

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

IN THE MATTER OF THE APPLICATION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF 2017 INFRASTRUCTURE
RIDER PROJECT ELIGIBILITY AND THE
RATE RIDER ADJUSTMENT FACTOR

DOCKET NO. EL16-____

**INFRASTRUCTURE RIDER
ANNUAL
FILING AND UPDATE**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this annual filing to update the Infrastructure Cost Recovery Rider, Adjustment Factor, and Tracker. The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. The Infrastructure Rider was subsequently modified and approved in the electric rate case Settlement Stipulation (Settlement) in Docket No. EL14-058 by the Commission's June 16, 2015 Order. This filing is submitted consistent with that Order and Settlement.

Projects eligible for recovery through the Infrastructure Rider include those projects as specified in Exhibit C to the Settlement in Docket No. EL14-058 and capital investments consistent with the Phase-In Statute (SDCL § 49-34A-73) not yet included in base rates or otherwise recovered through other available mechanisms. With this cost recovery mechanism, the Company was able to make the commitment to not file another application to increase base rates for rates proposed to go into effect before January 1, 2018. As part of that commitment and because additional projects may be added to the Infrastructure Rider, the Company agreed the annual update process would change from a compliance filing to an annual filing, requiring specific Commission approval.

We specifically request Commission approval of:

- project eligibility for 2 projects included in the Settlement Agreement Exhibit C not already included in the rider;
- project eligibility of 5 additional projects consistent with SDCL § 49-34A-73;
- the Infrastructure Rider Tracker Report and true-up for the 2016 revenue requirements;
- 2017 Infrastructure Rider revenue requirements of \$11.2 million;

- an updated Infrastructure Rider Adjustment Factor of \$0.005332
- proposed revision to the Infrastructure Rider tariff sheet; and
- proposed customer notice.

In compliance with the Settlement and Commission Order in our last electric rate case,¹ we submitted a filing to update the Infrastructure Rider Adjustment Factor on October 1, 2015. The updated Adjustment Factor became effective January 1, 2016. We have included a tracker report showing actual revenue collections under this rate through August 31, 2016 and forecasted costs and collections for the remainder of 2016.

I. REQUIRED INFORMATION

Following is information specified in S.D. Admin. R. 20:10:13:26 regarding our proposed Infrastructure Rider 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) 339-8350

(2) Section and Sheet Number of Tariff Schedule

We propose to revise tariff sheet number 74 in Section 5 of the Northern States Power Company South Dakota Electric Rate Book. Attachment 11 depicts the proposed tariff sheet that would implement the revised Infrastructure Rider Adjustment Factor.

(3) Description of the Tariff Change

This request revises the Infrastructure Rider Adjustment Factor shown as a separate line item on customer bills. The current Infrastructure Adjustment Factor of \$0.004806 became effective on January 1, 2016. We propose the new 2017 Infrastructure Adjustment Factor of \$0.005332 be effective on January 1, 2017.

¹ Docket No. EL14-058

(4) Reason for the Requested Change

The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. In the subsequent electric rate case, this Rider was refreshed with new projects and additionally expanded as a mechanism to implement the Phase-In Statute for possible recovery of other capital investments consistent with SDCL §49-34A-73.1. As contemplated through the Settlement, we are requesting inclusion of those projects identified and listed in Settlement Exhibit C with in-service dates through 2017. We are also seeking to include 5 other capital projects; these projects are like-in-kind to the types of investments already included in the existing Infrastructure Rider and consistent with the Phase-In Statute project definitions.

The Infrastructure Rider Adjustment Factor has been updated periodically since the mechanism was approved in 2013 to reflect current costs or new facilities. To ensure that customers are not under or overcharged, we record the actual revenues and costs in our tracker account and credit 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 projected true-up amount from 2016. None of these costs are included in base rates or other cost recovery mechanisms for 2017.

(5) Present Rate

The current rate for all customer classes is \$0.004806 per kWh, implemented on January 1, 2016 and approved in the Commission's December 11, 2015 Order in Docket No. EL15-038.

(6) Proposed Rate

A. Proposed Tariff

i. Authority

The Commission's authority for considering and approving the revised Infrastructure Rider Adjustment Factor proposed in this Petition was established through approval of the Settlement Agreements in Docket Nos. EL12-046 and as refreshed in EL14-058 first under its general authority provided in SDCL 49-34A. Additionally, authority granted through SDCL 49-34A-73 through 49-34A-78 (Phase-In Statute) allows for cost recovery of material plant investments in generation, transmission and distribution assets. In part, the Phase-In Statute provides:

S.D. Codified laws 49-34A-73. Phase in rate plan for rate increases due to plant additions. Notwithstanding anything in this chapter to the contrary, an electric utility that is subject to rate regulation by the commission and plans plant additions that are expected to have a material impact on rates may make application to the commission for a phase in rate plan to provide for the phase in of expected rate increases resulting from plant additions. The plan may provide for any of the following:

- (1) Rate increases to be incrementally phased in prior to the commencement of commercial operation of the plant additions;*
- (2) To the extent rate increases for plant additions are allowed prior to commercial operation, restrictions on the capitalization of allowance for funds used during construction for the plant additions;*
- (3) Restrictions on other rate increases; and*
- (4) Any other conditions which benefit the public interest and may be imposed by the commission consistent with the findings in § 49-34A-74.*

S.D. Codified Laws 49-34A-73.1. Plant additions defined. For purposes of §§ 49-34A-73 to 49-34A-78, inclusive, plant additions are investments in fixed generation, transmission, and distribution assets, whether purchased or constructed, including operations and maintenance expenses directly related to those fixed assets, real property, and new power purchases.

The Company proposes to recover through the Infrastructure Rider the jurisdictional annual revenue requirements associated with capital projects that are determined by the Commission to be eligible for recovery under the approved Settlement.

We have calculated our revenue requirement consistent with the methodology accepted by the Commission in our past Infrastructure Rider filings.² The 2017 overall rate of return is based on the Company's last authorized capital structure and the return on equity (ROE) approved by the Commission in the most recent rate case.³

The Company proposes a 2017 Infrastructure Rider Adjustment Factor for all customer classes of \$0.005332 per kWh. The Infrastructure Rider Adjustment Factor was calculated by dividing the forecasted balance of the Infrastructure Rider Tracker Account by the forecasted retail sales for the calendar year; it is rounded to the nearest \$0.000001 per kWh.

² Docket No. EL12-046: April 23, 2013, October 1, 2013, October 1, 2014; Docket No EL14-058: June 18, 2015; Docket No. EL15-038: October 1, 2015.

³ Docket No. EL14-058.

ii. Implementation

Attachment 11 provides the proposed revised tariff sheet to implement the proposed Infrastructure Rider 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 Infrastructure Rider recoveries from customers and the actual revenue requirements for the period.

B. Proposed Infrastructure Projects

i. Summary

The following projects were approved for Infrastructure Rider recovery by the Commission in Docket No. EL14-058. To implement a provision of the Settlement in that docket, cost recovery for the Monticello LCM/EPU project did not roll into base rates, but rather remained in Infrastructure Rider. We continue to seek recovery of these projects in 2017:

- MNGP Extended Power Uprate (Monticello LCM/EPU)
- PI-9 TN-40 Casks (Prairie Island Casks #39-47)
- PI- Relicense ISFSI (Prairie Island ISFSI Relicensing)
- PI U2 Generator Replacement
- PI U2 GSU Transformer Replacement
- MNGP EDG Tornado Missile Protection
- MNGP Fukushima Modifications
- PI LR Ph II-U2 MRP-227A Implementation
- PI-NFPA 805 Fire Model
- PI U2 HDTP Speed Control Upgrade
- BRD0C Border Wind ND
- PVL0C Pleasant Valley Wind
- SHC1C U1 Couton Bottom Replacement
- BDS0C Install Package Boiler
- SHC3C Motor Control Sys PL
- Midtown 115kV line
- NSM0953 Galloping Mitigation
- GIST-III Computer Software
- Hiawatha Dam Interconnect Substation
- Scott County 345 kV Expansion, Substation
- BS-Fcst-BD-SW-CM-M

- PI-Repl Instrument Air Compressor

The following projects were approved for recovery by the Commission in the Company's Infrastructure Rider in Docket No. EL15-038, and there have been no substantive changes to the projects' scopes since their approval in that docket:

- Prairie 3rd 230/115 kV tra
- PI Emerg Resp Equipment FL
- PI U1 HDTP Speed Control U
- SHC2C U2 Turbine EHC Ctrls
- Dynamic EMS Environment Phase
- Work and Asset Ph 1 SW MN
- MNGP Security Physical Upgrade
- PI Sfgds CL Pump Redesign
- 760-Red Wing to Wabasha
- NSM0953 Galloping Mitigation
- HBC7C U7 HGP/Combustion Inspection
- SHC1C U1 DCS Controls Repl PH
- MNGP Rplc IMUX Front End Proce
- GIST-II Computer SoftwareNSPM
- MNGP Cyber Security 08-09
- Purch EMS DEMS Ph2 HW MN
- PI Fan Coil Unit Face Replacement
- PI NFPA 805 -08 Fire Detection
- MNGP EDG Fuel Oil Train Separation
- PI FLEX Storage Building
- CRT0C Courtenay Wind Farm Construction
- RIV9C-U9 HGP Inspection No 1

The following projects were also identified for potential cost recovery in Exhibit C of the rate case Settlement but are not already included in the Infrastructure Rider, other riders or in base rates. We seek inclusion of recovery for these projects in 2017:

- PI Screenhouse CI Header
- SHC3C Turbine EHC Controls

In addition, the Company seeks eligibility determination for the following projects which were not previously identified but are similar in type and nature to projects previously examined by staff and authorized as includable in the Infrastructure Rider.

These projects generally update, refurbish or replace equipment at our nuclear and steam plants or aid in the management of our transmission and distribution system. The proposed projects are:

- SHC3C Repl U3 Boiler Fin Super
- PI Reactor Coolant Pump Rebuild
- MT TSTF-523 Vent Installation
- MT EDG Fuel Oil Pump Mtr Rplc 1R28
- MT KM 480VAC Cubicle Rplc

A complete list of projects is provided in Attachment 9, with detailed descriptions of the 5 new projects and the 2 additional projects from Settlement Agreement Exhibit C. Although inclusion of operating and maintenance costs associated with Phase-In projects is a permitted cost item for which we could request recovery, we are expressly not including O&M expenses in the determination of the Infrastructure Rider Adjustment Factor at this time.

ii. Supporting Information

(1) South Dakota Jurisdictional Cost

Attachment 5 shows the development of 2017 revenue requirements for each project for the South Dakota jurisdiction, based on the capital related cost, by project, using the most recent capital forecast.

Xcel Energy operates the generation and transmission assets of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW) as one 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 generation and 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 the allocation methodology generally accepted in our rate case proceedings.

(2) Calculations to establish that the rate adjustment.

Attachment 1 contains the calculation of the proposed 2017 Infrastructure Rider Adjustment Factor consistent with the terms of the Infrastructure Rider tariff

proposed in Attachment 11. Attachment 8 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

II. Revenue Requirements, Rate Adjustment Factor, and Project Updates

Consistent with the method adopted by the Settlement, the Infrastructure Rider revenue requirements and carrying charge were calculated using the rate of return established in Docket No. EL14-058. This filing includes the true-up amount for the forecasted over-recovery of the 2016 forecast compared to the 2016 original request submitted October 2015. These revenue requirements are incremental to any revenue requirements associated with the identified projects currently included in base rates.

i. Infrastructure Tracker Account

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure 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 allocated costs among jurisdictions based on the cost allocation methodology approved in our last rate case and consistent with the Commission's December 11, 2015 Order approving the prior Infrastructure Rider filing. As a result, for 2017 South Dakota electric customers are generally allocated approximately 5.1 percent to 5.4 percent, depending on the type of system component.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the Infrastructure Rider Adjustment Factor and compares that amount with the monthly revenue requirements. The difference is recorded in the Tracker account as the amount of over/under recovery. 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 Adjustment Factor for the next year's forecasted revenue requirement.

The projected Infrastructure Rider Tracker Account activity for 2017, including both revenue requirements and projected revenues, is included as summarized in Attachment 2 with monthly detail in Attachment 3.

ii. Regulatory Accounting for the Tracker

The difference between the amount of recovery under the Infrastructure Rider and the monthly revenue requirement 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). As outlined above, a carrying charge is calculated monthly on the over- or under-recovered balance and added to the tracker balance.

iii. Present Rate

The current monthly rate for all customer classes is \$0.004806 per kWh. The rate was calculated by dividing the 2016 projected annual revenue requirements of the Infrastructure Rider Tracker Account, including 2015 true-up and adjustment from the Docket No. EL14-058 rate case proceeding, by the 2016 forecasted retail sales for the period January through December (the time period the rate was in effect); it was rounded to the nearest \$0.000001 per kWh.

iv. Proposed 2017 Infrastructure Rider Adjustment Factor

The Company’s Infrastructure Rider 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 1.

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

Table 1: 2017 Rate Factor Calculation

	Retail
Infrastructure Rider Adjustment Factor Cost Per kWh	\$0.005332
SD retail Sales 2017	2,109,463 kWh
<i>2017 Revenue Requirement</i>	<i>\$11,765,542</i>
<i>2016 Carry-Forward Balance</i>	<i>\$(517,398)</i>
2017 Net SD retail Cost	\$11,248,144

If all capital projects as proposed in this Petition are included for recovery through the Infrastructure Rider, our 2017 revenue requirements will reflect plant additions for those projects and the true-up balance for 2016. The remaining 2015 Tracker Account level has already been included in the present Infrastructure Adjustment Factor, so no amounts to finalize 2015 values are included in this request. We propose to implement a \$0.005332 per kWh Adjustment Factor applicable to all customer classes beginning January 1, 2017.

v. Bill Impact

The average bill impact for a residential customer using 750 kWh per month will be \$4.00 per month. Consistent with our approved tariff, we will notify our customers of the change through a bill message in the month the change is effective.

vi. Approximation of Annual Change in Revenue

Attachment 2 shows the summary of the Infrastructure Tracker Account activity for 2016 through 2018, and Attachment 3 provides monthly detail for 2016 and 2017. The true-up balance is currently forecasted to be \$(517,398) at the end of 2016. Together with the true-up balance, we propose 2017 revenue requirements of \$11,248,144 be included as part of this rider mechanism; support for this amount is included in Attachments 1 through 7. 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 Infrastructure Rider Adjustment Factor based on when the new rate can be implemented.

The proposed 2017 revenue requirements represent a \$1.05 million increase compared to the \$10.2 million of revenue requirements approved through the Infrastructure Rider in Docket No. EL15-038.

vii. Project Updates

Attachment 4 provides a summary of the updated revenue requirements for the approved projects compared to the forecasted revenue requirements presented in our last Infrastructure Rider update filed in Docket No. EL15-038.

In total, the forecast for projects in the 2016 Infrastructure Rider is approximately \$543,000 less at this time compared to our original requested 2016 level. Certain projects' revenue requirements increased while other projects underran their original estimates which resulted in lower revenue requirements. Table 1 below summarizes the change between our last compliance filing and the current filing.

Table 1: Revenue Requirement Changes Summary

2016 Decrease in Capital Revenue Requirements	\$(690,858)
2015 Increase in Capital Revenue Requirements	\$ 144,490
2015 Lower Revenue Collections	\$ 2,358
2015 Increase to Carrying Charge	\$ 1,214
Total Increase to 2015 Carryover into 2016	\$148,062
Total 2016 Revenue Requirement Decrease	\$(542,523)

III. Implementation of the Adjustment Factor

i. Points Affected

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

ii. 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 91,500 customers in 36 communities in eastern South Dakota.

iii. 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.

iv. Factor Implementation

We propose to update the Northern States Power Company South Dakota Electric Rate Book – SDPUC No. 2 with the updated \$0.005332 Infrastructure Rider Adjustment Factor to be effective 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 rate the first billing cycle following Commission approval, or at the time rates are no longer subject to suspension. As indicated above, the rate has been determined based on a January 1 implementation, and we request the opportunity to recalculate the Infrastructure Adjustment Factor to reflect the time remaining in 2017 in the event Commission approval occurs later. We include Sheet No 5-74, Revision 5 as Attachment 11 in legislative and clean form.

Consistent with the tariff, we will provide notice to customers of the change in the Infrastructure Rider Adjustment Factor by a bill message in the month the change is effective. We will work with the Commission Staff to determine if there are any suggestions to modify the following proposed bill message for all customers:

This month the Infrastructure Rider Adjustment, which recovers the costs and expenses of capital projects, will increase from \$0.004806 per kWh to \$0.005332 per kWh.

IV. Wind Project Performance Annual Report

In the rate case Settlement, the Company agreed to report certain information related to capital cost, operating costs, congestion costs and other energy production information for the Pleasant Valley and Border Winds projects once construction of either project is completed. In the last Infrastructure Rider proceeding,⁴ the Company also agreed to report the same information for the Courtenay project once construction is completed. The Settlement stipulated that reporting should begin with the first October 1 annual Infrastructure Rider update filing following the completion of the project construction, and we will continue to provide annual reports until each of these projects is moved into base rates.

The Pleasant Valley and Border Winds projects went into service in 2015, while the Courtenay project is still under construction. We provide the Wind Project Performance Annual Report information for the Pleasant Valley and Border Winds projects in Attachment 12. This is our first annual report.

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 certain portions of Attachments 2, 3, 4, 5, 7 and 8 Pursuant to S.D. Codified Laws Chapter 20:10:01:41. The Company submits the following justification for confidential treatment of these Attachments.

- (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. Certain portions of Attachments 2, 3, 4, 5, 7 and 8 contains 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.**

⁴ Docket No. EL15-038

The Company requests that certain portions of Attachments 2, 3, 4, 5, 7 and 8 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
P.O. Box 988
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 capital structure and confidential provisions of the Settlement 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
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the proposed projects as eligible for recovery and approve the revised Infrastructure Rider Adjustment Factor of \$0.005332 per kWh for 2017 described in this filing. This revised Infrastructure Rider Adjustment Factor is designed to recover the costs associated with significant investments in necessary generation and transmission projects. The Company appreciates the interest and efforts of South Dakota policymakers in adopting a constructive approach to support the continued and on-going system improvements that are needed for safe, efficient and reliable service to customers.

Dated: September 30, 2016

Northern States Power Company