
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: BRITTANY MEHLHAFF, JOSEPH REZAC, & AMANDA REISS
RE: EL16-032 - In the Matter of the Petition of Northern States Power Company dba Xcel Energy for Approval of its 2017 Infrastructure Rider Project Eligibility and Factor Update
DATE: December 13, 2016

BACKGROUND

On September 30, 2016, the South Dakota Public Utilities Commission (Commission) received a petition from Northern States Power Company dba Xcel Energy (Xcel) for approval of its 2017 Infrastructure Rider Project Eligibility and Factor Update.

Previously, on April 18, 2013, the Commission issued an Order Granting Joint Motion for Approval of Settlement Stipulation; Order Approving Refund Plan in Docket EL12-046. This settlement established an Infrastructure Rider. This initial Infrastructure Rider allowed for the recovery of seven specific major capital additions that were not known and measurable to be included in base rates and changes in 2013 property taxes from the property tax amount included in base rates. In exchange for the rider, Xcel agreed to not file any rate application for an increase in base rates which would go into effect prior to January 1, 2015.

The EL12-046 settlement also required the Company to submit annual compliance filings for Staff's review. It did not require separate Commission action or approval unless Staff believed an issue needed to be addressed by the Commission prior to the new rate going into effect. Accordingly, the Infrastructure Rider adjustment factor was updated effective January 1, 2014.

Then, in Docket EL14-058, Xcel's most recent general rate case, Xcel proposed to roll the costs associated with completed projects from the Infrastructure Rider into base rates. Staff and Xcel's settlement in Docket EL14-058 shifted cost recovery of all Infrastructure Rider projects to base rates with the exception of the Monticello Life Cycle Management/Extended Power Uprate (LCM/EPU) project in order to more easily accommodate possible true-ups and corrections. The settlement refreshed the Infrastructure Rider to include 21 new plant additions that were not yet in-service and did not meet the Commission's standard for a known and measurable adjustment to be included in base rates.

As a part of Xcel's commitment to not file another application to increase base rates, for rates proposed to be in effect before January 1, 2018, the Infrastructure Rider was changed from an annual compliance filing to an annual filing requiring specific Commission approval. The Infrastructure Rider is currently designed to collect revenue requirements after the plant addition has been completed and placed in-

service. The Infrastructure Rider is based on estimated costs of the capital projects subject to annual true-up to their actual costs, in-service dates, and recoveries.

Xcel filed its first annual Infrastructure Rider filing pursuant to the EL14-058 settlement on October 1, 2015 (Docket EL15-038). The Commission issued an Order Approving 2016 Infrastructure Rider Project Eligibility and Factor Update on December 11, 2015. The rate established in Docket EL15-038, \$0.004806 per kWh, was based on the estimated 2016 revenue requirement of \$10,200,312 and forecasted sales for January 1, 2016, through December 31, 2016. The rate was effective January 1, 2016.

In this current filing, Xcel requests the Commission's approval of project eligibility for 2 projects identified on Exhibit C to the settlement agreement in Docket EL14-058 that are not already included in the rider and project eligibility of 5 additional projects consistent with SDCL § 49-34A-73. Additionally, Xcel asks for approval of the Infrastructure Rider Tracker Report and true-up for the 2016 revenue requirement, and 2017 Infrastructure rider revenue requirements of approximately \$11.2 million. The Company proposes to revise the Infrastructure Rider Adjustment Factor from the current rate of \$0.004806 per kWh to \$0.005332 per kWh, effective January 1, 2017.

Staff's recommendation is based on its analysis of Xcel's filing, discovery information, relevant statutes, and previous Commission orders. Staff reviewed the tracker report, the forecasted 2017 revenue requirement, and rate calculation.

2016 TRACKER REPORT

The Infrastructure Rider rate approved in Docket EL15-038 was based on the estimated 2016 revenue requirements associated with 44 approved projects. In this docket, Staff reviewed the filed 2016 revenue requirement of \$9,657,789 to determine if the costs were prudent and at the lowest reasonable cost to ratepayers. Staff also reviewed the Company's calculation of the under/over collection of costs incorporated in the new Infrastructure Rider rate, comparing actual recoveries to actual costs.

Attachment 3 summarizes the tracker activity by month. The Company's current filing estimates a 2016 over-collection of \$517,398. As described in the Company's petition, the forecast for projects in the 2016 Infrastructure Rider is approximately \$543,000 less at this time compared to the originally approved 2016 level.

Staff found no issues with the Company's 2016 tracker report.

2017 INFRASTRUCTURE RIDER REVENUE REQUIREMENT

Xcel's petition proposed a 2017 revenue requirement of \$11,248,144, based on the proposed 2016 over-collection of \$517,398 and the 2017 revenue requirements associated with 51 projects, with 7 of these being new projects¹ not previously approved for recovery in Dockets EL14-058 and EL15-038. This

¹ See Attachment 9 to Xcel's Petition for project descriptions.

revenue requirement results in an approximate 0.50% increase in retail revenues. Staff found no issues with the new projects proposed for recovery or the estimated 2017 revenue requirement.

2017 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR

The revised Infrastructure Rider rate is designed to be implemented effective January 1, 2017. The revised rate is calculated based on forecasted sales from January 2017 through December 2017. The Infrastructure Rider rate based on the estimated 2017 revenue requirement of \$11,248,144 is \$0.005332 per kWh. The average residential bill impact² of the 2017 Infrastructure Rider is \$4.00 per month, an increase of \$0.40 per month compared to the average residential bill impact of the 2016 Infrastructure Rider of \$3.60 per month.

OTHER ISSUES

Annual Report on Wind Projects Performance – In Docket EL14-058, the Company agreed to report information related to capital costs, operating costs, and plant performance for the Pleasant Valley and Borders Wind projects once completed and in-service, so that Staff may assess the actual economics of the projects. Subsequently, in Docket EL15-038, Xcel agreed to provide the same information for the Courtenay Wind project. Since Pleasant Valley and Borders Wind both became in-service in late 2015, this year is the first time the Company has provided the report. Courtenay Wind is currently under construction with an anticipated in-service date of December 2016, so the report does not address that project at this time.

The report only includes one month of data for Borders Wind and two months of data for Pleasant Valley, given their respective in-service dates. Therefore, Staff will evaluate the report in more detail in next year's filing and provide further analysis to the Commission when there is a full year of operation to assess.

RECOMMENDATION

Staff recommends the Commission approve the Infrastructure Rider Adjustment Factor of \$0.005332 per kWh and tariff sheet effective January 1, 2017.

² This calculation assumes average residential monthly usage of 750 kWh.