STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF 2021 TRANSMISSION COST RECOVERY ELIGIBILITY AND THE RATE RIDER ADJUSTMENT FACTOR	DOCKET NO. EL20-___ **PETITION FOR TRANSMISSION COST RECOVERY**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy submits to the South Dakota Public Utilities Commission this Petition for approval of our Transmission Cost Recovery (TCR) Rider Tracker Account report for 2020, the 2021 TCR Rider revenue requirements, and the proposed TCR Adjustment Factor.

S.D. Codified Laws Chapter 49-34A Sections 25.1 through 25.4 authorizes the Commission to approve a tariff mechanism for the automatic annual adjustment of charges for a public utility to recover the South Dakota jurisdictional portion of eligible investments and expenses related to new or modified transmission facilities, including associated facilities such as substations and transformers.

Pursuant to this statute, we specifically request Commission approval of:

- project eligibility of five new projects;
- 2021 TCR revenue requirements of $7.2 million;
- a TCR Adjustment Factor of $0.003446 per kWh to be implemented on January 1, 2021;
- the 2020 TCR Tracker Report for approved transmission project investments;
- proposed revisions to the TCR Rider tariff sheet; and
- the proposed customer notice.

If approved as proposed, the average bill impact for a residential customer using 750 kWh per month would be $2.58 per month. This is an increase of $0.31 per month from the current TCR Adjustment Factor. Based on the information provided in this Petition and the merits of the projects for which the Company requests recovery under the TCR Statute, Xcel Energy respectfully requests Commission approval of these projects for TCR recovery and the revenue requirements associated with these projects.

REQUIRED INFORMATION

Following is information specified in S.D. Codified Laws Chapter 49-34A Sections 25.1 through 25.4 and S. D. Admin. R. 20:10:13:26 regarding the proposed TCR Adjustment Factor and tariff.

(1) Name and Address of the Public Utility

Northern States Power Company
500 West Russell Street
Sioux Falls, SD 57104
(605) 339-8303

(2) Section and Sheet Number of Tariff Schedule

We propose to revise tariff sheet number 71 in Section 5 of the Northern States Power Company South Dakota Electric Rate Book. Attachment 16 depicts the proposed tariff sheet that would implement the revised TCR Adjustment Factor.

(3) Description of the Tariff Change

This request revises the TCR Adjustment Factor shown as a separate line item on customer bills. The current TCR Adjustment Factor of $0.003027 became effective on January 1, 2020. We propose the new 2020 TCR Adjustment Factor of $0.003446 be effective on January 1, 2021.

(4) Reason for the Requested Change

The Company was initially authorized to establish the TCR Rider by the Commission's January 13, 2009 Order in Docket No. EL07-007. The Company continues to make significant investments in new transmission facilities in order to maintain system reliability, meet customer demand, and to transmit wind energy from South Dakota, North Dakota, and western Minnesota. The TCR Adjustment Factor has been updated periodically since the mechanism was approved in 2009 to reflect new facilities. To ensure that customers are not under or overcharged, we record the actual revenues and costs in our tracker account and collect or return any differences during the next recovery period based on the estimated end of year balance in the tracker account.

This petition includes costs for 2021 and the true-up amount from previous years. None of these costs are included in base rates.

(5) Present Rate

The current rate for all customer classes is $0.003027 per kWh, implemented on January 1, 2020 and approved in the Commission's December 12, 2019 Order in Docket No. EL19-032.

(6) Proposed Rate

A. Proposed Tariff

i. Authority

The following statutes establish Commission authority for considering and approving the revised TCR Adjustment Factor proposed in this Petition. The Company proposes a 2021 TCR Adjustment Factor for all customer classes of $0.003446 per kWh. The TCR Adjustment Factor was calculated by dividing the forecasted balance of the TCR Tracker Account by the forecasted retail sales for the calendar year; it is rounded to the nearest $0.000001 per kWh.

> S. D. Codified Laws 49-34A-25.1 - *Notwithstanding any other provision of this chapter, the commission may approve a tariff mechanism for the automatic annual adjustment of charges for the jurisdictional costs of new transmission facilities with a design capacity of thirty-four and one-half kilovolts or more and which are more than five miles in length. For the purposes of §§49-34A-25.1 to 49-34A-25.4, inclusive, electric transmission facilities and electric transmission lines covered by this section include associated facilities such as substations and transformers.*
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> S. D. Codified Laws 49-34A-25.2 - *Upon filing of an application consistent with rules promulgated by the commission by any public utility providing transmission service, the commission may approve, reject, or modify, after notice, hearing, and comment, a tariff that:*
>
> *(1) Allows the public utility to recover on a timely basis the costs net of revenues of facilities described in § 49-34A-25.1.*

The Company proposes to recover through the TCR Rider the jurisdictional annual revenue requirements associated with transmission projects that are determined by the Commission to be eligible for recovery under S. D. Codified Laws 49-34A-25.1.

We have calculated our revenue requirement consistent with the methodology approved by the Commission in our most recent TCR Rider filings.[1] The 2021 overall rate of return is based on the Company's forecasted capital structure—including long-term debt and equity balances as of December 31, 2020 and the 12-month average short-term debt balance as of December 31, 2020—and the return on equity (ROE) approved by the Commission in the most recent rate case.[2]

ii. Implementation

Attachment 16 provides the proposed revised tariff sheet to implement the proposed TCR Adjustment Factor based on forecasted costs for the 2021 calendar year. As required by the Commission, for each 12-month period ending December 31, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between the TCR Rider recoveries from customers and the actual revenue requirements for the period.

B. Eligible Transmission Projects

i. Summary

The Company seeks eligibility determination for the following projects:

- Avon – Albany Rebuild
- Belgrade – Paynesville Rebuild
- Canisota Junction – Salem Rebuild
- CEN LCO 69 KV Rebuild
- Long Lake – Baytown

The following projects were previously approved for TCR Rider recovery and reaffirmed for inclusion most recently in Docket No. EL19-032.

[1] Docket Nos. EL12-035, EL13-006, EL14-016, EL14-080, EL15-030, EL16-031, EL17-036, EL18-036, and EL19-032

[2] Docket No. EL14-058

Table 1: Dockets in Which Projects were Approved

EL12-035	EL13-006[3]	EL15-030
• CapX2020 Brookings – Twins Cities • CapX2020 Fargo – Twin Cities • CapX2020 La Crosse-Local • CapX2020 La Crosse-MISO • CapX2020 La Crosse-WI • Glencoe – Waconia • Sioux Falls Northern	• Bluff Creek – Westgate • Chaska – Hwy 212 Conversion • Minn Valley • Big Stone – Brookings • Lake Marion - Burnsville • Maple Lake – Annandale	• Minot Load Serving Line

EL18-036	EL19-032
• Huntley-Wilmarth 345 kV Line	• West St. Cloud – Black Oak • Eau Claire 345 kV Upgrade* • Bayfront to Ironwood 88 kV Line* • La Crosse – Madison 345 kV Line

**See discussion below about the removal of these projects.*

A complete list of projects is provided in Attachment 1 with a detailed description of the proposed new projects, as well as discussion of any notable updates to cost and in-service date information. Each project's regulatory approval and construction timeline are provided in Attachment 2.

In addition to these projects, we are also seeking recovery of Schedule 26 and 26A net revenues and expenses (also known as Regional Expansion Criteria and Benefits, or RECB, costs) as provided for under the Midcontinent Independent System Operator, Inc. (MISO) Tariff and discussed later in this Petition.

In our last TCR proceeding, the Commission approved cost recovery of three new projects located in Wisconsin, two of which are still being constructed by the Northern States Power Company – Wisconsin operating company. The Interchange Agreement between NSPM and NSPW (discussed further below) dictates how costs are shared by the two operating companies. Costs for NSPW projects are not billed through the Interchange Agreement to NSPM customers during the project's construction and thus should not be recovered through the TCR rider until the project is placed in-service. Therefore, we have removed all costs for the Bayfront to Ironwood 88 kW Line and the Eau Claire 345 kV Upgrade projects from the TCR tracker and will seek inclusion of these projects in the rider again once they are placed

[3] The Maple River – Red River project was originally approved for cost recovery in Docket No. EL13-006 but was removed in Docket No. EL16-031 because it no longer met the minimum length requirements of 5 miles.

in-service. The removal of the two projects reduces the 2020 revenue requirement; that reduction is reflected in the 2020 carry-over balance incorporated into the 2021 rate calculation. The La Crosse – Madison 345 kV Line project was already in-serviced when we requested recovery of the project in last year's TCR Petition, and so costs associated with this project remain in the TCR tracker.

ii. Supporting Information

The TCR Statute requires certain information be provided in support of this request. This required information is provided throughout this petition and in the attached exhibits.

S. D. Codified Laws 49-34A-25.3 states: *A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to § 49-34A-25.2. In the utility's filing, the public utility shall provide:*

(1) A description of and context for the facilities included for recovery.

Attachment 1 contains the list of projects we believe are eligible for recovery in the TCR Rider and for which we are requesting recovery.

(2) A schedule for implementation of applicable projects.

Attachment 2 contains an implementation schedule for each of the transmission projects identified in Attachment 1. We explain the reasons for any in-service date changes between our current projections and the projections in our last TCR filing in Attachment 1.

(3) The public utility's costs for these projects.

Attachment 3 provides the capital expenditure forecast for each project included in the TCR Rider. Actual capital expenditures are reported through June 2020 and forecast capital expenditures are reported through 2025. Attachment 12 shows the development of 2021 revenue requirements for each project for the South Dakota jurisdiction, based on the capital expenditures shown in Attachment 3.

Xcel Energy operates the transmission assets of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW) as one transmission system. Pursuant to the terms of the Federal Energy Regulatory Commission (FERC) regulated *Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and*

Northern States Power Company (Wisconsin) (Interchange Agreement), all transmission costs are shared between NSPM and NSPW based on load ratio share using a FERC-approved 36-month coincident peak demand allocator. The NSPM portion is then further allocated to its respective state jurisdictions (South Dakota, North Dakota, and Minnesota) based on a similar 12-month coincident peak (CP) methodology. A composite allocator is derived for purposes of assigning the transmission revenue requirements to South Dakota, as shown on Attachment 11.

(4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project.

The Company has made extensive efforts to ensure the lowest reasonable cost to ratepayers for the proposed TCR-eligible projects. First, Xcel Energy transmission planners analyze up to a dozen project alternatives for a given project. Each alternative is then evaluated based on performance, cost, efficiency as measured by energy losses, and the enhancement of reliability to local consumers. Such analysis was performed for the projects included in this petition for cost recovery. Second, where possible, Xcel Energy has competitively bid engineering, equipment procurement and construction for the projects included in this petition. Third, Xcel Energy has developed a standard design for collector stations, thereby minimizing design and engineering costs.

(5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in § 49-34A-25.2.

Attachment 9 contains the calculation of the proposed 2021 TCR Adjustment Factor consistent with the terms of the TCR tariff proposed in Attachment 16. Attachment 13 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

iii. MISO RECB charges (MISO Schedule 26 and 26A)

This Petition includes costs associated with RECB designated transmission projects. Xcel Energy incurs charges from MISO to pay for a portion of transmission investments of other electric utilities pursuant to Attachment FF of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff. Attachment FF specifies the cost allocation procedures for new transmission projects within the MISO footprint. Projects subject to RECB cost allocation are identified and selected through the MISO Transmission Expansion Plan (MTEP). Allocation and cost recovery methods for RECB projects are specified in detail in Attachment FF, Attachment GG, MM, Schedule 26 and Schedule 26A of the MISO Tariff. MISO's annual MTEP review process identifies those transmission projects that will be included in Appendix A to the MTEP and the appropriate cost-sharing mechanism is identified for each project.

The cost allocation methodology applied to RECB projects in this Petition conforms to the hybrid methodology approved by the Commission in the Settlement Stipulation in our TCR Rider Petition in Docket No. EL12-035 and reaffirmed in subsequent TCR dockets. The regional transmission projects Xcel Energy proposes for hybrid allocation are discussed below.

The net annual RECB expense (Attachment 14) has increased slightly between 2020 mixed actuals and forecast and the 2021 forecast, in part because of the treatment of the Huntley-Wilmarth project, described below.

iv. Regional Transmission Projects Subject to Hybrid Method of Cost Allocation

In accordance with the Commission's Order in our last several TCR filings, the Company has used a hybrid, or split cost allocation method for regional transmission investments (those that qualify for regional cost allocation through MISO's tariff). The projects included in this Petition that are subject to hybrid allocation are the CapX2020 Fargo, Brookings, and La Crosse projects, Big Stone – Brookings, La Crosse – Madison, Glencoe-Waconia, Minn Valley, and beginning in 2021 when the project is placed in-service, Huntley-Wilmarth. The percentage breakdown of the allocation split between state and FERC jurisdictions remains the same as reflected in past TCR filings, except for the update to the Huntley-Wilmarth project beginning with the December 2021 in-service date.[4] This hybrid methodology best facilitates cost allocation of investments to the jurisdiction creating the need for the investment.

Under the hybrid method, the regionally shared project costs will be allocated on a percent-of responsibility basis. In addition, the regional transmission investments for which the Company is allocated MISO Schedule 26 and 26A charges will be allocated to the state jurisdiction. They will be included in retail rate base for TCR recovery until they are rolled into base rates in a future rate case.

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[4] The Huntley-Wilmarth project annual revenue requirement as presented in the Annual Tracker (Attachment 4) shows a large increase in 2021 because the hybrid methodology is applied only when the project is placed in-service in December 2021. As shown in the detailed 2021 Tracker (Attachment 7), the December 2021 revenue requirement declines upon the project being placed in-service. This larger 2021 revenue requirement is off-set by the Huntley-Wilmarth costs that flow through the RECB line, as shown in Attachment 14. The 2022 revenue requirement forecast (shown in Attachments 4 and 8) resumes a more "normal" pattern when the project will be in-service for the full year in addition to the full year application of the hybrid methodology.

v. Impact on TCR Rider of MISO Complaints at the FERC

a. Complaint Background

The FERC has taken a number of actions related to the return on equity (ROE) that MISO transmission owners (TOs) charge for regionally shared facilities. We provide a description of the resolved and still pending proceedings below. Future true-ups through the TCR may be necessary as additional FERC decisions are finalized, and we will update the Commission on these issues in future TCR Rider petitions.

In November 2013, a group of industrial customers in the MISO region filed a complaint asking FERC to reduce the 12.38 percent return on equity (ROE) used in the transmission formula rates of jurisdictional MISO transmission owners, including NSPM. On September 28, 2016, the FERC issued an Order based on the methodology originally adopted in FERC Opinion 531, a case involving the base ROE for transmission owners in the New England ISO, approving a 10.32 percent ROE in September 2016, applicable for a refund period from November 12, 2013 to February 10, 2015 (the first refund period) and prospectively from the date of the order. The total prospective ROE is 10.82 percent, which includes a 50 basis point adder for Regional Transmission Organization (RTO) membership.

In February 2015, an intervenor in the original ROE complaint filed a second complaint proposing to reduce the MISO region ROE, resulting in a second period of refund from February 12, 2015 to May 11, 2016 (the second refund period). In June 2016, based on the Opinion 531 methodology, the administrative law judge recommended an ROE of 9.70 percent, the midpoint of the upper half of the discounted cash flow (DCF) range.

On April 14, 2017 the D.C. Circuit Court of Appeals vacated and remanded Opinion 531. The court decision found that the FERC had not established that the prior ROE was unjust and unreasonable, and that the FERC also failed to adequately support the newly approved ROE.

In October 2018, the FERC issued an ROE order that addressed the D.C. Circuit's actions. Under a new proposed two-step ROE approach, the FERC indicated an intention to dismiss an ROE complaint if the existing ROE falls within the range of just and reasonable ROEs based on equal weighting of the Discounted Cash Flow model, Capital Asset Pricing Model, and Expected Earnings model. The FERC proposed that if necessary, it would then set a new ROE by averaging the results of these models plus a Risk Premium model.

The FERC subsequently made preliminary determinations in a November 2018 order that the MISO TO's base ROE in effect for the first complaint period (12.38 percent) was outside the range of reasonableness, and should be reduced. The FERC's preliminary analysis using the proposed ROE approach indicated a base ROE of 10.28 percent for the first complaint period, compared to the previously ordered base ROE of 10.32 percent. The FERC ordered additional briefings on the new methodology, which were filed in February and April 2019.

On March 21, 2019, the FERC announced a Notice of Inquiry (NOI) seeking public comments on whether, and if so how, to revise ROE policies in light of the D.C. Circuit Court decision. The FERC also initiated an NOI on whether to revise its policies on incentives for electric transmission investments, including the RTO membership incentive. The comment periods concluded in August 2019.

b. FERC Action Since our Last TCR Petition

In November 2019, the FERC issued an order adopting a new ROE methodology and setting the MISO base ROE at 9.88 percent (10.38 percent with the RTO adder), effective September 28, 2016 and for the first refund period. FERC also dismissed the second complaint.

In December 2019, MISO TOs filed a request for rehearing. Customers also filed requests for rehearing claiming, among other points, that the FERC erred by dismissing the second complaint without refunds. The FERC accepted the requests for rehearing in January 2020; however, it is uncertain when the FERC will act on the requests or any other pending matters related to the 2019 NOIs.

In January 2020, complainant-aligned parties filed a protective petition for review of the FERC's November 2019 order with the D.C. Circuit. Also in January 2020, FERC issued tolling orders granting the requests for rehearing of the November 2019 order solely for the purpose of further consideration.

In May 2020, the FERC issued an order on the merits of the various requests for rehearing of its November 2019 decision. The FERC modified its ROE methodology to raise the MISO base ROE to 10.02 percent (10.52 percent with the RTO adder). The FERC also upheld its prior decision to deny the second complaint without refunds.

In June 2020, several parties including complainant-aligned parties and utility-aligned parties filed requests for rehearing of FERC's May 2020 order. In June and July 2020, the MISO TOs and several utility-aligned parties filed petitions for review of FERC's November 2019 and May 2020 orders at the D.C. Circuit.

In July 2020, complainant-aligned parties filed an additional protective petition for review in the D.C. Circuit. In July 2020, complainant-aligned parties filed an additional protective petition for review in the D.C. Circuit.

Additionally, in June 2020, the D.C. Circuit issued a decision in an unrelated proceeding, *Allegheny Defense Project v. FERC*, which held that FERC's longstanding use of tolling orders to extend FERC's deadline to act on the merits of requests for rehearing is improper. The effect on this decision on tolling orders previously issued by FERC, including the tolling orders issued in January 2020 regarding requests for rehearing of FERC's November 2019 decision on the MISO ROE complaints, is currently unclear.

c. Impact of FERC Actions on the TCR

Refunds for the first refund period, based on the September 2016 FERC Order, were settled with MISO in May 2017, and the impact of those refund settlements was included in 2017 carry-over balance and the resulting calculation of the 2018 revenue requirements in a prior TCR proceeding, Docket No. EL17-036.

Refunds for the first refund period and the period from November 21, 2019 – December 31, 2019 based on the November 2019 FERC Order authorizing a 9.88 percent base ROE (10.38 percent with the adder) were settled with MISO in early 2020, and the impact of those refund settlements are included in the 2020 actual RECB line item in this Petition. Additional resettlements for these periods will need to be processed using the higher 10.02 percent base ROE (10.52 percent with the adder) as approved in the May 2020 Order. We expect additional resettlements to occur before the end of 2020; however we have not included an amount for pending resettlements since the timing and amount is not known. The TCR tracker filed in next year's TCR Petition will update for the final, actual resettlement in the 2020 RECB line item.

Additional resettlements will occur for all other open periods dating back to September 28, 2016, the date of the first complaint Order, to account for the ROE approved in the May 2020 Order. We expect these resettlements will occur in billings beginning in late 2020 and through 2021. These resettlements will be accounted for in the TCR tracker filed in next year's TCR Petition.

In calculating the 2021 TCR revenue requirement, we applied the currently-authorized 10.52 percent MISO ROE, which includes the RTO adder, for 2021 activity. However, future adjustments to the TCR Tracker may be necessary pending the outcome of additional FERC actions and inquiries and requests for rehearing of the May 2020 Order. We will keep the Commission informed of any additional outcomes in these proceedings at the FERC.

C. Tracker Account and Accounting

The Company uses a Tracker Account as the accounting mechanism for eligible TCR 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 applied the composite demand allocator described previously, which serves to:

- Allocate a share of the total costs to NSPW.
- Exclude the portion of Company costs not related to serving South Dakota retail customers. This step allocates a share of costs to the North Dakota and Minnesota retail jurisdictions.

The result of this allocation process is that South Dakota electric customers are allocated approximately 5.5 percent and 5.7 percent of total transmission costs in 2020 and 2021, respectively. The increase in South Dakota allocation is attributable, primarily, to stronger sales and customer growth in South Dakota compared to North Dakota, a trend which is forecasted to continue during the 2020-2024 forecast period. By performing this cost allocation process, we ensure that electric customers in other jurisdictions are allocated a share of TCR revenue requirements, consistent with the Company's allocation of similar costs in a general rate case.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the TCR Adjustment Factor and compares that amount with the monthly revenue requirements. The difference is recorded in the Tracker Account as the amount of over- or under-recovery. The under-recovered amounts are recorded in FERC Account 182.3, Other Regulatory Assets, and the over-recovered amounts are recorded in FERC Account 254, Other Regulatory Liabilities (the Tracker Accounts). 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.

D. Project Cost Recovery

i. Summary

The Cost Recovery and TCR Rate section provides support for the proposed 2021 TCR rate. This information is summarized as follows:

- The projected TCR Tracker Account activity for 2021, including both revenue requirements and projected revenues, is included in Attachment 7.
- The projected 2021 revenue requirement proposed to be recovered through the TCR Adjustment Factor from South Dakota electric customers is approximately $7.2 million. Support for this amount is included in Attachment 7. These calculations are discussed in detail below.
- Projected revenues are calculated by month as shown in Attachment 10 and are based on forecast 2021 State of South Dakota budget sales by calendar month.
- The development of the TCR Adjustment Factor is included in Attachment 9. The proposed TCR Adjustment Factor is shown below.

Included in the $7.2 million in revenue requirements is the 2020 TCR Tracker Report true-up over-collection balance of $157,826.

ii. Proposed 2021 TCR Adjustment Factor

The Company's TCR rate design is the annual calculated revenue requirement (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 retail customers from January through December 2021. This calculation is shown on Attachment 9, and the detailed annual forecast of energy sales is shown on Attachment 10.

Based on this rate design, we propose the following TCR Adjustment Factor:

Table 2: 2021 Rate Factor Calculation

	Retail
TCR Adjustment Factor Cost Per kWh	**$0.003446**

SD retail Sales (MWh) *2021*	**2,094,500**

2021 Revenue Requirement	*$7,376,144*
2020 Carry-Forward Balance	*($157,826)*
2021 Net SD retail Cost	**$7,218,319**

The average bill impact for a residential customer using 750 kWh per month is $2.58 per month. This is an increase of $0.31 per month from the current TCR Adjustment Factor.

iii. 2021 TCR Rider Revenue Requirements

Attachment 7 sets forth the 2021 revenue requirement in support of the proposed TCR Adjustment Factor. S. D. Codified Laws 49-34A-25.2 outlines the requirements for the calculation of the adjustment. The following explains how the Company applies these provisions.

> *S. D. Codified Laws 49-34A-25.2* (2) *Allows a return on investment at the level approved in the public utility's last general rate case, unless a different return is found to be consistent with the public interest.*

Please see Section 6 (A)(i) above for the discussion of the overall cost of capital to be used in the TCR Rider revenue requirement calculations.

> *S. D. Codified Laws 49-34A-25.2* (3) *Provides for a current return on construction work in progress, if the recovery from retail customers for the allowance for funds used during construction is not sought through any other mechanism.*

The Company's 2021 TCR revenue requirement model includes a current return on capital expenditures beginning with the cumulative Construction Work in Progress (CWIP) balance for each project at eligibility date, or the date construction expenditures begin after that date, whichever is sooner. The beginning CWIP balance includes Allowance for Funds Used During Construction (AFUDC) incurred prior to the project eligibility date. After that date, the South Dakota jurisdictional portion of costs does not include AFUDC and a current return is calculated on the CWIP balance.

> *S. D. Codified Laws 49-34A-25.2(4) Allocates project costs appropriately between wholesale and retail customers;*

Project costs are allocated to the State of South Dakota retail jurisdiction based on the demand allocator, excluding demands for NSPW as well as the Company's North Dakota and Minnesota demands. In addition, to ensure no double recovery occurs from Open Access Transmission Tariff (OATT) revenue collected from non-NSP native load customers, the Company will apply an OATT revenue credit calculated based on a forecast of OATT revenue collections divided by the transmission revenue requirements included in the OATT rate calculation for the Company's pricing zone under the MISO Transmission and Energy Markets Tariff (MISO TEMT). Attachment 15 provides details of the OATT credit factor for 2019 through 2021. We note that the 2020 OATT credit factor is a lower percent because of larger 2019 true-up that has been included in the rate. This results in a slightly higher revenue requirement in 2020 for several in-service projects that the Company owns in their entirety.[5]

For purposes of calculating projected revenue requirements, the Company proposes to use 2021 forecast demand allocators. Any resulting over- or under-recovery from customers as a result of the use of the 2021 demand factors will be reflected in the true up of 2021 revenues when determining the 2022 TCR Adjustment Factor. These demand allocators are shown in Attachment 11.

In addition, consistent with the Commission's past TCR docket Orders, we include the following related costs: Accumulated Deferred Income Taxes (ADIT), current and deferred taxes, and book depreciation. As discussed in our December 4, 2019 Update filing in Docket EL19-032, we have used the latest Wisconsin-approved depreciation rates for projects located in Wisconsin. In addition, the Update filing in Docket EL19-032 discussed uncertainty regarding the IRS's application of bonus depreciation for the 2018 calendar year. Since that proceeding, we have completed our analysis and determined that the La Crosse – Madison and Minot Load Serving projects were eligible for bonus depreciation in 2018 per IRS guidance. This determination was made after the Company filed its tax return for 2018 and so the bonus depreciation was reflected on the 2019 tax return and changes to these projects' revenue requirements were made in 2019 to align with the tax return. The revenue

[5] See the Annual Tracker, Attachment 4. In particular, the Sioux Falls Northern, Bluff Creek – Westgate, Chaska – Hwy 212 Conversion, Lake Marion – Burnsville, and Maple Lake – Annandale projects.

requirement changes due to 2018 bonus depreciation are reflected the 2019 project revenue requirements in the tracker for these projects.

Consistent with the Commission's Order in Docket No. EL16-031, property taxes associated with these transmission projects have been removed from the TCR tracker and are instead collected through the Fuel Clause Rider which is subject to an annual property tax true-up in April. Attachment 12 shows the revenue requirement calculations for the proposed TCR projects.

(7) Proposed Effective Date of Modified Rate

Consistent with the 30-day notice requirement under S.D. Codified Laws 49-34A-17, we propose to implement rates January 1, 2021. If the Commission acts to suspend the proposed rates and our Petition has not been approved in time to implement January 1, we propose to implement the rates the first billing cycle following Commission approval, or at the time the proposed rates are no longer subject to suspension.

(8) Approximation of Annual Increase in Revenue

Attachment 4 shows a summary of the TCR Tracker Account activity from 2019 through 2022. Attachments 5, 6, 7 and 8 provide detail for each year. When the Tracker Account balance from 2020 is combined with the revenue requirements from Attachment 7 for 2021, it results in a revenue requirement of $7.2 million for 2021. We have calculated this amount to be passed to customers from January through December 2021 through this tariff mechanism. Pending the timing of Commission approval, we will recalculate the TCR Adjustment Factor based on when we can implement the new rate. The proposed 2021 revenue requirement represents an increase of $650,737 compared to the TCR Rider revenue requirements approved for 2020.

(9) Points Affected

The proposed TCR Adjustment Factor 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

This tariff rider is proposed to be applied to all customers throughout all customer classes as described within this petition. Xcel Energy presently serves approximately 97,525 customers in 36 communities in eastern South Dakota.

(11) Statement of Facts, Expert Opinions, Documents, and Exhibits to Support the Proposed Changes

Supporting information is provided in narrative throughout this Petition and in the attached Exhibits.

PLANNED CUSTOMER NOTICE

In accordance with ARSD 20:10:16:01(2), the Company plans to provide notice to customers comparing the prior rate and the new rate through a bill onsert. Attachment 17 includes the language we propose be included with customers' bills the month the TCR Adjustment Factor is implemented, or as soon as is practicable after implementation of the TCR Adjustment Factor.

We will work with the Commission Staff to determine if there are any suggestions to modify this bill onsert. To the extent that multiple new rider rates are implemented on the same date, we will coordinate the various rider customer notices.

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 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 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. 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 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 EL14-058.

CONTACT INFORMATION

We request that all communications regarding this proceeding, including data requests, also be directed to:

Lynnette Sweet
Regulatory Administrator
Xcel Energy
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the proposed transmission projects as eligible for recovery and approve the revised TCR Adjustment Factor for 2021 described in this filing. This revised TCR Adjustment Factor is designed to recover the costs associated with significant investments in needed transmission infrastructure. The Company appreciates the interest and efforts of South Dakota policymakers in supporting that effort.

Dated: September 1, 2020

Northern States Power Company