



500 West Russell Street
Sioux Falls, South Dakota 57101-0988

June 23, 2014

—VIA ELECTRONIC FILING AND FED-EX—

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

RE: APPLICATION OF NORTHERN STATES POWER COMPANY FOR AUTHORITY TO
INCREASE RATES FOR ELECTRIC SERVICE IN SOUTH DAKOTA
DOCKET NO. EL14-___

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Application to the South Dakota Public Utilities Commission for authority to increase rates for electric service in South Dakota.

The rate and tariff changes proposed in the Notice of Change In Rates and Application would result in an annual incremental increase in revenues from our customers of \$15.600 million, or about 8.0 percent. In addition, the Company currently recovers the costs of certain capital projects through the Infrastructure Rider and the Transmission Cost Recovery (TCR) Rider, which will be recovered through an increase in base rates. The result is that the revenue provided by those riders will cease and will be replaced by an equal increase in base rates of \$9.040 million, for a total increase in electric base rates (i.e. non-fuel) of \$24.64 million, or about 13.2 percent effective for electric service on and after January 1, 2015. The revenue deficiency includes \$2.595 million in known and measureable capital project changes occurring in 2015 that, if the Commission prefers, could be recovered through a new Infrastructure Rider rather than base rates.

Consistent with our Commission approved Settlement Stipulation in the last rate case (Docket No. EL12-046), we propose that the base rate and tariff changes become effective on and after January 1, 2015 and we agree to not implement any

change in base rates and tariffs prior to the start of 2015. Consistent with the Settlement Stipulation, the prohibition on base rate increases prior to January 1, 2015 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.”

The test year for the proposed increase is based on 2013 actual data, with known and measurable changes for 2014 and 2015, and other appropriate adjustments.

The Application, which consists of the following four volumes, has been e-filed and, in addition, fifteen (15) copies of the following have also been filed with the Commission:

Volume 1 - Rate Application

Transmittal Letter
Notice of Change in Rates
Attestation by Chief Accounting Officer
Public Rate Increase Notice
Required Statements A through R

Volume 2 - Testimony and Supporting Schedules and Tariffs

Policy – Laura McCarten
Revenue Requirements – Charles R. Burdick
Rate of Return / Return on Equity – Ann E. Bulkley
Class Cost of Service Study / Rate Design – James P. Gilroy

Volume 3 - Workpapers

Volume 4 - Lead Lag Study, Cost Assignment & Allocation Manual, and
Interchange Agreement

The Company certifies we will notify customers of the proposed increase in compliance with ARSD §§ 20:10:13:17 through 19. The Public Rate Increase Notice, attached to this Transmittal Letter, will be posted in a conspicuous place at the Xcel Energy local customer service center in Sioux Falls for at least thirty (30) days prior to the January 1, 2015 date the change in rates is to become effective. We will also issue a press release and post the Application, Testimony, and Supporting Documentation on our website as well as include the Public Rate Increase Notice in

the form of an insert to our South Dakota customers advising them of our Application with August bills.

In accordance with ARSD §§ 20:10:01:39 through 42, Xcel Energy respectfully requests confidential treatment of certain information contained in this filing. In compliance with ARSD § 20:10:01:41, we have clearly marked each page containing confidential information as “CONFIDENTIAL” and submitted it in a separate sealed envelope along with this filing.

Pursuant to ARSD § 20:10:01:41, we provide the following information in support of our request:

- (1) We request confidential treatment of these listed documents in their entirety;

Volume 1- Rate Application

- Exhibit ____ (NSP-1), Schedule K-1
- Exhibit ____ (NSP-1), Schedule K-3

and for certain identified portions of these listed documents:

Volume 2 – Testimony

- Charles R. Burdick Direct Testimony
 - Table 6: King Waterwall Project
 - Table 7: Nuclear Cyber Security Project
 - Table 8: Prairie Island Baffle Former Bolt Inspection
 - Table 9: Prairie Island Safety Margin Improvements
 - Table 10: Prairie Island Administrative Building
 - Table 12: Prairie Island Unit 1 GSU Replacement Project
 - Table 13: Prairie Island LCM Project
 - Table 14: RCP Seal Redesign
 - Table 15: Prairie Island Spent Fuel Pool Heat Exchanger Cost
 - Table 16: Prairie Island License Renewal
 - Table 17: Sherco Unit 2 Mercury Control
 - Table 18: Borders Wind Project
 - Table 19: Pleasant Valley Wind Project
 - Table 20: Prairie Island Dry Cask Cost and Delivery Date
 - Table 21: Prairie Island ISFSI Relicensing Cost
 - Table 22: Prairie Island Unit 2 Generator Replacement
 - Table 23: Prairie Island Unit 2 Step-up Generator Transformer

Table 24: Sherco Unit 1 Boiler Couton Bottom Replacement
Table 25: Sherco Unit 1 Mercury Control

Volume 3- Workpapers

Section III Rate Base (Plant), Tab P8-Tax Credits

Schedule K-1 is required to be included as part of the Application pursuant to ARSD § 20:10:13:89. Schedule K-1 contains working papers for the Company's federal income taxes, and contains a complete reconciliation of the book net income with taxable net income as reported to the federal Internal Revenue Service for the most recent tax year and the three previous years. Schedule K-3 is required to be included as part of the Application pursuant to ARSD § 20:10:13:91. The Company joins in the filing of a consolidated federal income tax return. Schedule K-3 contains working papers showing the net taxable income or loss for each company included in the consolidated tax return, along with consolidating adjustments. The Company treats this information as highly confidential information, and as financial information, not released to the public.

The confidential information provided by Mr. Burdick is needed to demonstrate that the requested known and measureable adjustments are based on known facts and that the costs are measureable.

Workpaper P8 provides confidential initial estimates of the final tax filing for 2013 not yet submitted until September 2014.

- (2) We request these documents be treated as confidential forever.
- (3) If you have questions regarding this request please contact:
Kari Valley
Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall
Minneapolis, MN 55401
(612) 215-4526

- (4) We request confidential treatment on the grounds that the material is proprietary and trade secret information, the disclosure of which would result in material damage to the Company's financial or competitive position. The claim for confidential treatment is based on ARSD § 20:10:01:39 (4) and SDCL § 1-27-30. The information contained within the referenced documents meets the definition of "trade secret" under SDCL § 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that "Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." The information also meets the definition of "proprietary information" under SDCL § 1-27-28, which is defined as "information on pricing, costs, revenue, taxes, market share, customers, and personnel held by private entities and used for that private entity's business purposes."
- (5) The noted documents qualify for confidential treatment because they contain proprietary business information which the Company does not disclose to the public.

Schedule K-1 provides a complete reconciliation of the Company's book net income with taxable net income. This information would provide actual and potential competitors with detailed information concerning the tax treatment of various income statement items that could provide competitors with an unfair competitive advantage.

Schedule K-3 provides the net taxable income or loss for each company in the consolidation, some of whom are unregulated. This information would provide actual and potential competitors with information concerning the profitability of its various unregulated affiliates that could provide competitors with an unfair competitive advantage.

The confidential information provided in Mr. Burdick's testimony is provided from confidential bids, contracts or negotiations with vendors; the disclosure of which may violate the contractual rights of third parties and would be harmful to the Company's ability to obtain service at the lowest available cost.


Section III Rate Base (Plant), Tab P8-Tax Credits includes non-public tax calculation details that the Company maintains as confidential. The referenced calculations are estimates of the final tax filing for 2013 to be submitted in September, 2014. The disclosure of these initial estimates could be used by taxing authorities to take an adverse position regarding the Company's final tax submission, to the detriment of our customers. To ensure we can obtain as favorable tax treatment for our customers as possible, such as with production tax credits that are a direct pass-through to our customers, this information should be maintained as non-public.

We request that communications regarding this Application be directed to:

Kari Valley
Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall
Minneapolis, MN 55401
612-215-4526

SaGonna Thompson
Records Analyst
Xcel Energy Services Inc.
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Minneapolis, MN 55401
612-330-5532

Sincerely,



JAMES C. WILCOX
PRINCIPAL MANAGER

Enclosures