

PUBLIC UTILITIES COMMISSION  
STATE OF SOUTH DAKOTA

Gary Hanson  
Chris Nelson  
Kristie Fiegen

Chairman  
Vice Chairman  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF NORTHERN STATES POWER )  
COMPANY, FOR AUTHORITY TO )  
INCREASE RATES FOR ELECTRIC )  
SERVICE IN THE STATE OF SOUTH )  
DAKOTA )

DOCKET NO. EL14-058

**NOTICE OF INTENT TO  
IMPLEMENT INTERIM RATES**

**INTRODUCTION**

Northern States Power Company, operating in South Dakota, submits to the South Dakota Public Utilities Commission (the "Commission") this Notice of Intent to Implement an interim rate increase for our South Dakota retail electric customers for service provided on and after January 1, 2015 (the "Interim Rate Increase") pursuant to S.D. Codified Laws Section 49-34A-17. It is the Company's understanding that no Commission action is required to implement interim rates. We will be placing the level of base rate increase proposed by our June 23, 2014 filing into effect as interim rates starting the beginning of 2015. This interim rate increase of \$24.6 million includes approximately \$9.0 million of project costs moving from rider to base rate recovery, and will remain in effect until final rates are implemented following the Commission's final determination in this matter. As the rider transfer to base rates has a neutral impact on both the customers and the Company, the overall incremental increase to customers is \$15.6 million. As authorized by Section 49-34A-17, the Company will use the rate design currently in effect to recover the interim revenue requirement. Under this method, a uniform percentage increase of 19.23 percent will be applied to base rates, and will not apply to fuel costs or certain identified cost recovery rider rates.

**BACKGROUND**

On June 23, 2014, Xcel Energy filed a Petition for approval to increase rates. The effect of the Company's proposed change in rates, if approved, would be an annual

incremental increase in total electric revenues of approximately \$15.6 million, or approximately 8.0 percent. This recognizes the Company's request to move recovery of the costs of certain capital projects, currently being paid by customers through the Infrastructure Rider and the Transmission Cost Recovery (TCR) Rider, from riders to base rates. The result of this transfer is that the revenue provided by those riders will cease and will be replaced by an equal increase in base rates of approximately \$9.0 million, for a total increase in electric base rates of \$24.64 million. Our annual rider update filings made on October 1, 2014 for the Infrastructure Rider (Docket No. EL12-046) and on August 29, 2014 for the Transmission Cost Recovery Rider (Docket No. EL14-080) have requested the 2015 rate for each rider be adjusted as of January 1, 2015 to incorporate this cost recovery transfer from riders to base rates.

The Commission issued its July 8, 2014 ORDER ASSESSING FILING FEE but did not need to order rate suspension pursuant to S.D. Codified Laws § 49-34A-14, since the Company was not seeking new rates to be effective until January 1, 2015, beyond the 180 day period that could have been ordered.

S.D. Codified Laws § 49-34A-17 provides that a public utility may implement its proposed rate or practice if: 1) the proposed rate or practice has not been suspended or is no longer subject to suspension; 2) the Commission has not issued a final decision; and 3) 30 days has passed from the date of filing. In this case, the Company's proposed rate was requested to be effective January 1, 2015 and has not been suspended, and no final decision by the Commission on Xcel Energy's proposed rate increase is anticipated to be entered prior to December 31, 2014. Additionally, more than 30 days have passed from the date of the Company's filing. Accordingly, Xcel Energy intends to implement its Interim Rate Increase effective January 1, 2015.

## **DESCRIPTION AND NEED FOR INTERIM RATES**

### **A. Rate Design**

Xcel Energy will apply the Interim Rate Increase to the base rate components of customers bills beginning with service provided as of January 1, 2015. Interim rates are necessary because the Company is currently experiencing the increased cost of service reflected in the Company's June 23, 2014 filing in this Docket. Without interim rate relief, Xcel Energy would be unable to recover the increased cost of providing service to its customers.

S.D. Codified Laws § 49-34A-17 states that if a utility implements the proposed rate or a rate lower than the proposed rate, the utility shall use the same rate design currently in effect or the rate design the utility proposed when the petition for

increased rates was filed. The Company has selected the option of implementing the Interim Rate Increase using the same rate design currently in effect rather than its proposed rate design. Implementing the Interim Rate Increase using a uniform percentage increase to current base rates will ensure that the interim rate design is based on a rate design that has received the express approval of the Commission. This method is consistent with our implementation of interim rates in prior rate proceedings in Docket Nos. EL11-019 and EL12-046.

The Interim Rate Increase sets forth an annual increase in base rate electric revenues of approximately \$24.6 million, which includes the transfer of \$9.0 million from certain cost recovery riders to base rates. The Interim Rate Increase was determined using our original 2013 Pro Forma Test Year revenue requirement as provided in our June 23, 2014 filing, without adjustment. In this case, we do not believe there are circumstances that would warrant any material adjustments at this time. Accordingly, we will be implementing interim rates at the filed rate increase level.

#### **B. Comparison of Interim Rate Increase to Proposed Rates**

Overall, our proposed final rates address an incremental revenue deficiency of \$15.6 million, or about 8.0 percent. Using the existing rate design, we will implement our proposed rate increase request as Interim Rates as allowed by law. No adjustments were made from the filed amounts. To collect this deficiency, an interim rate surcharge of 19.23 percent of base rates is required. This interim rate adjustment will be uniformly billed as a 19.23 percent increase on the base rate portion of customers' bills (exclusive of fuel costs and certain cost recovery rate riders).<sup>1</sup> The difference in percent results from applying the increase to only base rates. We provide a comparison of the rate base and income statement changes included in interim rates as compared with our June 23, 2014 Filing in this Docket as Attachments 1 and 2. A Class Cost of Service Interim Model is included as Attachment 3. Attachment 4 includes the interim rate revenue impacts by rate schedule.

The difference between the overall interim deficiency of 8.0 percent and the interim rate surcharge of 19.23 percent is primarily due to not applying the interim increase to fuel costs which have been unbundled from base rates and are shown separately as a line item on customers' bills. Additionally, there is the \$9.0 transfer from rider recovery to base rates not currently reflected in present rates and the interim increase is also not applied to all rate riders. Because the Interim Rate Increase will not apply to fuel costs or certain rate riders, a higher interim rate percent increase is required to

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<sup>1</sup> The Fuel Clause Rider, Transmission Cost Recovery Rider, Environmental Cost Recovery Rider and other rate components are excluded from the Interim Rate Adjustment as shown in Attachment 5.

collect the interim revenue deficiency. Please see page 1 of Attachment 4 to see how the percentages were calculated.

Consistent with our application of interim rates in the prior rate case, the Interim Rate Surcharge is applied to only the base portions of customer bills. Attachment 5 lists those charges to which the interim rate increase applies and lists those rate riders to which the interim rate increase does not apply. Attachment 6 shows the tariff pages to which the interim rate surcharge will apply in both legislative and final form.

## **REFUNDS**

The Interim Rate Increase will be subject to refund, pending final Commission determination on the general electric rate increase. South Dakota Codified Laws Section 49-34A-17 provides, in part, as follows:

In the case of a proposed increased rate, the commission may, by order, require the public utility to keep an accurate account in detail of all amounts received by reason of increase, specifying by whom and in whose behalf the amounts are paid. Upon completion of the hearings and decision, the commission may by further order require the public utility to refund, with interest, to customers, the portion of the increased rates found to be unjust, unreasonable, or discriminatory. The refund shall be carried out as provided in South Dakota Codified Laws Sections 49-34A-22 and 49-34A-23.

Xcel Energy will track the individual customer billing impacts during this interim rate period in the event that the Commission approves an increase less than Xcel Energy's originally proposed increase. Further, the Company commits to refunding to customers, with interest, interim rate amounts collected greater than the level approved by the Commission in its final order in this case.

## **CUSTOMER NOTICE**

In addition to the notice the Company provided our customers regarding our June 23, 2014 Application for a rate increase, we will provide notice to our customers of our Interim Rate Increase as follows:

- a. Notice will be given to the public by posting a copy of this *Notice Of Intent To Implement Interim Rates* in a prominent location at its local customer service center in Sioux Falls for at least thirty (30) days prior to the rates taking effect;

- b. Notice will be given to the public no later than December 2, 2014 by publishing a copy of this *Notice Of Intent To Implement Interim Rates* on Xcel Energy's website [www.xcelenergy.com](http://www.xcelenergy.com); and
- c. Notice will be given to the public no later than December 2, 2014 by a press release of Xcel Energy announcing this filing.

### CONCLUSION

For the foregoing reasons, Xcel Energy respectfully informs the Commission its intent to implement an Interim Rate Increase of \$24.6 million, including \$9.0 million of costs moving from riders to base rates, resulting in an incremental increase of \$15.6 million or approximately 8.0 percent for service on and after January 1, 2015, using our current rate design, pursuant to S.D. Codified Laws § 49-34A-17, and until final rates are implemented following the Commission's final determination in this proceeding.

Xcel Energy agrees that placing interim rates into effect will not affect the Commission's authority to order a refund of the Interim Rate Increase pursuant to S.D. Codified Laws §§ 49-34A-17, 49-34A-22, and 49-34A-23, in the event the Commission order establishing final rates determines that a lower rate increase is appropriate.

Dated: November 12, 2014

Northern States Power Company,

RESPECTFULLY SUBMITTED,



LAURA MCCARTEN  
REGIONAL VICE PRESIDENT  
NORTHERN STATES POWER COMPANY