

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION)	SETTLEMENT
OF NORTHERN STATES POWER)	STIPULATION
COMPANY DBA XCEL ENERGY FOR)	
AUTHORITY TO INCREASE ITS)	EL12-046
ELECTRIC RATES)	

I. SETTLEMENT STIPULATION

On June 29, 2012, Northern States Power Company d/b/a Xcel Energy (Xcel Energy or Company) filed with the Public Utilities Commission (Commission) an application for approval to increase rates for electric service to customers in its South Dakota service territory by approximately \$19.368 million annually or approximately 11.53 % based on the Company's 2011 test year. Under the requested increase, a residential electric customer using 750 kWh per month would have seen an increase of 12.7%, or \$9.82 per month. The proposed rates would have affected approximately 85,000 customers in Xcel's South Dakota service territory.

Commission Staff and Xcel Energy (jointly the Parties) held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this matter. As a result of those negotiations, the Parties have resolved all issues in this proceeding and have entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. EL12-046. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Stipulation, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2. This Stipulation includes all terms of settlement. The Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future rate proceeding or any other proceeding before the Commission.

4. The Parties to this proceeding stipulate that all pre-filed testimony, exhibits, and workpapers be made a part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled, the procedural schedule would have continued and Xcel Energy would have filed rebuttal testimony;

Commission Staff would have responded to certain of the positions contained in Xcel Energy's rebuttal testimony, and an evidentiary hearing would have been conducted where the witnesses providing testimony would have been subject to examination.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

III. ELEMENTS OF THE STIPULATION

1. Revenue Requirement

The Parties agree that Xcel Energy's rate schedules attached as Exhibit A are designed to produce an ongoing annual increase in base rates to recover a total revenue deficiency of \$11.570 million, including gross receipts taxes, or approximately 6.86% percent annually for retail electric service sales in South Dakota. The Parties agree to a 7.78% rate of return on rate base.

2. Allocation to Customer Classes

The Parties agree that the final revenue requirement will be allocated to the affected rate classes with the resulting increases as shown on attached Exhibit B.

3. Asset and Non-Asset based Margins

South Dakota customers will be credited 100 percent of the jurisdictional portion of actual asset-based margins and 30 percent of the jurisdictional share of non-asset based margins from intersystem sales as described in the Company's South Dakota Fuel Clause Rider. For asset-based margins sharing, the Company agrees to continue to include a tracker in the monthly Fuel Clause Adjustment Reports showing the monthly amount credited to South Dakota customers. The Company will maintain a similar tracker for the non-asset based margins sharing credit. The retail share of the non-asset based margins will be computed annually after the close of the calendar year. The Company will provide both a fully allocated cost study and an incremental cost study showing the costs incurred

to realize non-asset based margins in its next general rate filing.

4. Nuclear Decommissioning Expense

Final rates reflect an increase in the nuclear decommissioning expense of \$1.234 million. This amount includes only the estimated costs of decommissioning the nuclear generating facilities and independent spent fuel storage installations at Prairie Island and Monticello and does not include any contingency. The Parties agree that the Company may seek recovery of all costs for decommissioning not otherwise recovered from ratepayers in a future rate case or other proceeding.

5. Amortization

The Parties agree that amortizations being recovered in rates under the terms of the Stipulation include the following where the cost (Amounts Amortized) will be deferred and amortized over the periods shown:

Item	Amount Amortized (\$)	Amortization Period (years)	Annual Amount (\$)
Private Fuel Storage	\$1,010,000	6	\$168,000
Rate Case Expenses	\$ 695,000	2	\$347,500
Emission Sales Credit	\$(219,000)	5	\$(44,000)
Black Dog Conversion Project	\$43,000	2	\$21,500

a. Private Fuel Storage (PFS)

The Parties agree that the PFS deferred balance approved in Docket EL09-009 of \$1,010,000 to be amortized over 6 years in an amount of \$168,000 per year will continue to be amortized and recovered. The Parties agree that the average unamortized balance of \$505,000 will be included as a component of other rate base.

b. Rate Case Expenses

The Parties agree that the unamortized actual rate case expenses from Dockets EL09-009 and EL11-019 will be combined with the current Rate Case expenses and will

be deferred and amortized and recovered over two (2) years. The Parties agree that the average unamortized balance of \$404,000 will be included as a component of other rate base. As a result of the Parties agreement on the treatment of rate case expenses in this Stipulation, the Commission's approval of the treatment of rate case expenses in Dockets EL09-009 and EL11-019 is superseded upon approval of this Stipulation.

c. Emissions Sales Credits

The Parties agree that the Emission Sales Credits deferred balance approved in EL09-009 of \$(219,000) to be amortized over five years in an amount of \$(44,000) will continue to be amortized and recovered. The Parties agree that the average unamortized balance of \$(110,000) will be included as a component of other rate base.

d. Black Dog Conversion Project

The Parties agree that the Black Dog Conversion Project deferred balance of \$43,000 is to be amortized over two years in an amount of \$21,500 annually. The Parties agree that the Company shall refund any over-collections should the rates established in this case be in effect longer than the two-year amortization period.

6. Nuclear Fuel Outage Costs.

In Docket EL07-035, the Commission approved Xcel's petition to change from a direct-expense accounting to a deferral/amortization method and the resulting creation of a regulatory asset (the deferred balance) for planned refueling outages at the Monticello and Prairie Island nuclear plants. The Commission accepted this method of ratemaking treatment in the Company's last two rate cases, Dockets EL09-009 and EL11-019. It is agreed that this methodology is appropriate for ratemaking purposes in the present docket.

7. Depreciation

The Parties agree that the depreciation lives and rates presented in this rate case will be the ones in effect with the approval of this Stipulation.

8. Rate Phase-In Rider

The Parties agree that the Company will implement a rider to recover specifically evaluated and discrete costs for capital projects and incremental property taxes for 2013 that are not included in the revenue deficiency outlined in Section III.1 for purposes of setting base rates. The Phase-In Rider is intended only to recover these costs and does not refer to phase-in accounting as defined under Generally Accepted Accounting Principles.

a. Costs included in Rate Phase-In Rider

The amount included in the Rate Phase-In Rider for these capital projects will initially reflect a full year of revenue requirements for projects that went into service in 2012 and a partial year of revenue requirements for projects going into service in 2013 based on the expected in-service dates in 2013 as of January 1, 2013. These projects are outlined on the attached Exhibit C. The projected project costs to be included in the rider are shown on Exhibit E. A subsequent annual filing made by October 1 of each year beginning in 2013 will true up the rider for actual costs and revenues for the prior period, reconciling any differences between estimated cost and in-service date and actual cost and in-service date, and include projected revenue requirements for the tracker projects in the following year, including incremental property taxes for 2013 that are not included in the revenue deficiency outlined in Section III.1 for purposes of setting base rates. This process of true up to actual costs and reset of the Rate Phase-In Rider factor based on forecast for the following year will continue until the revenue requirements related to projects in the rider are moved into base rates in a future rate case.

b. Annual Rider Update

The Parties agree to the Rate Phase-In Rider tariff language attached as Exhibit D to this Stipulation. Under the Rate Phase-In Rider tariff, the Company will submit updates to the rider by October 1 of each year, for January 1 implementation, as a compliance filing, as described in Section 8.a. above. No separate Commission action or approval is required to implement the Rate Phase-In Rider or the updates to the Rider.

Staff reserves the right to review the rider filings for cost prudence. The Parties

agree that the Rider update will be implemented January 1 following the October 1 filing and that update will remain in effect until changed, either by a subsequent update or by Commission action.

9. Rate Moratorium

The Parties agree that if the Commission adopts this Stipulation without condition or modification, the Company shall not file any petition to increase base rates for electric service, for rates proposed to be in effect prior to January 1, 2015. The Parties agree that this rate moratorium does not apply to any rider or other adjustment, including, but not limited to, the transmission cost recovery rider, environmental cost recovery rider, rate phase-in rider, fuel cost adjustment, and demand side management cost adjustment factor.

10. Implementation of Rates

The revised rate schedules shall be implemented with service rendered on May 1, 2013, with bills prorated so that usage prior to that date is billed at the previous rate and usage on and after that date is billed at the new rates. The revised rate schedules are attached as Exhibit A.

11. Interim Rate Refund

Interim rates were implemented on January 1, 2013. Approval of this Stipulation will authorize a rate increase less than the interim rate level in effect. The Company agrees to refund customers a portion of the interim rates collected during the period January 1 through April 30, 2013, with new rates beginning May 1, 2013. The Company will file a separate proposal for the interim rate refund.

This Stipulation is entered into this 15th day of March, 2013.

Northern States Power Co.

SD Public Utilities Commission Staff

d/b/a Xcel Energy

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