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 THE 2024 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR	DOCKET NO. EL23-___ **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 in Docket No. EL14-058 by the Commission's June 16, 2015 Order. The Infrastructure Rider was further modified by the May 24, 2023 Settlement Stipulation in the Company's last electric rate case, Docket No. EL22-017, which was approved by the Commission's June 6, 2023 Order (2022 Settlement Stipulation). This filing is submitted consistent with the 2022 Settlement Stipulation and Order. The Company will continue to file an annual Infrastructure Rider for Commission approval.

Projects eligible for recovery through the Infrastructure Rider include those projects specified in Exhibit D to the Settlement in Docket No. EL22-017 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.

An additional Settlement Stipulation was approved by the Commission in the Tax Reform docket, which allows the Company to seek recovery through the Infrastructure Rider of new wind generation projects and the costs of terminating certain biomass Purchase Power Agreements (PPAs).[1] The Commission granted the Company's request for deferred accounting for the biomass costs, as required prior to inclusion of those costs in the Infrastructure Rider.[2] The Commission subsequently approved Infrastructure Rider recovery of the biomass PPA termination costs and

[1] Docket No. GE17-003, Order (July 18, 2018)
[2] Docket No. EL18-027, Order (June 28, 2018)

costs associated with new wind projects that were forecasted to be in-service in 2019, 2020, 2021, and 2022.[3]

In compliance with the various Settlement Agreements and Commission Orders referenced above, we submitted a filing to update the Infrastructure Rider Adjustment Factor on September 30, 2022. The updated Adjustment Factor became effective January 1, 2023. In conjunction with the implementation of final rates in the Company's electric rate case in Docket No. EL22-017, we updated the Infrastructure Rider Adjustment Factor on July 1, 2023. Included with this Petition is a Tracker Report showing actual revenue collections under these rates through June 30, 2023 and forecasted costs and collections for the remainder of 2023.

In this filing, we propose to increase the Infrastructure Rider rate to refund an estimated $58,928 in revenue requirements for 2024. The resulting rate we propose to implement on January 1, 2024 is negative $0.000026 per kWh applied to all energy billed to each customer class during the calendar year 2024. The average bill impact is estimated to be a credit of $0.02 per month for a typical residential electric customer using 750 kWh per month, an increase of $1.36 compared to the current credit. The Infrastructure Rider revenue requirement continues to be negative, resulting in a credit to customers, because of the addition of all production tax credits (PTC) and a PTC tracker mechanism incorporated into the rider as agreed to by parties in the 2022 Settlement Stipulation in Docket No. EL22-017.

We specifically request Commission approval of:

- the Infrastructure Rider Tracker Report and true-up for the 2023 revenue requirements, including PTCs and the new PTC tracker mechanism;
- 2024 Infrastructure Rider revenue requirements of negative $58,928;
- an updated Infrastructure Rider Adjustment Factor of negative $0.000026 per kWh;
- proposed revision to the Infrastructure Rider tariff sheet; and
- proposed customer notice.

REQUIRED INFORMATION

Following is information specified in S.D. Admin. R. 20:10:13:26 regarding our proposed Infrastructure Rider Adjustment Factor and tariff.

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[3] Docket No. EL18-040, Order (December 18, 2018); Docket No. EL19-035, Order (December 13, 2019); Docket No. EL20-026, Order (December 28, 2020); Docket No. EL21-028 Order (December 23, 2021).

(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. The proposed tariff sheet that would implement the revised Infrastructure Rider Adjustment Factor is included as Attachment 13.

(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 negative $0.001838 per kWh became effective on July 1, 2023. We propose the new 2024 Infrastructure Adjustment Factor of negative $0.000026 per kWh be effective on January 1, 2024.

(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, Docket No. EL14-058, new projects were included, and the rider mechanism was expanded to implement the Phase-In Statute for possible recovery of other capital investments consistent with SDCL § 49-34A-73.1. Exhibit C of the Settlement in the last concluded rate case identified projects with forecasted in-service dates through 2017. The Settlement Stipulation in Docket No. GE17-003 allowed the Company to request recovery of new wind projects and costs related to the termination of several biomass PPAs.

In our most recent rate case, Docket No. EL22-017, the Commission authorized the continued use of the Infrastructure Rider to seek recovery of non-operating income producing projects initially proposed for inclusion in the rate case as 2023 additions, which have been delayed, and as identified in Exhibit D of the Settlement Agreement. The Settlement also allowed the Company to include additional projects beginning in 2024, with the condition that the individual project revenue requirements are $250,000 or greater annually on a South Dakota jurisdictional level. The Commission also authorized all wind Production Tax Credits (PTCs) to be credited to customers through the Infrastructure Rider going forward.

The Infrastructure Rider Adjustment Factor has been updated each year since the mechanism was approved to reflect current costs and 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 difference during the next recovery period based on the estimated end of year balance in the tracker account.

This Petition includes the final 2022 true-up amount and the projected true-up amount for 2023. We note that the final 2022 true-up amount was provided as part of the Settlement Stipulation as $(2,801,561). Minor changes to secondary allocators caused that amount to be updated to $(2,796,857).

(5) Present Rate

The current monthly rate for all customer classes is negative $0.001838 per kWh, implemented on July 1, 2023 and approved in the Commission's June 8, 2023 Order in Docket No. EL22-017. The rate was calculated by dividing the July to December 2023 projected annual revenue requirements of the Infrastructure Rider Tracker Account, including the projected tracker balance on June 30, 2023, by the 2023 forecasted retail sales for the period July through December (the time period the rate was in effect); it was rounded to the nearest $0.000001 per kWh.

(6) Proposed Rate

A. Commission 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 Agreement in Docket No. EL12-046 and as refreshed most recently in Docket No. EL22-017 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.

We have calculated our revenue requirement consistent with the methodology accepted by the Commission in past Infrastructure Rider Orders.[4] The 2024 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 our last concluded electric rate case.[5]

The Company proposes a 2024 Infrastructure Rider Adjustment Factor for all customer classes of negative $0.000026 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.

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[4] Docket No. EL12-046: April 18, 2013, December 9, 2013; Docket No EL14-058: June 16, 2015; Docket No. EL15-038: December 11, 2015; Docket No. EL16-032, December 21, 2016; Docket No. EL17-039: December 21, 2017; Docket No. EL18-040: December 18, 2018; Docket No. EL19-035: December 13, 2019; Docket No. EL20-026: December 28, 2020; Docket No. EL21-028: December 23, 2021; Docket No. EL22-026: December 7, 2022.

[5] Docket No. EL22-017.

B. Proposed Infrastructure Projects

i. Projects Previously Approved for Rider Recovery

A complete list of projects previously approved for Infrastructure Rider recovery is provided in Attachment 12. The projects approved in the 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 dockets were reaffirmed for rider inclusion most recently in Docket No. EL22-026. Projects that moved into base rates at the conclusion of our most recent rate case are included in the 2024 revenue requirement calculations, to the extent there was any final true-up of costs in 2022. The following projects were previously approved for recovery through the Infrastructure Rider and remain in the Infrastructure Rider: Dakota Range I & II, Nobles Wind Repower, Northern Wind, and Rock Aetna.

ii. 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. EL22-026. We discuss notable project cost, in-service date, and scope changes below.

In total, the 2023 forecast for projects included the Infrastructure Rider is approximately $555,780 more at this time compared to our approved 2023 level. See Attachment 4. The higher-than-forecasted 2023 revenue requirements effectively increase the 2024 revenue requirements through the carryover balance.

a. Northern Wind and Rock Aetna

We noted in our last Infrastructure Rider proceeding that the Northern Wind project would begin commercial operation in late December 2022 and the Rock Aetna Wind project would begin commercial operation in January 2023. Instead, Rock Aetna Wind began commercial operation in late December 2022 and Northern Wind began commercial operation in January 2023.

iii. New Project Eligibility

In the Settlement Stipulation resolving all outstanding issues from our electric rate case in Docket No. EL22-017 (2022 Settlement Stipulation), the parties agreed that the Company would refresh the existing Infrastructure Rider to recover certain discrete costs for capital additions in 2023 that are not included in the revenue deficiency for purposes of setting base rates and to recover costs for other capital projects. The Parties further agreed that the Company may recover certain other future capital costs in the Infrastructure Rider as provided for in the Stipulation. Per the 2022 Settlement Stipulation, the refreshed Infrastructure Rider rate was implemented concurrent with new rates at the conclusion of the rate case, and recovery of these costs will occur over the remainder of the 2023 calendar year and thereafter.

Attachment 12 provides detailed descriptions of projects allowed for rider recovery under this 2022 Settlement Stipulation. The amount included in the Infrastructure Rider for capital projects in 2023 initially reflects a partial year of revenue requirements for amounts going into service in 2023 based on the expected in-service dates in 2023. In the event certain projects are unable to be completed in 2023, the Company may include different projects that are completed in 2023 as long as such projects do not have offsetting cost savings and are not required for the provision of service to new customers or increased load for existing customers. We note that we have included new 2023 projects under this provision in this Petition as outlined in Attachment 12.

iv. Sherco Land Sale

In the 2022 Settlement Stipulation, the Parties agreed that the Infrastructure Rider would also include the return to customers of the gains on sale (net of expenses) of the sale of a parcel of land in Sherburne County.

However, the land sale has not yet closed, therefore we do not yet know the final amount to include in the rider at this time. We will provide updates to Staff on the status of the sale as more details and information becomes available.

C. Infrastructure Rider Tracker Account and Accounting

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure Rider 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 concluded rate case and consistent with the Commission's December 7, 2022 Order approving the prior Infrastructure Rider filing. As a result, for 2024, South Dakota electric customers are allocated a portion of total costs for each project 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- 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 Adjustment Factor for the next year's forecasted revenue requirement.

i. PTC Tracker

Per the 2022 Settlement Stipulation, the South Dakota jurisdictional share of Production Tax Credits (PTCs) associated with wind generation that were previously credited to customers through the Fuel Clause Rider (FCR) are now credited to customers through the Infrastructure Rider. The Parties agreed that this mechanism allows for reduced volatility from month to month in FCR rates.

In addition, the Parties agreed that the Company will incorporate a mechanism in the Infrastructure Rider to ensure that customers receive the benefits of the wind projects and all future wind projects. A baseline PTC floor has been established equal to 90 percent of the PTC forecasts the Company used to justify the prudence of the wind projects. A tracker mechanism has been established and actual PTCs received are tracked and will be compared to the floor annually.

If PTCs earned and allocated to the South Dakota jurisdiction are above the floor: (i) no changes to actual PTCs credited to the Infrastructure Rider are made; and (ii) any amounts of PTCs above the PTC floor will be carried forward as a positive balance in the tracker for the following year. In the event that PTCs earned and allocated to the South Dakota jurisdiction are below the 90 percent floor, then the Company will (iii) refund to customers the value of the difference between actual PTCs received and the 90 percent floor through the Infrastructure Rider net of the any positive balances in the tracker mechanism established under this Section III.7.b. The baseline PTC floor and the actual PTCs received will be calculated on a portfolio basis.

The tracker mechanism shall be established for the wind production in 2021 and carry a net balance each year thereafter. The first refund will occur in 2024 if actual production for 2021-2023 is below the established floor. In each year thereafter, the net tracker balance will be compared to the baseline and a refund will be issued if the balance is below the established floor.

ii. True Up

As agreed upon in the 2022 Settlement Stipulation, a subsequent annual filing made by September 1 of each year, beginning in 2023 for January 1, 2024 implementation, will include a tracker that will true up the Infrastructure Rider for actual costs, revenues, and allocation factors for the prior period, reconciling any differences between estimated cost and in-service date and actual cost and in-service date, and include projected revenue requirements for the tracker projects in the following year. This process of true up to actual costs and reset of the Infrastructure Rider factor based on forecast for the following year will continue until the revenue requirements related to projects in the Infrastructure Rider are moved into base rates in a future rate case.

Because the Fuel Clause Charge (FCC) had included PTCs prior to the Settlement, and the FCC only collects an approximate amount, a one-time true up for the balance in the FCC is included in Attachment 2.

Pursuant to Commission authorization of the final compliance tariffs in the Company's 2022 rate case in Docket No. EL22-017, effective with the July 2023 FCC, the South Dakota jurisdictional share of PTCs will be credited to customers through the Infrastructure Rider. As a result, beginning with the August 2023 FCC, the PTC true up balance is transferred to the Infrastructure Rider.

iii. Inflation Reduction Act – Participation in the Tax Credit Market

With the passage of the federal Inflation Reduction Act of 2022, the Company is permitted to engage in transactions related to the transfer or sale of tax credits beginning in 2023. However, the Company has not yet completed any such transaction. Therefore, we have calculated the revenue requirement for this Infrastructure Rider petition based on our historical practice of immediately returning the full value of the credits to customers and creating a regulatory asset until the Company is able to actually use the credits to offset its tax liability.

That said, we anticipate engaging in transactions to sell tax credits before the end of 2023. While the Company will work to maximize the value of tax credits in these transactions, the credits will necessarily be sold at a price net of transaction costs associated with such sales. Notwithstanding this net amount, such transactions will benefit customers by avoiding the costs of tax inefficiencies, thereby passing along additional benefit to customers.

We propose addressing the Company's transactions in tax credits in our next Infrastructure Rider filing in two ways. First, for any credits generated and sold in 2023, the Company would be permitted to true-up the value of the transferred credits to the actual sales amounts, provided the Commission finds such sales or transfers were prudent.[6] Second, for the 2024 revenue requirement, as the market value for tax credit sales begins to take on further clarity, the Company would forecast the value of likely sales or transfers based on its (and others') experience in 2023, subject to true-up in a subsequent Infrastructure Rider proceeding based on the results of actual transfers. In this way, the Company will be incentivized to maximize the value of tax credits for customers, and, provided that it does, will be able to recover its actual costs for participating in the tax credit market.

D. Project Cost Recovery

i. Summary

Below we provide support for the proposed 2024 Infrastructure Rider rates. This information is summarized as follows:

- The projected Infrastructure Rider Tracker Account activity for 2024, including both revenue requirements and projected revenues, is summarized in Attachment 2 with monthly detail in Attachment 3.
- The projected 2024 revenue requirement proposed to be recovered through the Infrastructure Rider Adjustment Factor from South Dakota electric customers is approximately negative $59,000. Detailed revenue requirements for each project can be found in Attachment 5. We note that the Commission approved special rate treatment for the Community Wind North project. Attachment 5A details how the revenue requirements were calculated for this project separately for 2022, the final year the project is included in the Rider.
- Projected revenues are calculated by month as shown in Attachment 6 and are based on forecast 2024 South Dakota sales by calendar month.
- The development of the Infrastructure Rider Adjustment Factor is included in Attachment 1. The proposed Infrastructure Rider Adjustment Factor is shown below.

[6] We note that while we expect the tax credit market to eventually become robust and liquid, we do not know exactly how, or how quickly, that market will develop. As a result, early transactions the Company engages in may take the form of direct contracts with limited buyers or even a single buyer.

The negative $59,000 in total 2024 revenue requirements is close to zero due the 2024 project revenue requirements and the carryover balance being essentially offset by the projected 2024 PTCs.

ii. Proposed 2024 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 2024. This calculation is shown on Attachment 1.

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

Table 1: 2024 Rate Factor Calculation

2023 Carry-Forward Balance	$364,503	
2024 Project Revenue Requirements	$18,634,371	
2024 PTCs and PTC Tracker	$(19,057,802)	
2024 Net SD retail Cost	**$(58,928)**	[A]
2024 SD retail Sales (MWh)	**2,226,862**	[B]
Infrastructure Rider Adjustment Factor (per kWh)	**$(0.000026)**	[C] = [A]/[B]

If approved as proposed, our 2024 revenue requirements reflect the true-up balance for 2023. The remaining 2022 Tracker balance has been included in the Infrastructure Adjustment Factor. We propose to implement a credit of $0.000026 per kWh applicable to all customer classes beginning January 1, 2024.

iii. Bill Impact

The average bill impact for a residential customer using 750 kWh per month will be a credit of $0.02 per month, an increase of $1.36 compared to the current rate. Consistent with our approved tariff, we will notify our customers of the change through a bill onsert in the month the change is effective.

iv. *Tariff*

Attachment 13 provides the proposed revised tariff sheet to implement the proposed Infrastructure Rider Adjustment Factor based on forecasted costs for the 2024 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.

v. *South Dakota Jurisdictional Cost*

Attachment 5 shows the development of the revenue requirements by year 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 (NSP 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 (South Dakota, North Dakota and Minnesota) based on the allocation methodology generally accepted in our rate case proceedings.

vi. *Calculations to establish that the rate adjustment is consistent with the terms of the tariff.*

Attachment 1 contains the calculation of the proposed 2024 Infrastructure Rider Adjustment Factor consistent with the terms of the Infrastructure Rider tariff proposed in Attachment 13. Attachment 8 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

(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, 2024. If the Commission acts to suspend the proposed rates and our Petition has not been approved in time to implement on January 1, we propose to implement the rates the first billing cycle following

Commission approval, or at the time the proposed 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 2024 in the event Commission approval occurs later.

(8) Approximation of Annual Increase in Revenue

Attachment 2 shows the summary of the Infrastructure Tracker Account activity for 2022 through 2024, and Attachment 3 provides monthly detail for 2022, 2023 and 2024. The 2023 true-up balance is currently forecasted to be $364,503 at the end of 2023. We propose revenue requirements of negative $58,928 for 2024 as outlined in Table 1 above, which is comprised of the carryover balance, 2024 project revenue requirements, and 2024 PTCs; support for this amount is included in Attachments 1 through 11. We have calculated this amount to be credited to customers from January through December 2024 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 2024 revenue requirements represent a $2 million increase compared to the 2023 revenue requirement approved for the Infrastructure Rider in Docket No. EL22-017 as a result of the additional projects added to the Rider from the 2022 Settlement Stipulation, which were largely offset by the rollout of new PTC mechanisms implemented in this year's petition.

(9) Points Affected

The proposed Infrastructure Rider 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 103,296 customers in 33 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 through a bill onsert. Attachment 15 includes the language we propose be included with customers' bills in the month the Infrastructure Adjustment Factor is implemented, or as soon as is practicable after implementation of the Adjustment Factor.

We will work with the Commission Staff to determine if there are any suggestions to modify this bill onsert. To the extent that multiple new rider rates are implemented on the same date, we will coordinate the various rider customer notices.

WIND PROJECT PERFORMANCE ANNUAL REPORT

A. Background

In the Settlement Stipulation approved by the Commission in Docket No. EL14-058, 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 was 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. Subsequent proceedings have added projects to this reporting requirement:

In the 2015 Infrastructure Rider proceeding, the Company also agreed to report the same information for the Courtenay project once construction was completed.[7]

In the 2018 Infrastructure Rider proceeding, the Company committed to reporting the same information for the new wind projects included in the Petition – Blazing Star I, Crowned Ridge II, Foxtail, and Lake Benton II.[8]

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[7] Docket No. EL15-038

[8] Docket No. EL18-040

The Commission's December 13, 2019 Order requires the Company to submit annual informational reports on the performance metrics of the Blazing Star II and Freeborn wind projects.[9]

As indicated in the December 14, 2021 Staff Memo in Docket No. EL21-028, the Company agreed to provide annual informational reports on the performance metrics of the Dakota Range I and II, Community Wind North, Jeffers, Mower, and Rock Aetna) projects once they are placed in-service.

Attachments 14 and 14A provide the Wind Project Performance Annual Report information for calendar year 2022 for the Pleasant Valley, Border Winds, Courtenay, Foxtail, Lake Benton II, Blazing Star I, Crowned Ridge II, Blazing Star II, Freeborn, Jeffers, Community Wind North, Mower, Dakota Range I and II, Rock Aetna, and Nobles facilities. The Northern Wind facility was not yet placed in-service before the end of 2022. We will add additional projects to the wind report as each is placed in-service. We expect the Grand Meadow to begin operation in 2023 and so it will be added to our 2023 report.

B. Analysis of Wind Benefits

When choosing which wind generation facilities to add to the NSPM system, the Company performs capacity expansion modeling on each of the wind projects that shows the expected net costs or benefits of each of the projects.

The savings expected for these wind projects are generally due to the decreased fuel costs of the projects outweighing the costs of adding them over the life of each project. Thus, the projects are anticipated to result in long-term energy costs that will be lower than they would otherwise have been had the given wind resource not been selected. In a future scenario in which natural gas costs are lower, the fuel savings from the wind projects are diminished to a certain extent. On the flip side, however, we expect wind additions to show higher benefits under a future scenario in which gas prices are higher.

It is difficult to demonstrate the actual occurrence of the estimated savings for each wind project because the comparison being made is to the costs (occurring over the life of the project) of a future resource alternative that will never actually be experienced. Thus, the modeling we conduct to evaluate projects is most appropriately viewed as an economic decision-making tool – comparing a future

[9] Docket No. EL19-035

system with the plant in question to a future without it – rather than an indication of specific rate savings. However, historical trends in our fuel and purchased energy costs as reflected in the FCC appear to show that energy cost savings have occurred in recent years that can at least partially be the result of the Company's use of wind resources.

Similar to data provided in past Infrastructure Rider filings, Figure 1 below represents a graph of the annual average monthly FCC rates from 2010 through 2022 for residential customers in South Dakota, as shown in the solid line. Note that in the period from 2010-2015, prior to the addition of most of Xcel Energy's major wind resources, energy rates were on an upward trend, as indicated by the dashed line labeled "Trend Line Rates." However, from 2015 to 2020, which coincides with the timing of the addition of several of the wind projects currently in the Infrastructure Rider, as shown in Figure 1, we saw the FCC rates fall to nearly half their 2013 peak. The FCC rates did rise again in 2021, primarily due to an increase in gas costs offsetting the downward pressure on the FCC generated by the additions of the wind projects.

Figure 1: Average Annual SD FCC Rate per kWh (Residential) 2010-2022

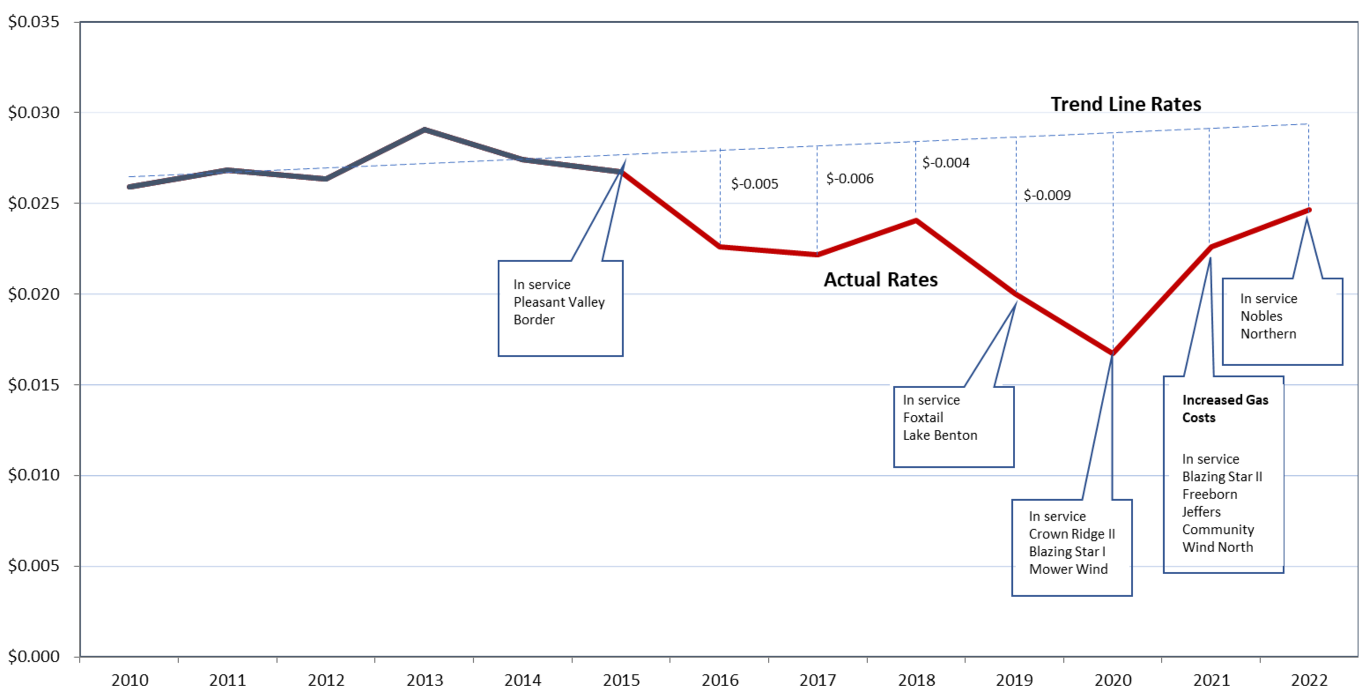

Figure 1 shows that, for example, the delta between the 2022 average rate (around 2.5¢/kWh) and the rate that would have been expected in 2020 based on the trend of costs from 2010 – 2015 (about 3.0¢/kWh) is approximately 0.5¢/kWh. For a typical residential customer using 750 kWh a month, this reflects an approximate savings of $3.55 per month.

Figure 2 below shows the historical average "all-in" residential electric rate per kWh (i.e., including all base, riders, and FCC rates) by year. Figure 2 shows that the price trend from 2016-2022 is lower than the trend from 2010-2015, coinciding with the Company's investment in wind resources.

Figure 2: Xcel Energy Average Residential Electric Rate in SD (2010 – 2022)

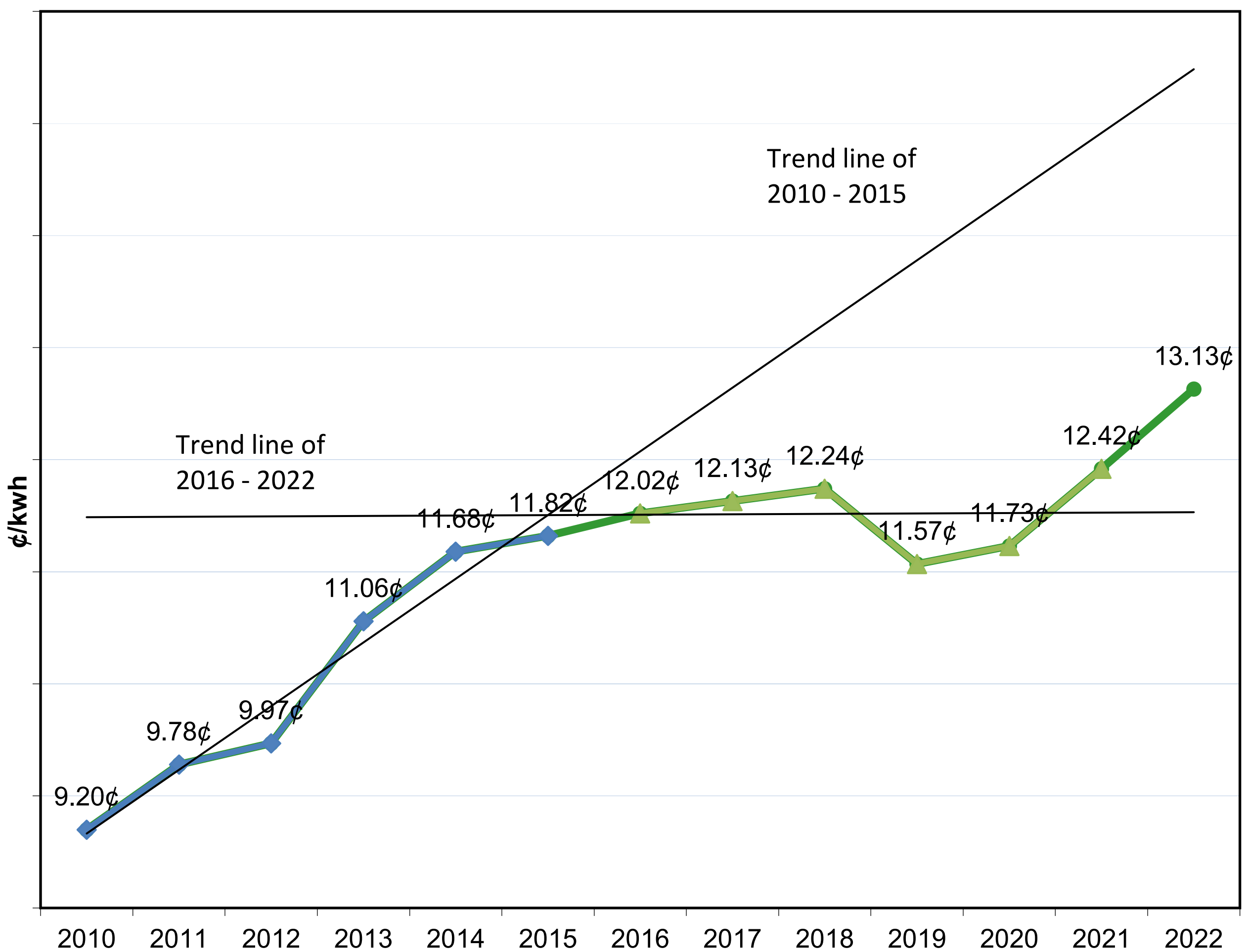

Figure 2 provides support for the proposition that wind additions have driven lower overall energy costs for South Dakota consumers compared to costs anticipated if the wind was not added, as modeled by the Company in its various resource filings. Lower gas commodity costs also contributed to the lower fuel costs customers have seen in recent years. The combination of lower gas costs and wind generation allowed for cost savings by offsetting more expensive generation. As shown in Figure 1, above, fuel costs increased in 2021 and 2022. This increase was driven by the increase in gas commodity costs. While this increase in gas commodity costs has resulted in an increase in the FCC rates, the wind generation provides a hedge against fuel costs, keeping the fuel costs lower than they would have been without the wind additions. We note that gas commodity costs have declined in 2023.

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, 8, 12, 12B, 12C, and 12D 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, 8, 12, 12B, 12C, and 12D 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 certain portions of Attachments 2, 3, 4, 5, 7, 8, 12, 12B, 12C, and 12D 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.

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(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 EL22-017.

Contact Information

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

Christine Schwartz
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 revised Infrastructure Rider Adjustment Factor of negative $0.000026 per kWh for 2024 as described in this filing. 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 1, 2023

Northern States Power Company