

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

IN THE MATTER OF STAFF’S)	DOCKET NO. GE17-003
REQUEST TO INVESTIGATE THE EFFECTS)	
OF THE TAX CUTS AND JOBS ACT)	
ON SOUTH DAKOTA UTILITIES)	

I. SETTLEMENT STIPULATION

On December 21, 2017, South Dakota Public Utilities Commission (Commission) Staff filed a motion with the Commission to investigate the impact of the Tax Cuts and Jobs Act (TCJA) on South Dakota Utilities. On December 29, 2017, the Commission issued its Order Requiring Comments; Order Requiring Rates in Effect in 2018 are Subject to Refund; Order Granting Intervention in the above referenced Docket (Initial Order). The Initial Order, among other things, (1) granted Northern States Power Company, a Minnesota corporation’s (NSP or Xcel Energy or the Company) request to intervene; (2) required the Company to file comments no later than February 1, 2018; and (3) established that all rates impacted by the federal income tax, not limited to base rates, shall be adjusted effective January 1, 2018, and are subject to refund or any other ratemaking treatment which ensures ratepayers receive the benefits of the tax change as of January 1, 2018, pending a determination of the impact of the TCJA.

On February 1, 2018, the Company filed comments in the above referenced Docket. Xcel Energy’s comments described the impacts of the TCJA on the Company which include, among other things, the over recovery of income tax expense as well as the impacts on Accumulated Deferred Income Taxes (ADIT). In its comments, Xcel Energy also offered to forego an immediate refund in exchange for putting the Company in a rate case stay-out posture for an identified term—spanning multiple years. During the proposed multi-year rate case moratorium, the Company proposed that it would still be permitted to use both the TCR and some form of the Infrastructure Rider, even if limited in scope.

Staff and Xcel Energy (jointly the Parties) held several negotiating sessions in an effort to arrive at a jointly acceptable resolution of this Docket as it relates to Xcel Energy only. Through

these discussions, Xcel Energy disclosed that but for this Stipulation, it had intended to file a rate case no later than June 30, 2018 to establish new base rates effective January 1, 2019. The Company expects that if it were to file a rate case to establish new rates effective January 1, 2019, that such rates would be materially increased from existing rates, even after accounting for the impact of the TCJA. In light of this, Staff and the Company have agreed to terms that will capture the benefits of the TCJA for the Company's customers while keeping overall rates low.

The Parties have, therefore, resolved all issues in this proceeding and have entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will capture the 2018 benefits of the TCJA for Xcel Energy's customers, institute an additional two-year rate case moratorium, and limit the scope of the existing Infrastructure Rider.

II. PURPOSE

This Stipulation has been prepared and executed by the Parties for the sole purposes of resolving Docket No. GE17-003, as it relates to Xcel Energy only. The Parties acknowledge that they may have differing views and reasons to support and justify the end result of the Stipulation, but each Party deems the end result to be just and reasonable. In light of such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of this Stipulation, which may be executed in counterparts, the Parties shall immediately file this Stipulation with the Commission together with a joint motion requesting that the Commission issue an order approving this Stipulation in its entirety without condition or modification.

2. This Stipulation includes all terms of settlement. This Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Stipulation, this Stipulation may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.

3. This Stipulation shall become binding on the Parties upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be

null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation except as explicitly stated in this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission but for the additional proceeding contemplated by this Stipulation. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future proceeding before the Commission except as may be set forth in this Stipulation.

4. The Parties stipulate that all filings made by Staff and the Company be made part of the record in this proceeding. The Parties understand that if the issues settled in this matter had not been settled additional record evidence from each of the Parties would have been developed.

5. It is understood that Commission Staff enters into this Stipulation for the benefit of Xcel Energy's South Dakota customers affected by this docket.

III. ELEMENTS OF THE STIPULATION

The Parties agree that the resolution of the instant proceeding is global in nature and that each and every element of this Stipulation is reliant on each and every other element of this Stipulation. In consideration of the promises of each of Xcel Energy and Staff to each other, the Parties agree to the following elements of this Stipulation:

1. Resolution of Impacts of TCJA for 2018

The Parties agree that the total benefit of the TCJA based on the Company's rates currently in effect in 2018, as determined in accordance with the cost of service calculated in EL14-058 is \$10,868,000 (2018 Amount). Consistent with the Commission's Initial Order, the 2018 Amount shall be refunded to Xcel Energy's active customers to capture for them the benefit of the TCJA. For the avoidance of doubt, refunding the 2018 Amount does not change the Company's base rates. The refund of the 2018 Amount shall be made by the Company in a single payment to customers which shall be posted to customers' accounts no later than August

2018 or on some other schedule as the Commission may order or as required due to the timing of the Commission's order on this Stipulation. The refund will be allocated to customer classes based on each class' share of the Commission's last approved revenue allocation¹. Individual customer refunds will then be calculated based on each customer's most recent 12 months of sales available at the time of the refund. The resulting class allocation of the refund is provided in Attachment A to this Stipulation. In light of the early refund of the 2018 Amount, there shall be no carrying charge applied to the 2018 Amount.

2. Base Rate Moratorium

The Parties agree that the benefits of the TCJA for customers should be balanced with the overall interest of safe, reliable, and affordable electric service. To that end, in lieu of the Company making additional TCJA related refunds in subsequent years beyond 2018, the Company agrees to a two-year rate moratorium (Moratorium Period). The base rate moratorium will avoid a base rate increase, net of the TCJA, for these additional years. In furtherance of the foregoing, the Company may not file another general rate case prior to June 2020, so that new base rates may not be effective prior to January 1, 2021. No additional TCJA related refunds will be made by the Company unless and until the Company files a general rate. In the Company's next general rate case, it shall adjust rates to reflect the impacts of the TCJA. The Parties acknowledge that for the purposes of the Company's books and records, as well as the next general rate case, excess plant-related ADIT and the excess NOL ADIT will be amortized over the average rate assumption method (ARAM) lives, and excess non-plant related ADIT will be amortized over a three-year period, each commencing January 1, 2018.

All currently effective riders shall continue in effect during the Moratorium Period; provided, however, that the Company may not include any new costs in the Infrastructure Rider but for the following: (a) any new wind generation projects; and (b) the costs of terminating certain biomass power purchase agreements (subject to the Commission granting the Company's request for deferred accounting for those costs in Docket No. EL18-027) (subparts (a) and (b), collectively, the Permitted Infrastructure Rider Additions). This Stipulation provides no agreement of the Parties as to the prudence of Permitted Infrastructure

¹ Final Ordered Revenues Docket No. EL14-058

Rider Additions but, rather, the Company must make a showing of the prudence of the costs of the Permitted Infrastructure Rider Additions in an appropriate filing prior to their inclusion in the Infrastructure Rider. The Company shall also reflect the impact of the TCJA in all currently effective riders effective January 1, 2018.

The currently effective earnings sharing mechanism provided for in the Stipulation of Settlement approved by the Commission in Docket EL14-058, shall continue to be in effect until the conclusion of the Company's next rate case with the sole modification that 100% of any Company earnings in South Dakota that result in a return on equity in excess of 10.00% shall be refunded to the Company's South Dakota customers.

3. Stale Data Waiver

In the event that the Commission does not approve this Stipulation or it is otherwise terminated according to its terms, the Parties agree that the most efficient method to incorporate the TCJA into the Company's rates is through a general rate case. The Parties recognize that the timing of resolution of the instant Docket will preclude the Company from filing a general rate case prior to June 30, 2018 for rates effective January 1, 2019. To that end, should it be necessary, Staff agrees to support the Company's application for waiver of the requirements of Section 20:10:13:144 of the Administrative Rules of South Dakota so that NSP may file a rate case in 2018 utilizing a historic test year of 2017.

[SIGNATURE PAGE FOLLOWS]

This Stipulation is hereby executed as of the 22nd day of June, 2018 by the authorized representatives of the Parties:

Northern States Power Company
d/b/a Xcel Energy

By: 

Its: Regional Vice-President
Rates & Regulatory Affairs

South Dakota Public Utilities Commission
Staff

By: 

Its: Staff Attorney

**[SIGNATURE PAGE TO STIPULATION OF SETTLEMENT
DOCKET NO. GE17-003]**