

Supporting Documentation for Updated DSM Cost Adjustment Factor

The following is information specified in South Dakota Administrative Rule 20:10:13:26 regarding the updated DSM Cost Adjustment Factor:

(1) Name and address of the public utility;

Xcel Energy
500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

(2) Section and sheet number of tariff schedule;

Xcel Energy proposes to update DSM Rate tariff sheet number 73 in Section 5 of the Xcel Energy South Dakota Electric Rate Book. Pages 6-9 of this attachment include the proposed tariff sheets with the updated DSM Rate.

(3) Description of the change;

The proposed updated DSM Rate is designed to true up the cost recovery, which is over our forecasted budget in the time period of 2016-2017 timeframe, as well as recover all forecasted 2018 DSM expenditures and incentives.

(4) Reason for the change;

As proposed in the South Dakota DSM Plan and described in the DSM Cost Adjustment Factor tariff sheet, the Company plans to update the DSM Cost Adjustment Factor on an annual basis in the May 1 Status Report filing. The updated DSM Rate is designed to true up any over-recovery or under-recovery that exists in the tracker as well as recover the forecasted DSM expenditures and incentives for the upcoming year.

(5) Present rate;

Pursuant to the Commission's December 12, 2016 Order,¹ Xcel Energy implemented the approved rate of \$0.000504 per kWh effective January 1, 2017.

¹ Docket No. EL 16-018

(6) Proposed rate;

Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000515 per customer kWh.

(7) Proposed effective date of modified rate;

Xcel Energy requests this new DSM Cost Adjustment Factor of \$0.000515 per customer kWh become effective with the first billing cycle of January 2018. We request this rate remain in effect through December 2018 or until the Commission approves a new DSM Cost Adjustment Factor.

(8) Approximation of annual amount of increase or decrease in revenue;

This new DSM Cost Adjustment Factor of \$0.000515 per customer kWh is an increase of \$0.000011 per kWh or two percent.

(9) Points affected;

The proposed updated DSM Rate 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;

The proposed electric tariff will apply to all customers throughout all customer classes as described within the filing. Xcel Energy presently serves just over 91,995 electric customers in 36 communities in eastern South Dakota.

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

A narrative for the calculation of the updated rate is included in the DSM Cost Adjustment Factor Report section of this filing. The following pages of this attachment include the forecasted 2017 and 2018 DSM Trackers, which are referenced in the narrative, along with the proposed customer bill insert message and the proposed updated tariff sheets in both redline and clean versions.

Table 1: 2017 DSM Tracker Forecast, With Cost Recovery in 2017

Northern States Power Company State of South Dakota- Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2017 Forecast														
	<u>January</u> Actual	<u>February</u> Actual	<u>March</u> Actual	<u>April</u> Forecast	<u>May</u> Forecast	<u>June</u> Forecast	<u>July</u> Forecast	<u>August</u> Forecast	<u>September</u> Forecast	<u>October</u> Forecast	<u>November</u> Forecast	<u>December</u> Forecast	<u>Total</u>	
2017 EXPENSES [CONFIDENTIAL DATA BEGINS]														
1. Balance														
2. DSM Program Expenditures														
3. Total Incentive (Line 2 * 30%)														
4. Total Expenditures + Incentive (Line 2 + 3)														
RECOVERY														
5. DSM Adjustment Factor (\$/MWh)														
6. Calendar Month Sales Volume Forecast (MWh)														
7. Total Cost Recovery (Line 5*6)														
8. Sub-Balance (Over/Under Recovery) (Line 1 + 4 - 6)														
9. Accum Deferred Tax (Line 7 * 35%)														
10. Net Investment (Line 7 - 8)														
11. Carrying Charge Rate														
12. Carrying Charge (Line 9 * carrying charge)														
13. End of Month Balance (over)/under recovered (Line 8 + 12)														
														CONFIDENTIAL DATA ENDS

Table 2: 2018 DSM Tracker Forecast, With Cost Recovery in 2018

Northern States Power Company State of South Dakota- Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2018 Forecast													
2018 EXPENSES	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. Balance	[CONFIDENTIAL DATA BEGINS]												
2. DSM Program Expenditures													
3. Total Incentive (Line 2 * 30%)													
4. Total Expenditures + Incentive (Line 2 + 3)													
<u>RECOVERY</u>													
5. DSM Adjustment Factor (\$/MWh)													
6. Calendar Month Sales Volume Forecast (MWh)													
7. Total Cost Recovery													
8. Sub-Balance (Over/Under Recovery) (Line 1 + 4 - 6)													
9. Accum Deferred Tax (Line 7 * 35%)													
10. Net Investment (Line 7 - 8)													
11. Carrying Charge Rate													
12. Carrying Charge (Line 9 * carrying charge)													
13. End of Month Balance (Line 7 + 10)													
													CONFIDENTIAL DATA ENDS]

Proposed Customer Bill Onsert Language

DSM Cost Adjustment Factor Decrease Effective January 1, 2018

Xcel Energy offers a variety of load management and demand side management (DSM) programs to our South Dakota customers to help them reduce their home's usage. The South Dakota Public Utilities Commission has approved a new Demand Side Management (DSM) Cost Adjustment Factor as a separate line item on your monthly electric bill to recover the cost of our load management and DSM programs. Beginning January 1, 2018, the rate factor will increase from \$0.000504 per kWh to \$0.000515 per kWh.

Residential Electric Service – Winter Month Bill Example

This chart provides a comparison of customer bills by applying the prior DSM rate vs. the new DSM rate.

Usage (kWh)	Prior Rates				New Rates				Amount of Bill Increase	Percent Increase
	Other Rates	Prior DSM Factor	Prior DSM	Prior Bill	Other Rates	New DSM Factor	New DSM	New Bill		
400	\$49.81	0.000504	\$0.20	\$50.01	\$49.81	0.000515	\$0.21	\$50.02	\$0.00	0.01%
500	\$60.20	0.000504	\$0.25	\$60.45	\$60.20	0.000515	\$0.26	\$60.46	\$0.01	0.01%
600	\$70.58	0.000504	\$0.30	\$70.88	\$70.58	0.000515	\$0.31	\$70.89	\$0.01	0.01%
750	\$86.17	0.000504	\$0.38	\$86.55	\$86.17	0.000515	\$0.39	\$86.56	\$0.01	0.01%
1000	\$112.14	0.000504	\$0.50	\$112.64	\$112.14	0.000515	\$0.52	\$112.66	\$0.01	0.01%
2000	\$214.35	0.000504	\$1.01	\$215.36	\$214.35	0.000515	\$1.03	\$215.38	\$0.02	0.01%

For more information

You may examine the new rate rider by visiting our website at xcelenergy.com/Company/Rates_&_Regulations. If you have further questions, please contact Xcel Energy at **1-800-895-4999**.