STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF 2017 TRANSMISSION COST RECOVERY ELIGIBILITY AND THE RATE RIDER ADJUSTMENT FACTOR	DOCKET NO. EL16-___ **PETITION FOR TRANSMISSION COST RECOVERY**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy submits to the South Dakota Public Utilities Commission this Petition for approval of our Transmission Cost Recovery (TCR) Rider Tracker Account report for 2016, the 2017 TCR Rider revenue requirements, and the proposed TCR Adjustment Factor.

S. D. Codified Laws Chapter 49-34A Sections 25.1 through 25.4 authorizes the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for a public utility to recover the South Dakota jurisdictional portion of eligible investments and expenses related to new or modified transmission facilities, including associated facilities such as substations and transformers.

Pursuant to this statute, we specifically request Commission approval of:

- 2017 TCR revenue requirements of $8.01 million;
- a TCR Adjustment Factor of $0.003797 to be implemented on January 1, 2017;
- the 2016 TCR Tracker Report for approved transmission project investments;
- proposed revisions to the TCR Rider tariff sheet; and
- the proposed customer notice.

The average bill impact for a residential customer using 750 kWh per month would be $2.85 per month. This is an increase of $0.83 per month from the current TCR Adjustment Factor. While we do not propose to include any new projects for TCR Rider recovery in 2017, the rate increased because several large projects are moving into the construction phase (Big Stone – Brookings, Maple River – Red River, and Minot Load Serving), RECB expense has increased over last year, and there is a larger carryover balance due to lower than forecast sales in 2016.

In addition, we propose to include the property tax amount associated with these transmission projects in our monthly Fuel Clause Adjustment (FCA) beginning January 1, 2017 as allowed by the Settlement Stipulation approved in our last rate case

(Docket No. EL14-048). As discussed further below, we believe this change will streamline accounting, ensure there is no chance of double-recovery, and will facilitate Staff's review of all incremental property tax calculations together at one time.

Based on the information provided in this Petition and the merits of the projects for which the Company requests recovery under the TCR Statute, Xcel Energy respectfully requests Commission approval of these projects for TCR recovery and the revenue requirements associated with these projects.

REQUIRED INFORMATION

Following is information specified in S.D. Codified Laws Chapter 49-34A Sections 25.1 through 25.4 and S. D. Admin. R. 20:10:13:26 regarding the proposed TCR Adjustment Factor and tariff.

(1) Name and Address of the Public Utility

Northern States Power Company
500 West Russell Street
Sioux Falls, SD 57104
(605) 339-8303

(2) Section and Sheet Number of Tariff Schedule

We propose to revise tariff sheet number 71 in Section 5 of the Northern States Power Company South Dakota Electric Rate Book. Attachment 14 depicts the proposed tariff sheet that would implement the revised TCR Adjustment Factor.

(3) Description of the Tariff Change

This request revises the TCR Adjustment Factor shown as a separate line item on customer bills. The current TCR Adjustment Factor of $0.002688 became effective on January 1, 2016. We propose the new 2017 TCR Adjustment Factor of $0.003797 be effective on January 1, 2017.

(4) Reason for the Requested Change

The Company was initially authorized to establish the TCR Rider by the Commission's January 13, 2009 Order in Docket No. EL07-007. The Company continues to make significant investments in new transmission facilities in order to maintain system reliability, meet customer demand, and to transmit wind energy from South Dakota, North Dakota, and western Minnesota. The TCR Adjustment Factor has been updated periodically since the mechanism was approved in 2009 to reflect new facilities. To ensure that customers are not under or overcharged, we record the actual revenues and costs in our tracker account and return or collect any differences during the next recovery period based on the estimated end of year balance in the tracker account.

This petition includes costs for 2017 and the true-up amount from previous years. None of these costs are included in base rates.

(5) Present Rate

The current rate for all customer classes is $0.002688 per kWh, implemented on January 1, 2016 and approved in the Commission's November 16, 2015 Order in Docket No. EL15-030.

(6) Proposed Rate

A. Proposed Tariff

i. Authority

The following statutes establish Commission authority for considering and approving the revised TCR Adjustment Factor proposed in this Petition. The Company proposes a 2017 TCR Adjustment Factor for all customer classes of $0.003797 per kWh. The TCR Adjustment Factor was calculated by dividing the forecasted balance of the TCR Tracker Account by the forecasted retail sales for the calendar year; it is rounded to the nearest $0.000001 per kWh.

> *S. D. Codified Laws 49-34A-25.1 - Notwithstanding any other provision of this chapter, the commission may approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional costs of new transmission facilities with a design capacity of thirty-four and one-half kilovolts or more and which are more than five miles in length. For the purposes of §§49-34A-25.1 to 49-34A-25.4, inclusive, electric transmission facilities and electric transmission lines covered by this section include associated facilities such as substations and transformers.*
>
> *S. D. Codified Laws 49-34A-25.2 - Upon filing of an application consistent with rules promulgated by the commission by any public utility providing transmission service, the commission may approve, reject, or modify, after notice, hearing, and comment, a tariff that:*

(1) Allows the public utility to recover on a timely basis the costs net of revenues of facilities described in § 49-34A-25.1.

The Company proposes to recover through the TCR Rider the jurisdictional annual revenue requirements associated with transmission projects that are determined by the Commission to be eligible for recovery under S. D. Codified Laws 49-34A-25.1.

We have calculated our revenue requirement consistent with the methodology approved by the Commission in our past four TCR Rider filings.[1] The 2017 overall rate of return is based on the Company's forecasted capital structure—including short-term debt, actual long-term debt costs as of December 31, 2016 and 12-month average short-term debt costs as of December 31, 2016—and the return on equity (ROE) approved by the Commission in the most recent rate case.[2] The 2017 overall rate of return is preliminary and will be finalized as part of the Company's 10-K filed at the end of February 2017.

ii. Implementation

Attachment 14 provides the proposed revised tariff sheet to implement the proposed TCR Adjustment Factor based on forecasted costs for the 2017 calendar year. As required by the Commission, for each 12-month period ending December 31, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between the TCR Rider recoveries from customers and the actual revenue requirements for the period.

B. Eligible Transmission Projects

i. Summary

The following projects were previously approved (and reaffirmed for inclusion most recently in Docket No. EL15-030) and we continue to seek recovery of these projects in 2017. We do not seek recovery of any new projects in 2017.

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[1] Docket Nos. EL12-035, EL13-006, EL14-016, EL14-080 and EL15-030

[2] Docket No. EL14-058

Docket in Which Projects were Approved

EL12-035	EL13-006	EL15-030
• CapX2020 Brookings – Twins Cities • CapX2020 Fargo – Twin Cities • CapX2020 La Crosse-Local • CapX2020 La Crosse-MISO • CapX2020 La Crosse-WI • Glencoe – Waconia • Sioux Falls Northern	• Bluff Creek – Westgate • Chaska – Hwy 212 Conversion • Minn Valley • Maple River – Red River • Big Stone – Brookings • Lake Marion - Burnsville • Maple Lake – Annandale • Wilmarth – Carver County	• Minot Load Serving Transmission Line

A complete list of projects as well as cost and in-service date updates is provided in Attachment 1. Each project's regulatory approvals and timeline are provided in Attachment 2.

In addition to these projects, we are also seeking recovery of net Schedule 26 and 26A revenues and expenses (also known as RECB costs) as provided for under the Midcontinent Independent System Operator, Inc. (MISO) Tariff and discussed later in this Petition.

ii. Supporting Information

The TCR Statute requires certain information be provided in support of this request. This required information is provided throughout this petition and in the attached exhibits.

S. D. Codified Laws 49-34A-25.3 states: *A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to § 49-34A-25.2. In the utility's filing, the public utility shall provide:*

(1) A description of and context for the facilities included for recovery.

Attachment 1 contains the list of projects we believe are eligible for recovery under the TCR Rider and for which we are requesting recovery.

(2) A schedule for implementation of applicable projects.

Attachment 2 contains an implementation schedule for each of the transmission projects identified in Attachment 1. We note that we have updated the projected in-service dates for several of the projects compared to our projections in our last TCR filing. We explain the reasons for these in-service date changes in Attachment 1.

(3) The public utility's costs for these projects.

Attachment 3 reports the capital expenditure forecast for each project included in the TCR Rider. Actual capital expenditures are reported through June 2016 and forecast capital expenditures are reported through 2019. Attachment 12 shows the development of 2017 revenue requirements for each project for the South Dakota jurisdiction, based on the capital expenditures shown in Attachment 3.

Xcel Energy operates the transmission assets of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW) as one transmission system. Pursuant to the terms of the Federal Energy Regulatory Commission (FERC) regulated *Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin)* (Interchange Agreement), all transmission costs are shared between NSPM and NSPW based on load ratio share using a FERC-approved 36-month coincident peak demand allocator. The NSPM portion is then further allocated to its respective state jurisdictions (North Dakota, South Dakota, and Minnesota) based on a similar 12 month coincident peak (CP) methodology. A composite allocator is derived for purposes of assigning the transmission revenue requirements to South Dakota, as shown on Attachment 11.

(4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project.

The Company has made extensive efforts to ensure the lowest reasonable cost to ratepayers for the proposed TCR-eligible projects. First, Xcel Energy transmission planners analyze up to a dozen project alternatives for a given project. Each alternative is then evaluated based on performance, cost, efficiency as measured by energy losses, and the enhancement of reliability to local consumers. Such analysis was performed for the projects included in this petition for cost recovery. Second, where possible, Xcel Energy has competitively bid engineering, equipment procurement and construction for the projects included in this petition. Third, Xcel Energy has developed a standard design for collector stations, thereby minimizing design and engineering costs.

(5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in § 49-34A-25.2.

Attachment 9 contains the calculation of the proposed 2017 TCR Adjustment Factor consistent with the terms of the TCR tariff proposed in Attachment 14. Attachment 13 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

iii. MISO Regional Expansion Criteria and Benefits (RECB) charges (MISO Schedule 26 and 26A)

This Petition includes costs associated with RECB designated transmission projects. Xcel Energy incurs charges from MISO to pay for a portion of transmission investments of other electric utilities pursuant to Attachment FF of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff. Attachment FF specifies the cost allocation procedures for new transmission projects within the MISO footprint. Projects subject to RECB cost allocation are identified and selected through the MISO Transmission Expansion Plan (MTEP). Allocation and cost recovery methods for RECB projects are specified in detail in Attachment FF, Attachment GG, MM, Schedule 26 and Schedule 26A of the MISO Tariff. MISO's annual MTEP review process identifies those transmission projects that will be included in Appendix A to the MTEP and the appropriate cost-sharing mechanism is identified for each project.

The cost allocation methodology applied to RECB projects in this Petition conforms to the hybrid methodology approved by the Commission in the Settlement Stipulation in our TCR Rider Petition in Docket No. EL12-035 and reaffirmed in subsequent TCR dockets. The regional transmission projects Xcel Energy proposes for hybrid allocation are discussed below.

The annual RECB expense (Attachment 11) has increased for 2017 over 2016 because of changes in the load sharing-based allocation of costs. The share of NSP System load for Schedule 26 increased, which increases the allocated share of expenses to each NSPM jurisdiction. The increase in Schedule 26A expenses is due to an increase in the Company's share of the MISO footprint due to other Transmission Operators reducing their load on the MISO system.

iv. Regional Transmission Projects Subject to Hybrid Method of Cost Allocation

In accordance with the Commission's Order in our last several TCR filings, the Company has used a hybrid, or split cost allocation method for regional transmission investments (those that qualify for regional cost allocation through MISO's tariff). The projects included in this Petition that are subject to hybrid allocation are the CapX2020 Fargo, Brookings, and La Crosse projects, as well as the Big Stone – Brookings project. The percentage breakdown of the allocation split between state and FERC jurisdictions remains the same as reflected in past TCR filings. This hybrid methodology best facilitates cost allocation of investments to the jurisdiction creating the need for the investment.

In addition to these larger transmission projects that are subject to regional cost allocation, MISO has designated two lower voltage transmission projects that are also eligible for regional cost sharing and currently included in our revenue requirements recovered through the TCR. However, because the voltage level of these projects are below 300 kV, the cost sharing results of the MISO tariff make these projects more local than regional in their cost sharing results. These projects are the Glencoe – Waconia and Minn Valley transmission projects. The percentage breakdown of the allocation split for these projects also remains the same as reflected in past TCR filings.

Under the hybrid method, the regionally shared project costs will be allocated on a percent-of responsibility basis. In addition, the regional transmission investments for which the Company is allocated MISO Schedule 26 and 26A charges will be allocated to the state jurisdiction. They will be included in retail rate base for TCR recovery until they are rolled into base rates in a future rate case.

v. Impact on TCR Rider of Pending FERC Complaints

In November 2013, a group of industrial customers in the MISO region filed a complaint asking FERC to reduce the 12.38 percent return on equity (ROE) used in the transmission formula rates of jurisdictional MISO transmission owners, including the NSP Companies, to 9.15 percent. The complaint also asked FERC to limit the equity capital ratio used in the MISO formula to 50 percent, unless an individual transmission owner can justify a higher equity ratio. Since the time of the complaint, the FERC has established a November 12, 2013 refund effective date, though final resolution is still pending. In December 2015, an ALJ initial decision recommended the FERC approve an ROE of 10.32 percent. A FERC Order is expected to be issued in late 2016 or in 2017.

In February 2015, an intervenor in the original ROE complaint filed a second complaint proposing to reduce the MISO region ROE to 8.67 percent, prior to any 50 basis point RTO adder. In June 2016, the ALJ issued an initial decision recommending an ROE of 9.7 percent, the midpoint of the upper half of the discounted cash flow (DCF) range, with refunds for the 15 month period beginning February 12, 2015. A FERC decision is expected in 2017. The FERC decision would continue the ROE refund obligation initiated under the November 2013 complaint through May 2016. The MISO TOs have subsequently sought rehearing of the FERC decision to allow back-to-back complaints involving the same issue with consecutive refund periods, arguing this ruling is contrary to the governing statute. FERC action on the rehearing request is pending.

In addition, FERC approved a 50 basis point ROE adder for RTO membership, effective January 6, 2015, subject to the outcome of the ROE complaint. Under FERC policy, the total ROE including the RTO membership adder cannot exceed the top of the DCF range.

The transmission revenue credits, net of expenses, included in the TCR Adjustment Factors in this Petition reflect the collection of wholesale transmission revenues at the currently effective MISO regional ROE (12.38 percent) and NSP Companies' consolidated capital structure. If the FERC were to grant one or both of the complaints and reduce the MISO regional ROE to the level proposed by the complainants (9.15 percent or 8.67 percent, respectively), the Company's wholesale transmission revenues and expenses would be reduced. A change from the NSP Companies' (and other MISO transmission owners) actual capital structure to an imputed 50 percent (or 47 percent) equity ratio would result in further wholesale revenue and expense changes. These wholesale revenue changes, net of expenses, would need to be reflected in the TCR Rider true-up for the Company to fully recover its costs.

The Company is not proposing an adjustment to the TCR Tracker balance at this time, as the outcome of the FERC complaint proceeding is uncertain. However, the proceedings at FERC could necessitate an adjustment to the 2014, 2015, and 2016 TCR Tracker balances, which would then impact each year's carry-over amounts and the resulting 2017 TCR revenue requirements. Given the timing of the complaint proceedings, adjustments to the TCR tracker may not be presented to the PUC until our next TCR filing made in September 2017.

C. Tracker Account and Accounting

The Company uses a Tracker Account as the accounting mechanism for eligible TCR 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 applied the composite demand allocator described previously, which serves to:

- Allocate a share of the total costs to NSPW.
- Exclude the portion of Company costs not related to serving South Dakota retail customers. This step allocates a share of costs to the North Dakota and Minnesota retail jurisdictions.

The result of this allocation process is that South Dakota electric customers are allocated approximately 5.4 percent of total transmission costs in 2016 and 2017. By performing this cost allocation process, we ensure that electric customers in other jurisdictions are allocated a share of TCR revenue requirements, consistent with the Company's allocation of similar costs in a general rate case.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the TCR Adjustment Factor and compares that amount with the monthly revenue requirements. The difference 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). 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 rate adjustment factor for the next year's forecasted revenue requirement.

D. Project Cost Recovery

i. Summary

The Cost Recovery and TCR Rate section provides support for the proposed 2017 TCR rates. This information is summarized as follows:

- The projected TCR Tracker Account activity for 2017, including both revenue requirements and projected revenues, is included in Attachment 7.
- The projected 2017 revenue requirements proposed to be recovered under the TCR Adjustment Factor from South Dakota electric customers are approximately $8.01 million. Support for this amount is included in Attachment 7. These calculations are discussed in detail below.
- Projected revenues are calculated by month as shown in Attachment 7 and are based on forecast 2017 State of South Dakota budget sales by calendar month.
- The development of the TCR Adjustment Factor is included in Attachment 9. The proposed TCR Adjustment Factor is shown below.

Included in the $8.01 million in revenue requirements is the 2016 TCR Tracker Report true-up under-collection balance of $851,543.

ii. *Proposed 2016 TCR Adjustment Factor*

The Company's TCR rate design is the annual calculated revenue requirements (including the current year South Dakota jurisdictional project costs and the carryover balance from the previous year) divided by the total annual forecast energy sales to South Dakota retail customers from January through December 2017. This calculation is shown on Attachment 9, and the detailed annual forecast of energy sales is shown on Attachment 10.

Based on this rate design, we propose the following TCR Adjustment Factor:

Table 1: 2017 Rate Factor Calculation

	Retail
TCR Adjustment Factor Cost Per kWh	**$0.003797**
SD retail Sales *2017*	**2,109,463**
2017 Revenue Requirement	*$7,157,430*
2016 Carry-Forward Balance	*$851.543*
2017 Net SD retail Cost	**$8,008,973**

The average bill impact for a residential customer using 750 kWh per month would be $2.85 per month. This is an increase of $0.83 per month from the current TCR Adjustment Factor.

iii. *2017 TCR Rider Revenue Requirements*

Attachment 7 sets forth the 2017 revenue requirements in support of the proposed TCR Adjustment Factor. S. D. Codified Laws 49-34A-25.2 outlines the requirements for the calculation of the adjustment. The following explains how the Company applies these provisions.

> *S. D. Codified Laws 49-34A-25.2* (2) *Allows a return on investment at the level approved in the public utility's last general rate case, unless a different return is found to be consistent with the public interest.*

Please see Section 6 (A)(i) above for the discussion of the overall cost of capital to be used in the TCR Rider revenue requirement calculations.

> *S. D. Codified Laws 49-34A-25.2* (3) *Provides for a current return on construction work in progress, if the recovery from retail customers for the allowance for funds used during construction is not sought through any other mechanism.*

The Company's 2017 TCR revenue requirement model includes a current return on capital expenditures beginning with the cumulative Construction Work in Progress (CWIP) balance for each project at eligibility date, or the date construction expenditures begin after that date, whichever is sooner. The beginning CWIP balance includes Allowance for Funds Used During Construction (AFUDC) incurred prior to the project eligibility date. After that date, the South Dakota jurisdictional portion of costs does not include AFUDC and a current return is calculated on the CWIP balance.

> *S. D. Codified Laws 49-34A-25.2(4) Allocates project costs appropriately between wholesale and retail customers;*

Project costs are allocated to the State of South Dakota retail jurisdiction based on the demand allocator, excluding demands for NSPW as well as the Company's North Dakota and Minnesota demands. In addition, to ensure no double recovery occurs from Open Access Transmission Tariff (OATT) revenue collected from non-NSP native load customers, the Company will apply an OATT revenue credit calculated based on a forecast of OATT revenue collections divided by the transmission revenue requirements included in the OATT rate calculation for the Company's pricing zone under the MISO Transmission and Energy Markets Tariff (MISO TEMT).

For purposes of calculating projected revenue requirements, the Company proposes to use 2017 forecast demand allocators. Any resulting over- or under-recovery from customers as a result of the use of the 2017 demand factors will be reflected in the true up of 2017 revenues when determining the 2018 TCR Adjustment Factor. These demand allocators are shown in Attachment 11.

In addition, consistent with the Commission's past TCR docket Orders, we include the following related costs: Accumulated Deferred Income Taxes, current and deferred taxes and book depreciation. Attachment 12 shows the revenue requirement calculations for the proposed TCR projects.

Beginning January 1, 2017, we have removed property taxes from the TCR tracker. Instead, we propose to include the property tax amount in our monthly Fuel Clause Adjustment (FCA). As part of the Settlement Stipulation approved in our last rate case (Docket No. EL14-048), parties agreed that the Company would collect through the monthly FCA the incremental property tax amount above the level included in base rates that are not already collected though other riders. In order to streamline accounting, we propose to move the property tax amounts that had been included in the TCR tracker into the FCA. This will ensure there is no chance of double-recovery and will facilitate Staff's review of all incremental property tax calculations together at one time. We will true-up the incremental property tax calculation to account for this change in our March 2017 monthly FCA filing, filed by April 1, 2017. Attachment 12 of this TCR Petition shows that the property tax amount included for 2017 and later years has been reduced to $0 in the TCR tracker.

(7) Proposed Effective Date of Modified Rate

Consistent with the 30-day notice requirement under S.D. Codified Laws 49-34A-17, we propose to implement rates January 1, 2017. If the Commission acts to suspend the proposed rates and our Petition has not been approved in time to implement January 1, we propose to implement the rates the first billing cycle following Commission approval, or at that time the proposed rates are no longer subject to suspension.

(8) Approximation of Annual Increase in Revenue

Attachment 4 shows a summary of the TCR Tracker Account activity from 2015 through 2018. Attachments 5, 6, 7 and 8 provide detail for each year. When the Tracker Account balance from 2016 is combined with the revenue requirements from Attachment 7 for 2017, it results in a revenue requirement of $8.01 million for 2017. We have calculated this amount to be passed to customers from January through December 2017 through this tariff mechanism. Pending the timing of Commission approval, we will recalculate the TCR Adjustment Factor based on when we can implement the new rate. The proposed 2017 revenue requirements represent a $2.3 million increase compared to the $5.71 million of revenue requirements approved through the TCR Rider for 2016.

(9) Points Affected

The proposed TCR Adjustment Factor would be applicable to all areas served by Xcel Energy in South Dakota.

(10) Estimation of the Number of Customers whose Cost of Service will be Affected and Annual Amounts of either Increases or Decreases, or both, in Cost of Service to those Customers

This tariff rider is proposed to be applied to all customers throughout all customer classes as described within this petition. Xcel Energy presently serves approximately 91,300 customers in 36 communities in eastern South Dakota.

(11) Statement of Facts, Expert Opinions, Documents, and Exhibits to Support the Proposed Changes

Supporting information is provided in narrative throughout this Petition and in the attached Exhibits.

PLANNED CUSTOMER NOTICE

In accordance with ARSD 20:10:16:01(2), the Company plans to provide notice to customers comparing the prior rate and the new rate on a bill insert. Attachment 15 includes the language we propose be included with customers' bills the month the TCR Adjustment Factor is implemented, or as soon as is practicable after implementation of the TCR Adjustment Factor.

We will work with the Commission Staff to determine if there are any suggestions to modify this bill insert.

CONFIDENTIAL INFORMATION

Pursuant to South Dakota Admin. R. 20:10:01:41, we provide the following support for our request to classify certain documentation as confidential trade secret data.

We request confidential treatment of Attachments 11, 12 and 13 Pursuant to S.D. Codified Laws Chapter 20:10:01:41. The Company submits the following justification for confidential treatment of Attachments 11, 12 and 13.

(1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested.

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. Attachments 11, 12 and 13 contain financial information that is not available to the general public.

(2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment.

The Company requests that Attachments 11, 12 and 13 be recognized as trade secret data in perpetuity.

(3) The name, address, and phone number of a person to be contacted regarding the confidentiality request.

Eric Pauli
Community Relations Manager
500 W. Russell Street
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Sioux Falls, SD 57101
(605) 339-8303
eric.pauli@xcelenergy.com

(4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future.

The claim for confidential treatment is based on South Dakota Admin. R. 20:10:01:39 (4) and S.D. Codified Laws Chapter 1-27-30. The information contained within the referenced documents meets the definition of "trade secret" under S.D. Codified Laws Chapter 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 S.D. Codified Laws Chapter 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 factual basis that qualifies the information for confidentiality under the authority cited.

The Company's cost of capital is trade secret consistent with the Settlement Stipulation and Commission Order in Docket EL14-058.

APPEARANCE OF COUNSEL

The Company will be represented in this proceeding by the following counsel upon whom all pleadings, documents and other filings should be served:

Alison Archer
Assistant General Counsel
Xcel Energy
414 Nicollet Mall, 401 – 8th Floor
Minneapolis, MN 55401

We request that all communications regarding this proceeding, including data requests, also be directed to:

Carl Cronin
Regulatory Administrator
Xcel Energy Services Inc.
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the proposed transmission projects as eligible for recovery and approve the revised TCR Adjustment Factor for 2017 described in this filing. This revised TCR Adjustment Factor is designed to recover the costs associated with significant investments in needed transmission infrastructure. The Company appreciates the interest and efforts of South Dakota policymakers in supporting that effort.

Dated: September 1, 2016

Northern States Power Company