



500 West Russell St  
Sioux Falls, SD 57104

December 10, 2021

**--Via Electronic Filing--**

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

RE: UPDATE  
2022 INFRASTRUCTURE RIDER PROJECT ELIGIBILITY AND FACTOR  
DOCKET NO. EL21-028

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed update to our 2022 Infrastructure Rider Petition. We appreciate Commission Staff's thorough review of our Petition, which brought to our attention a necessary correction to deferred tax rates in our calculation. We propose to adjust our initial Petition to make this correction, which decreases the 2022 total revenue requirement by approximately \$1.1 million and decreases the proposed rate from \$0.013865 per kWh to \$0.013361 per kWh.

In responding to Commission Staff Data Request No. 1-7 in this docket, we discovered that we had used only post-Tax Cuts and Jobs Act (TCJA) rates instead of pre- and post-TCJA tax rates. Projects that were placed into service prior to the passage of the TCJA in 2017 have Accumulated Deferred Income Taxes (ADIT) using both a 35 percent corporate federal tax rate and a post-TCJA rate of 21 percent. Excess deferred taxes were created when the TCJA reduced the corporate income tax rate from 35 percent to 21 percent. The revenue requirement calculation includes the reversal of the excess ADIT, caused by this reduction in tax rates, beginning when book depreciation exceeds tax depreciation. The deferred tax turnaround causes the excess deferred tax to reduce over the remaining life of the project beginning in the year in which book depreciation exceeds tax depreciation. When this turnaround begins, the ADIT balance begins to unwind, and an average deferred tax rate should be used to calculate the annual deferred tax amount in the revenue requirement calculation.

Instead of using a project-specific calculated average deferred tax rate to amortize the annual deferred taxes, the current corporate rate was used for all years (28.1 percent). This caused an incorrect amount of deferred tax reduction to be used in the revenue requirement calculation. When preparing this correction, the Company checked all projects included in the rider to make sure they each had the proper treatment. We found that many projects, in addition to those directly addressed in SDPUC DR No. 1-7, were also impacted. The 2020, 2021 and 2022 revenue requirements were impacted by the deferred tax rate updates, for a cumulative reduction of \$1.1 million to the proposed 2022 revenue requirements.

We note that previous Infrastructure Rider filings correctly applied deferred taxes, including the last proceeding in Docket No. EL20-028.

We have included all of the initial filing attachments related to the rate and revenue requirement calculations<sup>1</sup> for ease of review, but we note that only the following attachments were impacted by the deferred tax updates:

- Attachment 1: Rate Factor Calculation & Bill Impact
- Attachment 2: Annual Rider Tracker Summary
- Attachment 3: Rider Tracker Monthly Detail
- Attachment 4: Comparison to Previous Filing
- Attachment 5: Rider Revenue Requirements Detail
- Attachment 6: SD Calendar Month Electric Sales (Revenues)
- Attachment 8: Revenue Requirements Model Logic
- Attachment 11: Proposed Tariff Sheet
- Attachment 13: 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 Attachments 2, 3, 4, 5, 7, and 8.

- (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.**

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<sup>1</sup> We have excluded the attachments related to wind performance and modeling, Attachments 10, 10A, 10B, 12, 12A, and 12B.

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 2, 3, 4, 5, 7, and 8 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 2, 3, 4, 5, 7, and 8 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

cc: Service List

Enclosures

## Certificate of Service

I, Martha Hoschmiller, hereby certify that I have this day electronically served copies of the foregoing document on the attached list of persons.

### Official Service List:

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**Docket Nos. EL21-028 – 2022 Infrastructure Rider**

Dated this 10th Day of December 2021

/s/

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Martha Hoschmiller  
Case Specialist II