 [6] Sales ratio based on entire calendar month as MWh sales are not recorded by days.

**Northern States Power Company
Estimated North Dakota Residential Bill Impact of Proposed Sherco 3 Settlement Refund**

[1] <u>Refund Amount</u>	[2] <u>Forecasted February 2019 MWh Sales</u>	[3] <u>Refund (\$/kWh)</u> [1]/[2]/1000	[4] <u>Refund Adjusted for FAF Ratio (\$/kWh)</u> [3] x 0.99690	[5] <u>Estimated February 2019 Use Per Customer</u>	[6] <u>Estimated Residential Bill Credit</u> [4] x [5]
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[PROTECTED DATA BEGINS

North Dakota Jurisdiction

PROTECTED DATA ENDS]

[1] See Attachment A.

[2] Company's July 2018 Sales Forecast Data, ND jurisdiction sales.

[4] Current residential class FAF ratio of 0.99690 as approved in Docket No. PU-14-012.

[5] Based on Company's February 2019 ND Residential Sales and Customers Data from July 2018 Sales Forecasted:

Residential Sales (MWh)	Residential Customers	Residential KWh Use Per Customer
[PROTECTED DATA BEGINS		
PROTECTED DATA ENDS]		