BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL OF ITS 2013 TRANSMISSION COST RECOVERY ELIGIBILITY AND RATE ADJUSTMENT	)))))))	**SETTLEMENT STIPULATION** **EL13-006**

I. SETTLEMENT STIPULATION

On February 27, 2013, the South Dakota Public Utilities Commission ("Commission") received a petition from Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or "Company") for approval of its 2013 transmission cost recovery ("TCR") project eligibility and rate adjustment.

In its 2013 petition, Xcel Energy proposes to recover the South Dakota jurisdictional portion of the revenue requirements related to 22 transmission projects located throughout its service territory. Xcel Energy proposes to recover approximately $2.45 million associated with these projects for the 2013 calendar year. The total of the transmission investment costs and the tracker balance will result in an average bill impact of a $0.46 per month for a typical residential electric customer using 750 kWh per month. This is a decrease of $1.82 per month from the current TCR recovery. Xcel Energy proposes to implement a rate of $0.000612 per kWh applied to all energy billed to each customer class beginning April 1, 2013 through December 2013. This represents a decrease of $0.002426 from the existing rate of $0.003038 per kWh.

Commission Staff and Xcel Energy ("Parties") held several discussions regarding the Company's petition and, as a result of these discussions, the Parties have been able to resolve all issues identified in this proceeding. The Parties have reached an agreement in the form of this Settlement Stipulation, which, if accepted and ordered by the Commission, will determine the rates that result from this proceeding.

II. PURPOSE

This Settlement Stipulation has been prepared and executed by the Parties for the sole purpose of resolving Docket No. EL13-006. The Parties acknowledge that they may have differing views that justify the end result, 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 Settlement 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 Settlement Stipulation, the Parties shall file this Settlement Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Settlement Stipulation in its entirety without condition or modification.

2. This Settlement Stipulation includes all terms of settlement. The Settlement Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any material changes in or conditions to this Settlement Stipulation which are unacceptable to either Party, this Settlement 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 Settlement Stipulation shall become binding upon execution by the Parties, provided however, if this Settlement Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Settlement 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 allocation underlying the provisions of this Settlement Stipulation, or 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 Settlement 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. It is understood that Commission Staff enters into this Settlement Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

III. ELEMENTS OF THE STIPULATION

1. **Revenue Requirement**

The Attachments 1 - 14 to this Settlement Stipulation reflect the estimated 2013 revenue requirement subject to later true up to the actual costs and recoveries. The Parties agree the estimated 2013 revenue requirement is $2,754,889. Included in the $2.75 million figure is the 2012 unrecovered balance of $160,508.

2. **Transmission Facilities Ineligible for Regional Cost Sharing (Non-cost Shared)**

The Parties agree that the following transmission projects do not qualify for regional cost allocation pursuant to the Midcontinent Independent System Operator, Inc. (MISO) tariffs and that the South Dakota jurisdictional share of Xcel Energy's entire investment in these projects shall be included in retail rate base for recovery through the TCR mechanism.

The following projects were approved for recovery by the Commission in Docket EL12-035 and continue to be recovered through the TCR rider in 2013:

a. Chisago-Apple River
b. Sioux Falls Northern
c. Grove Lake-Glenwood
d. Sauk Center-Osakis
e. Hollydale
f. Meadow Lake
g. CapX2020 La Crosse – Local

The Parties agree the following additional projects shall also be included for recovery through the TCR in 2013:

h. Bluff Creek – Westgate
i. Chaska – Hwy 212 Conversion
j. Maple River – Red River
k. Lake Marion – Burnsville
l. Maple Lake – Annandale
m. Wilmarth – Carver County

3. **Schedule 26 and 26A Expenses**

The Parties agree it is proper to utilize the TCR as the mechanism to flow through the jurisdictional share of Schedule 26 expenses incurred by Xcel Energy as an active member of MISO. Pursuant to SDCL 49-34A-25.1, the TCR rider applies only to new or modified transmission facilities with a design capacity of thirty-four and one-half kilovolts (34.5 kV) or more and which are more than five (5) miles in length. Under the MISO tariff, transmission projects eligible for cost allocation under Attachment FF are of the capacity and nature to comply with the statutory requirements. As approved in Docket EL12-035, the TCR rider reflects full recovery of the South Dakota jurisdictional share of Schedule 26 and 26A expenses, beginning in 2012.

4. **Regional Transmission Investment Allocation**

For the purpose of determining inclusion of regional transmission investments that qualify for regional cost allocation through MISO's tariff in the TCR rider, the Parties agree to utilize a method of project cost allocation referred to by the Parties as the "refined split" method. The Parties find this method best conforms to traditional ratemaking philosophy and facilitates proper jurisdictional allocation of the transmission investments. Under this method, the Company's regional transmission investments will be allocated into state or Federal Energy Regulatory Commission (FERC) jurisdictions for recovery as follows:

a. The portion of the regional transmission investments associated with the Company's MISO determined retail responsibility of its investment in the projects will be included in retail rate base for recovery through the TCR mechanism.
b. Retail customers will be assessed Schedule 26 and 26A expenses relating to the Company's full responsibility of total project costs, as discussed in Section III, paragraph 3.

c. Retail customers will be credited a pro-rata share of FERC authorized MISO Schedule 26 and 26A revenues associated with the Company's MISO determined responsibility for its investment in the regional transmission projects, offsetting this portion of the Schedule 26 and 26A expenses. The Company will retain the portion of its Schedule 26 and 26A revenues associated with other MISO members' responsibility for Xcel Energy's investment in the projects.

The Parties agree the MISO determined retail responsibility of the Company's investment in the following large regional transmission investments shall be included in retail rate base for rate recovery through the TCR mechanism.

The following large regional transmission projects were approved for recovery by the Commission in Docket EL12-035 and continue to be recovered through the TCR rider in 2013:

a. CapX2020 LaCrosse – MISO
b. CapX2020 LaCrosse – MISO – WI
c. CapX2020 Fargo – Twin Cities
d. CapX2020 Bemidji – Grand Rapids
e. CapX2020 Brookings – Twin Cities

One additional large regional transmission project shall be included for recovery in the TCR rider beginning in 2013:

f. Big Stone – Brookings

The Parties agree the MISO determined retail responsibility of the Company's investment in the following lower voltage transmission projects shall be included in retail rate base for rate recovery through the TCR mechanism.

g. Pleasant Valley – Byron (approved for recovery as a non-cost shared project in Docket EL12-035)
h. Glencoe – Waconia (approved for recovery as a non-cost shared project in Docket EL12-035)

i. Minn Valley (recovery beginning in 2013)

5. **Rate of Return**

The Parties agree that the overall rates of return applicable to the eligible investments included in the TCR rider shall be 7.23% in 2013. The overall rate of return is based on the Company's actual capital structure, including short-term debt, actual long-term debt costs as of December 31, 2012, 12-month average short-term debt costs as of December 31, 2012, and an agreed upon return on equity (ROE).

6. **Demand Allocation**

The Parties agree that the demand allocators used to allocate costs to the South Dakota jurisdiction reflect the actual demand allocation for the given year (i.e. – 2013 revenue requirements based on the 2013 demand allocation). The Company will update the 2013 forecast demand allocator with the 2013 actual demand allocator in the first filing after it becomes available.

7. **Carrying Charge on Over/Under Recoveries**

The Parties agree that a carrying charge calculated at the TCR overall rate of return, adjusted for related Federal income taxes, shall be applied to the monthly over-or-under-recoveries determined as the estimated TCR revenues and costs are trued-up to actual revenues and costs.

8. **Rate Design**

The Parties agree that, as proposed in the filing, a single uniform rate per kWh will apply to all customers.

9. **Implementation of Rates**

The TCR rate was set at $0.00 beginning on July 1, 2013, for the remainder of 2013. The rate will remain unchanged until the Company files for, and the Commission approves, recovery of the Company's 2014 TCR revenue requirements.

10. **Annual Reports of South Dakota Jurisdictional Earnings**

The Parties agree that, by June 1 of each year, the Company will continue to file with the Commission a report of its South Dakota jurisdictional earnings (Cost of Service Study) for the preceding calendar year showing, among other things, the overall rate of return and ROE earned, and the South Dakota revenue excess or deficiency based on the ROE reflected in the last general rate case. The determinations will be presented on an actual and weather-normalized basis and will reflect South Dakota ratemaking practices.

South Dakota Public Utilities Commission Staff	**Northern States Power Company d/b/a Xcel Energy**
By: KAREN E. CREMER (*Print*)	By: David M. Sparby (*Print*)
Karen E. Cremer (*Sign*)	______ (*Sign*)
Title: Staff Attorney	Title: ______
Date: 11/26/13	Date: Nov 25, 2013