

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

IN THE MATTER OF THE APPLICATION OF  
NORTHERN STATES POWER COMPANY  
DBA XCEL ENERGY FOR AUTHORITY TO  
INCREASE ITS ELECTRIC RATES

DOCKET NO. EL12-046

**INFRASTRUCTURE RIDER  
ANNUAL COMPLIANCE  
FILING AND UPDATE**

**OVERVIEW**

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this annual compliance filing to update the Infrastructure Cost Recovery Rider, Adjustment Factor, and Tracker. The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order which approved the electric rate case Settlement Stipulation in Docket No. EL12-046. This filing is submitted in compliance with that Order and Settlement Stipulation.

This compliance filing provides:

- an Infrastructure Rider tracker report for approved project investments;
- the tracker true-up; and
- revised Infrastructure Rider tariff sheets reflecting a proposed Adjustment Factor of \$0.00.

In compliance with the Settlement Stipulation and Commission Order in our last electric rate case,<sup>1</sup> we submitted a filing to update the Infrastructure Rider Adjustment Factor on October 1, 2013. The updated Adjustment Factor became effective January 1, 2014. We have included a tracker report showing actual revenue collections under this rate through August 31, 2014 and forecasted costs and collections for the remainder of 2014.

At this time, we propose to reduce the Infrastructure Rider Adjustment Factor to \$0.00 because most components of the seven specific capital projects currently approved for rider recovery are now in service. We have proposed to move these project costs into base rates in our pending rate case<sup>2</sup> and recommend consideration of any tracker balance be addressed as part of the rate case along with future use of

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<sup>1</sup> Docket No. EL12-046

<sup>2</sup> Docket No. EL14-058

the Infrastructure Rider. Should the Commission decline to allow the current projects to move into base rates, we propose to recalculate the Adjustment Factor to reflect 2015 revenue requirements upon conclusion of the rate case.

At present, we project the current Tracker balance to show an over-recovery of approximately \$929,000 in Infrastructure Rider revenue collections by the end of 2014. Given the revenue requirements of these projects along with any going forward actions related to the Infrastructure Rider are among issues to be decided in the pending rate case, treatment of the final Tracker balance may be most efficiently dealt with during resolution of that proceeding.

## **COMPLIANCE REPORT**

### **I. Background**

The rate case Settlement Stipulation from our last electric rate case (Docket No. EL12-046) established this Infrastructure Rider as a means to recover specific major capital additions that were placed into service in late 2012 or were expected to be placed into service in 2013, and additionally, any changes in 2013 property taxes from the property taxes included in the 2011 test year. These specific projects were nearing completion and were significant in cost. With this cost recovery mechanism, the Company was able to make the commitment to not file another application to increase base rates which would go into effect before January 1, 2015. Projections of anticipated sales growth were not likely to offset the revenue deficiency related to these specific projects and development of this rider recovery mechanism was viewed as a constructive resolution for all stakeholders.

The Infrastructure Rider uses a cost of service model approach, similar to our previously approved Environmental Cost Recovery Rider. The Adjustment Factor was developed based on estimated costs of seven capital projects, subject to later true-up to their actual costs and in-service dates and rider recoveries. These projects are:

1. Prairie Island H Line
2. Monticello Life Cycle Management/Extended Power Uprate
3. Monticello Fire Model
4. Prairie Island Steam Generator
5. Prairie Island Dry Casks
6. Sherco Cooling Towers
7. Sherco HFU

In addition to these capital projects, there were anticipated changes in 2013 property taxes which were increases to those already included within the 2011 test year in the rate case. Given property taxes are assessed by government agencies and not within the Company's control, inclusion of the 2013 incremental property taxes was also approved for inclusion within the rider.

Extensive review of the seven specific rider-eligible projects and incremental property tax estimates occurred during the pendency of the 2012 rate case. Most components of these seven projects are now in-service; therefore, we have requested to move remaining project costs into base rates in our pending rate case. If these projects are approved for rate base inclusion, it is appropriate to set the Infrastructure Rider Adjustment Factor to \$0.00 until such time as the Commission may find that this rider is the appropriate mechanism to recover known and measurable costs of future capital projects. However, should the Commission decline to allow the current projects to move into base rates, we propose to recalculate the Adjustment Factor to reflect 2015 revenue requirements. In that case, as soon as practicable after the Commission's decision in the current rate case, we would file a revised compliance filing showing 2015 revenue requirements associated with the seven projects and propose a revised Infrastructure Rider Adjustment Factor.

This compliance filing provides the supporting documentation for the true-up from the prior period for Staff review. When available, the final actual Tracker balance through year-end 2014 can be reviewed and incorporated into decisions made in the current rate case.

## **II. Revenue Requirements, Rate Adjustment Factor, and Project Updates**

Consistent with the method adopted by the Settlement Stipulation, the Infrastructure Rider revenue requirements and carrying charge were calculated using the rate of return established in Docket No. EL12-046. This filing includes the true-up amount for the forecasted over-recovery of the 2014 forecast compared to 2014 actuals. These revenue requirements are incremental to any revenue requirements associated with the identified projects currently included in base rates.

### *i. Infrastructure Tracker Account*

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure project costs. The revenue requirements included in the Tracker are only those related to South Dakota's share of eligible projects. In making our calculations, the Company used the most current data available at the time of this filing and allocated costs among jurisdictions based on the cost allocation methodology approved in our last rate case and consistent with the Commission's

December 9, 2013 Order approving the prior compliance filing. As a result, for 2014 South Dakota electric customers are allocated approximately 5.2% of total production costs.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the Infrastructure Rider Adjustment Factor and compares that amount with the monthly revenue requirements. The difference is recorded in the Tracker account as the amount of over/under recovery. A carrying charge is calculated monthly on the over- or under-recovered balance and added to the tracker balance. Any over- or under-recovery balance at the end of the year is used in the calculation of the Adjustment Factor for the next year's forecasted revenue requirement.

*ii. Regulatory Accounting for the Tracker*

The difference between the amount of recovery under the Infrastructure Rider and the monthly revenue requirement is recorded in the Tracker Account as the amount of over- or under-recovery. The under-recovered amounts are recorded in FERC Account 182.3, Other Regulatory Assets, and the over-recovered amounts are recorded in FERC Account 254, Other Regulatory Liabilities (the Tracker Accounts). As outlined above, a carrying charge is calculated monthly on the over- or under-recovered balance and added to the tracker balance.

*iii. Present Rate*

The current monthly rate for all customer classes is \$0.004208 per kWh. The rate was calculated by dividing the 2014 projected annual revenue requirements of the Infrastructure Tracker Account by the 2014 forecasted retail sales for the calendar year; it was rounded to the nearest \$0.000001 per kWh.

*iv. 2015 Infrastructure Adjustment Factor*

If all seven capital projects currently included for recovery through the Infrastructure Rider are moved into base rates in the currently pending electric rate case, our 2015 revenue requirements will be limited to the true-up balance remaining in the Tracker Account at the end of 2014. We propose to implement a \$0.00 per kWh Adjustment Factor at this time and address the true-up balance in the pending rate case in association with decisions about future use of the Infrastructure Rider.

*v. Bill Impact*

The average bill impact for a residential customer using 750 kWh per month will be reduced to \$0.00 per month. Consistent with our approved tariff, we will notify our customers of the change through a bill message in the month the change is effective.

*vi. Approximation of Annual Change in Revenue*

Attachment 2 shows the Infrastructure Tracker Account activity for 2014. The true-up balance is currently forecasted to be \$929,000 at the end of 2014. At this time, we do not propose any 2015 revenue requirements be included as part of this rider mechanism, which is reflected in Attachment 3.

*vii. Project Updates*

Attachment 4 provides a summary of the updated revenue requirements for the approved projects and property taxes compared to the forecasted revenue requirements approved in the rate case docket and updated in the October 1, 2013 compliance filing. Attachment 1 shows the final Tracker Account activity for 2013.

The primary difference in revenue requirements as forecasted in our 2013 compliance filing and our present forecast is the calculation of actual property taxes for 2013. The property tax increase was lower than forecast, resulting in an over-collection through the rider. Table 1 below summarizes the change between our last compliance filing and the current filing.

**Table 1: Revenue Requirement Changes Summary**

decrease in 2013 carryover to 2014 rate	\$367,000
decrease in 2014 Property Tax line item	\$360,000
increase in revenue collections	\$192,000
net other	\$10,000
Forecasted over-collection for 2014	\$929,000

We provide additional project updates below.

**Sherco 3 Plant transferred from HFU** – This project went into service in September 2013, which was the in-service date reported in our October 1, 2013 compliance filing.

**Sherco Cooling Tower** – This project went into service in September 2013, which was the in-service date reported in our October 1, 2013 compliance filing.

**Monticello EPU** – In our October 1, 2013 compliance filing, we updated the estimated in-service date to July 2013 due to the extended outage necessary to complete the projects. The project license went into service in December 2013.

**Monticello Fire Model** – This project has been in-serviced in phases as portions of the project are completed. Much of the project went into service in December 2013. Additional portions of the project will go into service in the coming months.

**Prairie Island Casks** – As we reported in our October 1, 2013 compliance filing, Casks 30-35 were in-service in June 2013. The remaining casks, 36-38, went into service in August 2014.

**Prairie Island H Line Protection Replacement** – As we reported in our October 1, 2013 compliance filing, the project went into service in November 2012.

**Prairie Island Steam Generator** – The project’s in-service occurred in December of 2013, which was the forecasted in-service date reported in our October 1, 2013 compliance filing, and the steam generators have been operating since the plant came out of the scheduled Fall 2013 refueling outage. Some minor in-servicing remains, including costs to complete and close the capital work order for this project, engineering package close out, site restoration and project close out. These costs are aggregated and in-serviced on the October 2014 “completion date.”

### **III. Implementation of the Adjustment Factor**

We propose to update the Northern States Power Company South Dakota Electric Rate Book – SDPUC No. 2 with the updated \$0.00 Infrastructure Rider Adjustment Factor to be effective January 1, 2015. We include Sheet No 5-74, Revision 3 as Attachment 5 in legislative and clean form.

Consistent with the tariff, we will provide notice to customers of the change in the Infrastructure Rider Adjustment Factor by a bill message in the month the change is effective. The bill message will state:

*Residential:*

This month the Infrastructure Rider Adjustment, which recovers the costs and expenses of capital projects, will be decreasing from \$0.004208 per kWh to \$0.00 per kWh. Questions? Contact us at 1-800-895-4999.

*Commercial & Industrial:*

This month the Infrastructure Rider Adjustment, which recovers the costs and expenses of capital projects, will be decreasing from \$0.004208 per kWh to \$0.00 per kWh. Questions? Contact us at 1-800-481-4700.

## CONCLUSION

Xcel Energy submits this compliance filing to revise the Infrastructure Rider Adjustment Factor to \$0.00 now that most components of previously-approved capital projects are in-service and have been proposed to be recovered through base rates. Should the Commission decline to allow the current projects to move into base rates, we propose to recalculate the factor to reflect 2015 revenue requirements. The Company believes this rider recovery mechanism was a constructive mode of rate recovery and looks forward to discussing the possibility of future use of the Infrastructure Rider with South Dakota policymakers.

Dated: October 1, 2014

Northern States Power Company