



Gary Hanson, Chairperson  
Chris Nelson, Vice Chairperson  
Kristie Fiegen, Commissioner

*South Dakota*

**PUBLIC UTILITIES COMMISSION**

500 East Capitol Avenue  
Pierre, South Dakota 57501-5070  
[www.puc.sd.gov](http://www.puc.sd.gov)

Capitol Office  
(605) 773-3201  
1-866-757-6031 fax

Grain Warehouse  
(605) 773-5280  
(605) 773-3225 fax

Consumer Hotline  
1-800-332-1782

December 3, 2013

South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501

Re: Docket EL12-046 - In the Matter of the Application of Northern States Power Company dba Xcel Energy for Authority to Increase its Electric Rates: Infrastructure Rider Compliance Filing

Commissioners and Advisors:

I would like to take the opportunity to provide written comments noting the recommendation provided at the Commission's December 3, 2013 Commission Meeting regarding Xcel's Infrastructure Rider Compliance Filing in Docket EL12-046 and to make one clarification regarding the Staff Memorandum filed on November 27, 2013.

Staff filed a memorandum on November 27<sup>th</sup> regarding the compliance filing. In summary, Staff's concerns with the Company's compliance filing centered on the change in allocation factors and increased project costs.

The Settlement approved by the Commission earlier this year did not include a provision for updating the allocation factors in the infrastructure rider. Staff believes the definition of "actual costs", as used in the settlement stipulation, refers to only the project costs and not the allocation factors. The Company believes "actual costs" refers to both the project costs and allocation factors. Due to the difference in interpretation of "actual costs", Staff and the Company agreed to a compromise. We agreed to use the allocators approved in the rate case settlement for the projects included in the rider through December 31, 2013, and use the updated forecasted allocators beginning January 1, 2014. The forecasted allocators will be trued-up to actual allocators.

This compromise alleviates Staff's concern about retroactive ratemaking, since the allocation factors will only be updated going forward, and recognizes Xcel's concern for matching the time period used for the allocation factors to the time period used for sales. Staff recommended the Commission issue an order reflecting this agreement. Staff also recommended Xcel file updated revenue requirement and rate calculations and revised tariff sheet to be effective January 1, 2014.

Staff wishes to make one clarification about the allocators to be used for 2013. The initial infrastructure rider estimated 2013 property taxes were allocated to South Dakota using the 2013 forecasted allocation factors. Staff's memorandum filed on November 27, 2013 inadvertently assumed the allocators used for the property taxes in the settlement were based on the test year allocators as well. The test year allocators were only used for the capital projects in the initial rider



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calculation. As such, Staff and the Company agree the allocation factors to be used for the property taxes shall be the 2013 allocation factor, as agreed to in the original settlement.

With respect to the project costs, Xcel adequately responded to Staff's data requests and after limited review, the costs appear reasonable. However, Staff recommended the Commission allow for future reconsideration if any additional information is provided with respect to project costs between now and during the Company's future rider updates and/or rate case. At this time, the rider includes actual costs through August of 2013 and the forecasted costs are subject to later true-up.

I hope this letter provides clarification regarding the recommendation made at today's meeting.

Sincerely,

*Brittany Mehlhaff*

Brittany Mehlhaff  
Staff Analyst

CC: Service list