



500 West Russell St
Sioux Falls, SD 57104

December 4, 2019

--Via Electronic Filing--

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 E. Capitol Ave.
Pierre, SD 57501-5070

RE: UPDATE
2020 TRANSMISSION COST RECOVERY ELIGIBILITY AND ADJUSTMENT
FACTOR
DOCKET NO. EL19-032

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed update to our 2020 Transmission Cost Recovery (TCR) Rider Petition. We appreciate Commission Staff's thorough review of our Petition. In response to Staff's review, we propose to make four adjustments to our initial Petition which cumulatively increase the 2020 total revenue requirement by approximately \$87,000 and increase the proposed rate from \$0.002986 per kWh to \$0.003027 per kWh. The four adjustments are as follows.

1. In the process of responding to Set 1 of the Commission Staff's data requests in this docket, we looked more closely at the La Crosse – Madison project. In Attachment 2 of our initial filing, we discussed an accounting transfer between the La Crosse – Madison and the CapX2020 – La Crosse MISO – WI projects:

... the CapX2020 – La Crosse MISO – WI line interconnects with the La Crosse – Madison line. In its Order approving the La Crosse – Madison line, the PSCW approved a line swap with the existing CapX2020 – La Crosse line so that the lines did not have to cross one another. To avoid this cross and extra expenditure, ownership of a portion of the La Crosse – Madison line was transferred to the CapX2020 – La Crosse project; and a portion of the CapX2020 – La Crosse line was transferred to the La Crosse – Madison project. As a

result, the purchase shows as a new capital expenditure to the CapX2020 – La Crosse in 2018. In turn, the transferred expenses are no longer part of the La Crosse – Madison project expenditures. The ownership transfer of this line segment was also approved by the FERC.

The purchase and sale portions of the transaction of the La Crosse – Madison project were both properly accounted for as CWIP, and therefore both the costs and credits associated with the transfer offset each other in the total project costs. However, for the CapX2020 - La Crosse MISO – WI project, the purchase was accounted for as CWIP, but the sale was accounted for as RWIP, meaning that the cost for the line purchase is included in the total project costs, but the credit for the sale of the line is not included. We have updated the schedules to properly include the credit.

2. In response to Data Request No. 1-10, we noted that there was some uncertainty around whether the IRS will allow bonus depreciation in 2018. Given that uncertainty, we should have continued to assume bonus depreciation only through 2017 in the Petition, but bonus depreciation was calculated for all projects through 2018 inadvertently. We now understand from the IRS that bonus depreciation for 2018 is determined by individual projects, and the projects qualify if they are placed in service in 2018 and at least 10 percent of the total project costs were expended as of September 27, 2017. We are still working through the projects to determine which met the completeness percentage in order for bonus depreciation to be applied in 2018. Until we are able to complete this assessment, we believe it's more appropriate that bonus depreciation is not applied in 2018 for any project. We have updated the tracker to remove bonus depreciation from 2018 at this time, but will update the tracker in our next filing for any project that is determined to be eligible for bonus depreciation in 2018.
3. Also as described in Data Request No. 1-10, the Company changed accounting systems several years ago. As the Sioux Falls Northern project was being closed, we found a few work orders still tied to the former (now obsolete) accounting system, which necessitated closing these old work orders and moving them to new work orders to properly interact with the new accounting system. This movement had the unintended consequence in our rider model of reversing out previous periods' book depreciation of the old work orders in the month they were moved (April 2019) and contributed to negative book depreciation, as well as an unusual negative revenue requirement calculation for that month. Overall, this was a movement of costs from one accounting structure to another and did not change the total expenditures of the Sioux

Falls Northern project. We have corrected for the book depreciation treatment and resulting negative revenue requirement for this project in April 2019 in this update filing.

4. Through further review of the filing data, we also found that the depreciation rates used in the rider model for NSPW-owned projects were not updated with the currently approved rates, which are higher. We believe it is appropriate to update the Wisconsin depreciation rates to reflect the amount of depreciation charged to NSPM through the Interchange Agreement. Updating the Wisconsin-approved depreciation rates more appropriately reflects the cost to NSPM customers. We have made this update to 2018 and 2019, and used the 2019 approved rates for 2020 and going forward.

We have included all of the attachments for ease of review, but we note that only the following attachments were impacted by the four changes made to the tracker:

Attachment 3: CWIP Expenditure Forecast
Attachment 4: Annual Tracker Summary
Attachment 5: 2018 Tracker
Attachment 6: 2019 Tracker
Attachment 7: 2020 Tracker
Attachment 8: 2021 Tracker
Attachment 9: 2020 TCR Rate Calculation
Attachment 12: 2020 Revenue Requirement by Project by Month
Attachment 16: Proposed Tariff Sheet
Attachment 17: Proposed Customer Notice

Confidential Information

Pursuant to South Dakota Admin. R. 20:10:01:41, we provide the following support for our request to classify certain documentation as confidential trade secret data.

We request confidential treatment of the updated Attachments 11, 12 and 13 Pursuant to S.D. Codified Laws Chapter 20:10:01:41. The Company submits the following justification for confidential treatment of updated Attachments 11, 12 and 13.

- (1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested.**

We request confidential treatment on the grounds that the material is proprietary and trade secret information, the disclosure of which would result in material damage to the Company's financial or competitive position. Updated Attachments 11, 12 and 13 contain financial information that is not available to the general public.

- (2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment.**

The Company requests that Updated Attachments 11, 12 and 13 be recognized as trade secret data in perpetuity.

- (3) The name, address, and phone number of a person to be contacted regarding the confidentiality request.**

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- (4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future.**

The claim for confidential treatment is based on South Dakota Admin. R. 20:10:01:39 (4) and S.D. Codified Laws Chapter 1-27-30. The information contained within the referenced documents meets the definition of "trade secret" under S.D. Codified Laws Chapter 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that "Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." The information also meets the definition of "proprietary information" under S.D. Codified Laws Chapter 1-27-28, which is defined as "information on pricing, costs, revenue, taxes, market share, customers, and personnel held by private entities and used for that private entity's business purposes."

(5) The factual basis that qualifies the information for confidentiality under the authority cited.

The Company's cost of capital is trade secret consistent with the Settlement Stipulation and Commission Order in Docket No. EL14-058.

Please call me at (605) 339-8350 if you have any questions regarding this filing.

Sincerely,

/s/

STEVE KOLBECK
PRINCIPAL MANAGER

Enclosure