

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

Chris Nelson
Kristie Fiegen
Gary Hanson

Chairman
Vice Chairman
Commissioner

IN THE MATTER OF THE APPLICATION)
OF NORTHERN STATES POWER)
COMPANY, FOR AUTHORITY TO)
INCREASE RATES FOR ELECTRIC)
SERVICE IN THE STATE OF SOUTH)
DAKOTA)

DOCKET NO. EL12-046

**NOTICE OF INTENT TO
IMPLEMENT INTERIM RATES**

INTRODUCTION

Northern States Power Company, operating in South Dakota, submits to the South Dakota Public Utilities Commission (the “Commission”) this Notice of Intent to Implement an interim rate increase for our South Dakota retail electric customers for service provided on and after January 1, 2013 (the “Interim Rate Increase”) pursuant to S.D. Codified Laws Section 49-34A-17. It is the Company’s understanding that no Commission action is required to implement interim rates. This Interim Rate Increase of \$19.368 million or 11.53 percent, will remain in effect until final rates are implemented following the Commission’s final determination in this matter. As authorized by Section 49-34A-17, the Company will use the rate design currently in effect to recover the interim revenue requirement. Under this method, a uniform percentage increase of 16.9 percent will be applied to base rates, and will not apply to fuel costs or certain identified rider rates.

BACKGROUND

On June 29, 2012, Xcel Energy filed a Petition for approval to increase rates. The effect of the Company’s proposed change in rates, if approved, would be an annual increase in base rate (*i.e.*, non-fuel) electric revenues of approximately \$19.368 million, or approximately 11.53 percent.

Pursuant to S.D. Codified Laws § 49-34A-14, the Commission, in its July 23, 2012 ORDER ASSESSING FILING FEE AND SUSPENDING OPERATION OF

PROPOSED RATES (“Order”), ordered the suspension of the operation of Xcel Energy’s proposed rates for 180 days beyond June 29, 2012. The 180 day suspension period expires after December 26, 2012.

S.D. Codified Laws § 49-34A-17 provides that a public utility may implement its proposed rate or practice if: 1) the proposed rate or practice has not been suspended or is no longer subject to suspension; 2) the Commission has not issued a final decision; and 3) 30 days has passed from the date of filing. In this case, the Company’s proposed rate will no longer be subject to suspension after December 26, 2012 and no final decision by the Commission on Xcel Energy’s proposed rate increase is anticipated to be entered prior to December 26, 2012. Additionally, more than 30 days have passed from the date of the Company’s filing. Accordingly, Xcel Energy intends to implement its Interim Rate Increase effective January 1, 2013.

DESCRIPTION AND NEED FOR INTERIM RATES

A. Rate Design

Xcel Energy will apply the Interim Rate Increase to the base rate components of customers bills beginning with service provided as of January 1, 2013. Interim rates are necessary because the Company is currently experiencing the increased cost of service reflected in the Company’s June 29, 2012 filing in this Docket. Without interim rate relief, Xcel Energy would be unable to recover the increased cost of providing service to its customers.

S.D. Codified Laws § 49-34A-17 states that if a utility implements the proposed rate or a rate lower than the proposed rate, the utility shall use the same rate design currently in effect or the rate design the utility proposed when the petition for increased rates was filed. The Company has selected the option of implementing the Interim Rate Increase using the same rate design currently in effect rather than its initially proposed rate design. Implementing the Interim Rate Increase using a uniform percentage increase to current base rates will ensure that the interim rate design is based on a rate design that has received the express approval of the Commission. This method is consistent with our implementation of interim rates in the prior rate proceeding in Docket No. EL11-019.

The Interim Rate Increase sets forth an annual increase in base rate electric revenues of approximately \$19.4 million. The Interim Rate Increase was determined using our original 2011 Pro Forma Test Year revenue requirement as provided in our June 29, 2012 filing, without adjustment. In the prior rate

case (Docket No. EL11-019) we made one adjustment from our filed case to remove a single major project because of a significant schedule delay. In this case, we do not believe there are similar situations that would warrant any material adjustments. Accordingly, we will be implementing interim rates at the filed rate increase level.

B. Comparison of Interim Rate Increase to Proposed Rates

Overall, our proposed final rates address a revenue deficiency of \$19.368 million. Using the existing rate design, we will implement our proposed rate increase request as Interim Rates as allowed by law. No adjustments were made from the filed amounts. To collect this deficiency, an interim rate surcharge of 16.9 percent of base rates is required. This interim rate adjustment will be uniformly billed as a 16.9 percent increase on the base rate portion of customers' bills (exclusive of fuel costs and certain rate riders).¹ The difference in percent results from the unbundling of fuel costs from base rates. We provide a comparison of the rate base and income statement changes included in interim rates as compared with our June 29, 2012 Filing in this Docket as Attachments 1 and 2. A Class Cost of Service Interim Model is included as Attachment 3 and Attachment 4 provides the interim rate revenue impacts by customer class.

The difference between the overall interim deficiency of 11.53 percent and the interim rate surcharge of 16.9 percent is primarily due to not applying the interim increase to fuel costs which have been unbundled from base rates and are shown separately as a line item on customers' bills. The interim increase is also not applied to rate riders. Because the Interim Rate Increase will not apply to fuel costs or rate riders, a higher interim rate percent increase is required to collect the interim revenue deficiency.

Consistent with our application of interim rates in the prior rate case, the Interim Rate Surcharge is applied to only the base portions of customer bills. Attachment 5 lists those charges to which the interim rate increase applies and lists those rate riders to which the interim rate increase does not apply.

¹ The Transmission Cost Recovery Rider is excluded from the Interim Rate Adjustment.

REFUNDS

The Interim Rate Increase will be subject to refund, pending final Commission determination on the general electric rate increase. South Dakota Codified Laws Section 49-34A-17 provides, in part, as follows:

In the case of a proposed increased rate, the commission may, by order, require the public utility to keep an accurate account in detail of all amounts received by reason of increase, specifying by whom and in whose behalf the amounts are paid. Upon completion of the hearings and decision, the commission may by further order require the public utility to refund, with interest, to customers, the portion of the increased rates found to be unjust, unreasonable, or discriminatory. The refund shall be carried out as provided in South Dakota Codified Laws Sections 49-34A-22 and 49-34A-23.

Xcel Energy will track the individual customer billing impacts during this interim rate period in the event that the Commission approves an increase less than Xcel Energy's originally proposed increase. Further, the Company commits to refunding to customers, with interest, interim rate amounts collected greater than the level approved by the Commission in its final order in this case.

CUSTOMER NOTICE

In addition to the notice the Company provided our customers regarding our June 29, 2012 Application for a rate increase, we will provide notice to our customers of our Interim Rate Increase as follows:

- a. Notice will be given to the public by posting a copy of this *Notice Of Intent To Implement Interim Rates* in a prominent location at its local customer service center in Sioux Falls for at least thirty (30) days prior to the rates taking effect;
- b. Notice will be given to the public no later than December 3, 2012 by publishing a copy of this *Notice Of Intent To Implement Interim Rates* on Xcel Energy's website www.xcelenergy.com; and
- c. Notice will be given to the public no later than December 3, 2012 by a press release of Xcel Energy announcing this filing.

CONCLUSION

For the foregoing reasons, Xcel Energy respectfully informs the Commission its intent to implement an Interim Rate Increase of \$19.368 million, or approximately 11.53 percent for service on and after January 1, 2013, using our current rate design, pursuant to S.D. Codified Laws § 49-34A-17, and until final rates are implemented following the Commission's final determination in this proceeding.

Xcel Energy agrees that placing interim rates into effect will not affect the Commission's authority to order a refund of the Interim Rate Increase pursuant to S.D. Codified Laws §§ 49-34A-17, 49-34A-22, and 49-34A-23, in the event the Commission order establishing final rates determines that a lower rate increase is appropriate.

Dated: November 30, 2012

Northern States Power Company,

RESPECTFULLY SUBMITTED,

A handwritten signature in dark ink that reads "Laura McCarten". The signature is written in a cursive, flowing style.

LAURA MCCARTEN
REGIONAL VICE PRESIDENT
NORTHERN STATES POWER COMPANY