

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

**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

**REPLY OF SHETEK WIND INC. TO  
ANSWER OF NORTHERN STATES POWER COMPANY**

On June 29, 2012, the Public Utilities Commission (“Commission”) received an Application for Authority to Increase Electric Rates in South Dakota (“Application”) filed by Northern States Power Company dba Xcel Energy (“Xcel”) 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 Xcel's 2011 test year. Xcel states that a typical residential electric customer using 750 kwh per month would see an increase of 12.7%, or \$9.82 per month. The proposed rates may potentially affect approximately 85,000 customers in Xcel's South Dakota service territory. On July 5, 2012, the Commission electronically transmitted notice of the filing and the intervention deadline of September 7, 2012, to interested individuals and entities.

On September 6, 2012, pursuant to A.R.S.D. Sec. 20:10:01:15.02 Shetek Wind Inc. (“Shetek”) filed a petition to intervene in the above-captioned proceedings. On September 21, 2012, Xcel filed an answer opposing Shetek’s petition to intervene.

Xcel’s answer confuses the ratemaking issue related to the disposition of certain rights with respect to the Angus Anson facility with the FERC-related interconnection issues that

permitted Xcel to dispose of certain interconnection rights. Shetek files this reply to clarify the issues and correct the misimpression intended to be created by Xcel's answer.

**I. GOOD CAUSE EXISTS TO GRANT SHETEK'S PETITION TO INTERVENE**

First, Shetek is not, as Xcel claims, "attempting to litigate in this proceeding those FERC-jurisdictional issues that it has either settled or withdrawn from in the relevant proceedings at FERC."<sup>1</sup> As Xcel correctly states, Shetek has settled the FERC issue of undue discrimination and withdrawn from, or ceased participating in, the three FERC dockets related to the issue of "net zero" interconnections under the Midwest Independent System Operator, Inc.'s ("MISO's") open access transmission tariff. Now that the FERC related issues have been resolved, the relevant issue in this proceeding is how Xcel's disposition of rights to Angus Anson are treated for ratemaking purposes.

Second, if Xcel is allowed to continue to charge ratepayers for capacity it has transferred then ratepayers will be paying twice for the same generation capacity. It is in that scenario that non-net zero projects such as Shetek, and presumably many others that may exist in South Dakota as well as others states within the MISO footprint, will be disadvantaged.

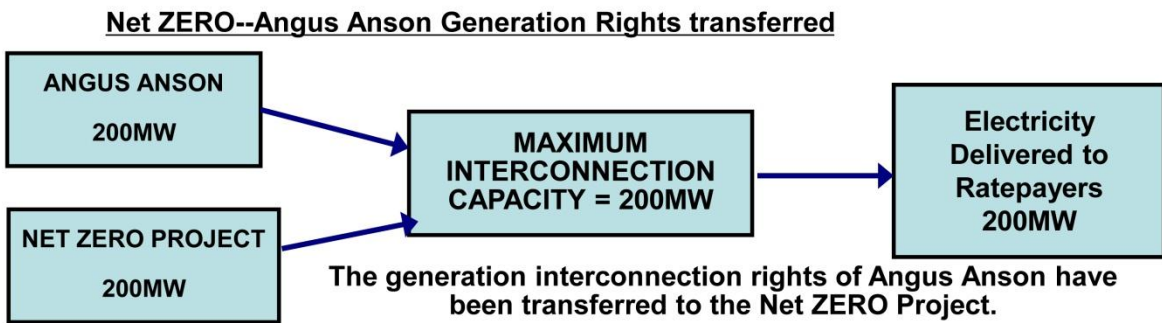
Third, Shetek's unique knowledge of the aspects of the net-zero interconnection and its impact on the Angus Anson plant will be a significant value to the Commission and Commission Staff as they determine how Xcel's disposition of interconnection rights at Angus Anson should be reflected in rates. The dollar amount is significant. The impact on the rate base is at least tens of millions of dollars.

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<sup>1</sup> Xcel Answer at p.5.

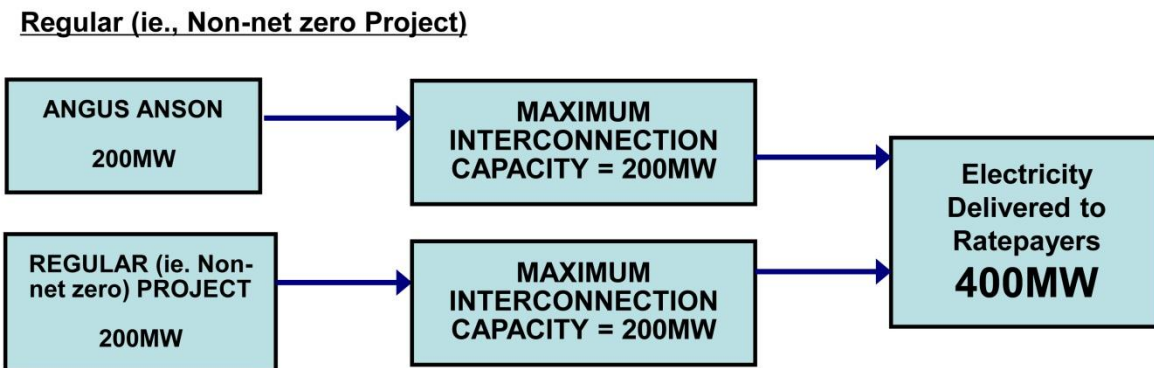
Fourth, the determination of the retail rates in this proceeding do affect Shetek, as well as other non-net zero projects that have not yet been built. The primary economic advantage of a net-zero project is that the net-zero project can connect to the electrical grid using the interconnection rights of an existing plant, such as the Angus Anson plant, and avoid paying for network upgrades. The impact on ratepayers of not removing the pro rata cost of Angus Anson related to the transferred rights from the rate base, and how the ratemaking decision affects projects like Shetek's, can be illustrated as follows.

**Illustration as to how ratepayers pay twice for the same capacity as proposed by Xcel if the transfer of the Angus Anson rights are not accounted for in the rate base**



The generation interconnection rights of Angus Anson have been transferred to the Net ZERO Project.

If the appropriate portion of Angus Anson is not removed from the rate base, ratepayers pay for 400MW of generation but only can ever get the benefit of a maximum of 200MW



Ratepayers pay for 400MW of generation AND RECEIVE 400MW of generation

The proper treatment from a ratemaking perspective of the Angus Anson transferred generation interconnection rights are the relevant issue, not the FERC guidelines that permitted the transfer. Now that the transfer of the Angus Anson interconnection rights has occurred, the expenses and capital costs related to the Angus Anson plant should be removed from the rate base to the extent of the transfer. Moreover, the value of the rights transferred should be reflected as income in the rate base accruing to the benefit of ratepayers. Failure to do so will result in ratepayers paying double for the same generation capacity because they will continue to pay for costs related to Angus Anson when the rights to generate have been transferred.

Moreover, the proper treatment from a ratemaking perspective of the Angus Anson transferred generation interconnection rights will level the playing field for net-zero and non-net-zero projects, such as Shetek's.

## **II. CONCLUSION**

For the reasons set forth above and in its petition to intervene, Shetek requests that its petition to intervene as a full party be granted.

Respectfully submitted,

/s/ Thomas Melone

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Dated: September 24, 2012

## Certificate of Service

I certify the attached Reply of Shetek Wind Inc. has been served this day, September 24, 2012, on the following:

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