
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: JOSEPH REZAC & KRISTEN EDWARDS
RE: EL19-035 - In the Matter of the Petition of Northern States Power Company dba Xcel Energy for Approval of its 2020 Infrastructure Rider Project Eligibility and Factor Update
DATE: December 6, 2019

BACKGROUND

On October 1, 2019, the South Dakota Public Utilities Commission (Commission) received a petition from Northern States Power Company dba Xcel Energy (Xcel) for approval of its 2020 Infrastructure Rider Project Eligibility and Factor Update.

Previously, on April 18, 2013, the Commission issued an Order Granting Joint Motion for Approval of Settlement Stipulation; Order Approving Refund Plan in Docket EL12-046. The settlement established an Infrastructure Rider. The settlement also required the Company to submit annual compliance filings for Staff's review. It did not require separate Commission action or approval unless Staff believed an issue needed to be addressed by the Commission prior to the new rate going into effect. Accordingly, the Infrastructure Rider adjustment factor was updated effective January 1, 2014.

Then, in Docket EL14-058, the Infrastructure Rider was changed from an annual compliance filing to an annual filing requiring specific Commission approval. The Infrastructure Rider is currently designed to collect revenue requirements after the plant addition has been completed and placed in-service. The Infrastructure Rider is based on estimated costs of the capital projects subject to annual true-up to their actual costs, in-service dates, and recoveries.

In this current filing, Xcel requests the Commission's approval of project eligibility for 1 project identified on Exhibit C to the settlement agreement in Docket EL14-058 that is not already included in the rider and project eligibility of 2 new wind projects consistent with the Settlement Stipulation in GE17-003 and SDCL § 49-34A-73. Additionally, Xcel asks for approval of the Infrastructure Rider Tracker Report and true-up for the 2019 revenue requirement, and 2020 Infrastructure rider revenue requirements of approximately \$19.3 million. The Company proposes to revise the Infrastructure Rider Adjustment Factor from the current rate of \$0.006853 per kWh to \$0.008873 per kWh, effective January 1, 2020.

Staff's recommendation is based on its analysis of Xcel's filing, discovery information, relevant statutes, and previous Commission orders. Staff reviewed the tracker report, the forecasted 2020 revenue requirement, and rate calculation.

2019 TRACKER REPORT

The Infrastructure Rider rate approved in Docket EL18-040 was based on the estimated 2019 revenue requirements associated with 66 approved projects. In this docket, Staff reviewed the filed 2019 revenue requirement of \$13,113,627 to determine if the costs were prudent and at the lowest reasonable cost to ratepayers. Staff also reviewed the Company's calculation of the under/over collection of costs incorporated in the new Infrastructure Rider rate, comparing actual recoveries to actual costs.

Attachment 3 summarizes the tracker activity by month. The Company's current filing estimates a 2019 over-collection of \$1,657,561. As described in the Company's petition, the forecast for projects in the 2019 Infrastructure Rider is approximately \$1,449,193 less at this time compared to the originally approved 2019 level.

Staff found no issues with the Company's 2019 tracker report.

2020 INFRASTRUCTURE RIDER REVENUE REQUIREMENT

Xcel's petition proposed a 2020 revenue requirement of \$19,255,370, is based on the proposed 2019 overcollection of \$1,657,561 and the 2020 revenue requirements associated with 69 projects, with 3 of these being new projects not previously approved for recovery in prior dockets.

2020 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR

The Infrastructure Rider rate is designed to be implemented effective January 1, 2020. The rate is calculated based on forecasted sales from January 2020 through December 2020. The Infrastructure Rider rate based on the estimated 2020 revenue requirement of \$19,255,370 is \$0.008873 per kWh. The average residential bill impact of the 2020 Infrastructure Rider is \$6.65 per month, an increase of \$1.51 per month compared to the average residential bill impact of the 2019 Infrastructure Rider of \$5.14 per month.

New wind projects – In the settlement for Xcel docket GE17-003, the Company was allowed to seek recovery of new wind projects in the infrastructure rider. Xcel has proposed to seek recovery of costs related to two additional wind farms.

The Company has requested inclusion of the Blazing Star II Wind Farm and Freeborn Wind Project. Staff asked several questions regarding these projects and it appears the projects are similar in both operational and financial aspects to many of the wind projects already included in the Infrastructure Rider.

Since these projects are being built for economic purposes and not on a need basis, Staff feels it is necessary to review the future performance of the projects to ensure they are beneficial for ratepayers. Staff has the ability to review the projects' costs, performance, and any other aspects, and propose alternative treatment or adjustments every year these costs are recovered through the Infrastructure Rider and again before these projects are rolled into base rates in a future rate case.

As noted in the table below, the proposed wind farms provide for low cost energy for Xcel ratepayers,

CONFIDENTIAL DATA BEGINS

CONFIDENTIAL DATA ENDS

Therefore, Staff requests the Company provide annual informational reports regarding the performance of the Blazing Star II Wind Project and Freeborn Wind Project in order to provide Staff the information necessary to assess the actual economics of the project. Xcel agrees to provide updates regarding average annual capacity factors, congestion costs, O&M costs, and capital costs, as Xcel has already agreed to provide and are providing such reports for the Borders Wind, Pleasant Valley Wind, Courtenay Wind projects.

OTHER ITEMS

Annual Report on Wind Projects Performance – In Docket EL14-058, the Company agreed to report information related to capital costs, operating costs, and plant performance for the Pleasant Valley and Borders Wind projects once completed and in-service, so that Staff may assess the actual economics of the projects. Subsequently, in Docket EL15-038, Xcel agreed to provide the same information for the Courtenay Wind project. Pleasant Valley and Borders Wind both became in-service in late 2015 and EL16-032 was the first time the Company has provided the report. Courtenay Wind was placed in-service in December 2016 and is included in the report in this docket.

Pleasant Valley has an operating capacity of 200 MW and has a total capital cost to build the facility, including transmission, but excluding AFUDC, of \$333.8 million through 2018. The actual costs were below the original forecasted costs of \$342.9 million For 2016, Pleasant Valley produced 774,094,225 kWh of gross energy and had a net production of 756,650,319 kWh, had 1,468,009 kWh in total curtailment, and an average annual capacity factor of 43.2%.

Borders Wind has an operating capacity of 150 MW and has a total capital cost to build the facility, including transmission, but excluding AFUDC, of \$261.6 million through 2018. The actual costs were slightly less than the original forecasted costs of \$261.8 million. For 2018, Border Wind produced 644,766,065 kWh of gross energy and had a net production of 644,031,696 kWh, had 17,671,470 kWh in total curtailment, and an average annual capacity factor of 49.0%.

Courtenay Wind has an operating capacity of 200 MW and has a total capital cost to build the facility, including transmission, but excluding AFUDC, of \$287.0 million through 2018. The actual costs were below the original forecasted costs of \$300 million. For December of 2018, Courtenay Wind produced

757,087,611 kWh of gross energy and had a net production of 756,401,305 kWh, had 1,716,040 kWh in total curtailment, and a capacity factor of 43.2%.

RECOMMENDATION

Staff recommends the Commission approve the revised Infrastructure Rider Adjustment Factor of \$0.008873 per kWh and tariff sheet effective January 1, 2020.