

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

IN THE MATTER OF THE APPLICATION OF  
NORTHERN STATES POWER COMPANY  
DBA XCEL ENERGY FOR AUTHORITY TO  
INCREASE ITS ELECTRIC RATES

DOCKET NO. EL12-046

**INFRASTRUCTURE RIDER  
ANNUAL COMPLIANCE  
FILING AND UPDATE**

**OVERVIEW**

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this annual compliance 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 which approved the electric rate case Settlement Stipulation in Docket No. EL12-046. This filing is submitted in compliance with that Order and Settlement Stipulation and provides the Infrastructure Rider rate factor and supporting information to reflect current projects and expenditures.

This compliance filing provides:

- Infrastructure Rider revenue requirements and rate adjustment factor for 2014;
- an Infrastructure tracker report for approved project investments;
- the tracker true-up; and
- revised Infrastructure Rider tariff sheets.

In compliance with the Settlement Stipulation and Commission Order in our last electric rate case (Docket No. EL12-046), the current Infrastructure Rider adjustment factor became effective at the same time as the implementation of final rates on May 1, 2013, with retroactive application of the rate to January 1, 2013. The current Infrastructure Rider adjustment factor was set to recover a full year of annual revenue requirements for the projects in-service in 2012 and a partial year of recovery for the 2013 projects based on the expected 2013 projects' in-service dates. Consistent with the methodology used to set the initial Infrastructure Rider rate, the adjustment factor is set to recover the revenue requirements for actual expenditures through August 31, 2013 and forecasted costs for the remainder of 2013 and for 2014.

For 2014, we have calculated the Infrastructure Rider adjustment factor to recover the South Dakota jurisdictional portion of the revenue requirements related to the Rider's seven specific capital projects located throughout our service territory, in addition to

incremental 2013 property taxes over the 2011 approved level included in base rates. We propose to recover \$8.74 million associated with these projects for the 2014 calendar year, including a projected 2013 unrecovered balance of \$842,210.

The total of the Infrastructure costs and the tracker balance results in an average bill impact of \$3.25 per month for a typical residential electric customer using 750 kWh per month. This is an increase of \$1.88 per month from the current Infrastructure Rider recovery. We propose to implement a rate of \$0.004338 per kWh applied to all energy billed to each customer class beginning January 1, 2014 through December 31, 2014. This represents an increase of \$0.002508 from the existing rate of \$0.001830 per kWh.

## COMPLIANCE REPORT

### I. Background

The rate case Settlement Stipulation from our most recent electric rate case (Docket No. EL12-046) established this Infrastructure Rider as a means to recover specific major capital additions that were placed into service in late 2012 or were expected to be placed into service in 2013, and additionally, any changes in 2013 property taxes from the property taxes included in the 2011 test year. These specific projects were nearing completion, significant in cost, and were not included in the 2011 rate base used to develop final rates in Docket No. EL12-046. With this cost recovery mechanism, the Company was able to make the commitment to not file another rate application for an increase in base rates which would go into effect before January 1, 2015. Projections of anticipated sales growth were not likely to offset the revenue deficiency related to these certain projects and development of this rider recovery mechanism was viewed as a constructive resolution for all stakeholders.

The Infrastructure Rider uses a cost of service model approach, similar to our previously approved Environmental Cost Recovery Rider. The rate factor was developed based on estimated costs of seven capital projects, subject to later true-up to their actual costs and in-service dates and rider recoveries. These projects are:

1. Prairie Island H Line
2. Monticello Life Cycle Management/Extended Power Uprate
3. Monticello Fire Model
4. Prairie Island Steam Generator
5. Prairie Island Dry Casks
6. Sherco Cooling Towers
7. Sherco HFU

In addition to these capital projects, there were anticipated changes in 2013 property taxes which were increases to those already included within the 2011 test year in the rate case. Given property taxes are assessed by government agencies and not within the Company's control, inclusion of the 2013 incremental property taxes was also approved for inclusion within the rider.

Extensive review of the seven specific rider-eligible projects and incremental property tax estimates occurred during the pendency of the rate case. This compliance filing provides the supporting documentation for an update to the rate, including true up from the prior period for Staff's compliance review.

## **II. Revenue Requirements, Rate Adjustment Factor, and Project Updates**

Consistent with the method adopted by the Settlement Stipulation, the Infrastructure Rider revenue requirements and carrying charge were calculated using the rate of return established in Docket No. EL12-046. This filing includes the annual revenue requirements for 2014 and the true-up amount for any over/under recovery of the 2013 forecast compared to 2013 actuals. These revenue requirements are incremental to any revenue requirements associated with the identified projects currently included in base rates.

### *i. Infrastructure Tracker Account*

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure 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 rate case. As a result, our South Dakota electric customers are allocated approximately 5.2% of total production costs.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the Infrastructure rate adjustment factor and compares that amount with the monthly revenue requirements. The difference is recorded in the Tracker account as the amount of over/under recovery. 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 rate adjustment factor for the next year's forecasted revenue requirement.

*ii. Regulatory Accounting for the Tracker*

Xcel Energy calculates the monthly South Dakota jurisdictional revenue requirements (including appropriate overall return, income taxes, property taxes and depreciation), compares them with monthly Infrastructure rate rider recoveries from customers and places the net amount in FERC Account 182.3, Other Regulatory Assets (the Tracker Account).

*iii. Present Rate*

The current monthly rate for all customer classes is \$0.001830 per kWh. The rate was calculated by dividing the 2013 projected annual revenue requirements of the Infrastructure Tracker Account by the 2013 forecasted retail sales for the calendar year; it was rounded to the nearest \$0.000001 per kWh.

*iv. 2014 Infrastructure Adjustment Factor*

The Company's Infrastructure 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 electric sales for retail customers from January through December 2014. This calculation is shown in Table 1 below.

**Table 1: 2014 Rate Factor Calculation**

	<u>Retail</u>
<b>Infrastructure Adjustment Factor</b>	<b>\$8,740,233</b>
<i>SD retail Cost</i>	<b>\$7,898,023</b>
<i>Revenue Requirement</i>	<b>\$842,210</b>
<i>Carry-Forward Balance</i>	
<b>SD retail Sales</b>	<b>2,014,681,593</b>
<b>Cost Per kWh</b>	<b>\$0.004338</b>

*v. Bill Impact*

The average bill impact for a residential customer using 750 kWh per month will be \$3.25 per month. Consistent with our approved tariff, we will notify our customers of the change through a bill message in the month the change is effective.

*vi. Approximation of Annual Increase in Revenue*

Attachment 1 shows the Infrastructure Tracker Account activity for 2013. When the tracker balance from 2013 is combined with the revenue requirements from Attachment 2 for 2014, it results in a revenue requirement of \$8.74 million for 2014. We have calculated this amount to be recovered from customers from January

through December 2014 through this tariff mechanism. The 2014 revenue requirement represents a \$5.03 million increase in revenue when compared to the \$3.71 million estimated to be recovered through the Infrastructure Rider in 2013.

*vii. Project Updates*

Attachment 3 provides a summary of the updated revenue requirements for the approved projects and property taxes compared to the forecasted revenue requirements approved in the rate case docket. The difference is summarized by project. Below we provide an explanation for changes in each project's costs since the rate case filing.

**Sherco 3 Plant transferred from HFU** – The original estimate had this project going into service in March 2013. The new forecasted in-service date is September 2013. The difference in revenue requirements between our original filing and this compliance filing is due to the in-service date change.

**Sherco Cooling Tower** – The original estimate had this project going into service in April 2013. The new forecasted in-service date is September 2013. The difference in revenue requirements is due to the in-service date change.

**Monticello EPU** – Expenditures (CWIP) increased by \$48.1 million when comparing the original estimate and the new forecast. In addition, the in-service date(s) moved from May to July 2013 due to the extended outage necessary to complete the projects. The major reasons for the increase are:

- Construction estimate increased for the 13.8kV project in January 2013 as the work package planning was completed.
- Actual construction cost increased, primarily for the Reactor Feed Pumps.
- Additional scope for design and construction of the condensate pump motor coolers.
- Outage extension costs for station support of Extended Power Uprate (e.g. engineering, maintenance, and operations testing).

**Monticello Fire Model** – The additional project costs extended the project to cover additional scope and timing of the in-service transfer. The scope added approximately 70 of the Thermohydraulic modeling computer code runs to the project in response to issues generated during project review. The current budgeted forecast in-service date is delayed several months from October to December 2013.

**Prairie Island Casks** – Casks 30-35 were in-service in June of 2013 as opposed to the originally anticipated May 2013 in-service transfer. In addition, the transfer of

CWIP costs to plant in-service included two-thirds of the \$5.5 million TN-40HT Design and Licensing project associated with the casks that was omitted in the original estimate.

**Prairie Island H Line Protection Replacement** – The project was completed and placed in service November 2012, one month earlier than originally estimated, at a lower cost than the original forecasted expenditure.

**Prairie Island Steam Generator** – The difference in revenue requirements is due to the cost for the disposal of the contaminated units being replaced shifting into 2014. The project's major in-service will occur in December of 2013 compared to the original estimate of November 2013. There will be some disposal and RWIP charges associated with some minor in-servicing in October of 2014.

### III. Implementation of the Adjustment Factor

The Infrastructure Rider tariff sheet numbers 74 and 75<sup>1</sup> in Section 5 of the Northern States Power Company South Dakota Electric Rate Book will be revised with the updated adjustment factor for application beginning January 1, 2014. The tariff sheets reflecting the revised Infrastructure Rider Adjustment Factor are included as Attachment 4 in legislative and clean form.

Consistent with the tariff, we will provide notice to customers of the change in the Infrastructure Rider Adjustment Factor by a bill message in the month the change is effective. The bill message will state:

*Residential:*

This month the Infrastructure Rider Adjustment, which recovers the costs and expenses of capital projects, will be increasing from \$0.001830 per kWh to \$0.004338 per kWh. Questions? Contact us at 1-800-895-4999.

*Commercial & Industrial:*

This month the Infrastructure Rider Adjustment, which recovers the costs and expenses of capital projects, will be increasing from \$0.001830 per kWh to \$0.004338 per kWh. Questions? Contact us at 1-800-481-4700.

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<sup>1</sup> We do not propose any changes to tariff sheet 75 in this filing, but we have provided it to include all pages of the Infrastructure Rider for completeness.

## CONCLUSION

Xcel Energy submits this compliance filing to revise the Infrastructure Rider Adjustment Factor for calendar year 2014. This revised factor is designed to recover the costs associated with significant investments in needed plant infrastructure previously adopted. The Company appreciates the interest and efforts of South Dakota policy makers in supporting that effort.

Dated: October 1, 2013

Northern States Power Company

Respectfully submitted by:



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JAMES C. WILCOX  
PRINCIPAL MANAGER