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South Dakota

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Kathleen Mackeprang

Sioux Falls SD 57110

Ms. Mackeprang,

This is in response to your letter received in today's mail regarding the Xcel Energy rate case, Public Utilities Commission docket EL22-017.

Xcel Energy filed their rate increase request with the commission on June 30, 2022, requesting to increase their overall revenue in South Dakota by 17.9%. Note that this revenue increase request effects five customer classes and 16 sub-classes, with each having its own rate specifications. The Interim Rate Adjustment on your statement includes costs previously recovered via the Transmission Cost Recovery and Infrastructure Rider through 2022, so these expenses are added to the Basic Service Charge and the Energy Charge in a rate case. Thus, these rate elements added together result in an interim rate increase percentage of 55.8%, however, the decrease in the two rider rates lower the overall rate case percentage.

Below are each of your questions along with answers.

1. I guess this is legal but how can they charge for something that isn't approved and how can they back date the rate?

Answer: My fellow commissioners and I suspended the rate increase for six months, the maximum allowed by state law, while this docket is being reviewed and additional financial information and supporting documents are being requested of the company and analyzed. Now that interim rates have been implemented by Xcel, any balance between each final determined customer class rate along with interest will be refunded to customers following the one year maximum docket processing timeline.

The enclosed Electric Rate Increase Information Guide helps explain how the law is applied to rate-regulated investor-owned utilities such as Xcel Energy. See excerpt below.

Rate Case Process - When an investor-owned electric utility wishes to modify its rates, it must seek permission from the PUC to do so. The company begins the process by filing an application with the PUC that states the proposed rate of increase for each of its customer classes – residential, commercial and industrial, for example – and the rationale for the requested increase. The PUC has six months to investigate and make a decision about a rate request before the utility may put interim rates into effect, subject to refund depending on the PUC's decision.

2. What happens to the interest on the money they have collected during this time if the rate increase is not approved or not approved at the rate that Xcel is requesting or not effective on January 2023 as they have requested?

Answer: The commission is still reviewing and processing the EL22-017 docket and has yet to decide on Xcel's proposed rate increase. In the event the commission approves of a rate increase that is lower than the implemented interim rates in effect today, Xcel's ratepayers will receive a refund plus interest for the balance. Historically, this interest rate has been 7%.

3. Our personal bill has increased about \$20 a month. For this month that equals about a 50% rate increase. While I am aware the price of everything is up, please don't approve a 50% pay rate in South Dakota electricity. I don't believe this is a fair and equitable rate increase. I am not going to get a 50% pay raise this year to compensate for such an increase.

Answer: By law, the commission cannot simply reject a rate request without fully reviewing and processing the case. The commission must balance the needs of the utility company to provide safe, reliable service in addition to the needs of its customers. South Dakota Codified Law 49-34A-2 states, "Every public utility shall furnish adequate, efficient, and reasonable service." SDCL 49-34A-6 states, "Every rate made, demanded or received by any public utility shall be just and reasonable. Every unjust or unreasonable rate shall be prohibited." SDCL 49-34A-8 is titled "Criteria for determination of rates by commission". This law states, "The commission, in the exercise of its power under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, economical, and reasonable service and to the need of the public utility for revenues sufficient to enable it to meet its total current cost of furnishing such service, including taxes and interest, and including adequate provision for depreciation of its utility property used and necessary in rendering service to the public, and to earn a fair and reasonable return upon the value of its property." Therefore, the commission is obligated by law to review all documents and justification provided by a utility for such a docket to ensure the rates charged are just and reasonable to all parties, ratepayers and the utility. The commission must provide the utility with sufficient revenues it needs to furnish adequate, efficient, and reasonable service.

It may be helpful to reference Xcel 's prior rate increase request: Docket EL14-058 was filed on June 23, 2014, with Xcel requesting a rate increase of approximately \$15.6 million. After a thorough review of the docket, the commissioners voted on June 15, 2015, to allow Xcel an increase of \$6.922 million. The commission determined that it was not just and reasonable to allow the full requested increase, determining that Xcel's request warranted an increase at the lesser amount, after an exhaustive review of the documents filed and many rounds of follow-up questions and data. The commissioners arrived at their decision by studying the full analysis done by staff and its expert witnesses. The same review process is done for every rate case filed with the commission in order to ensure rates are just and reasonable for all parties, and that the utility has sufficient revenues it needs to furnish adequate and reasonable service to its customers.

I encourage you to read through some of the documents filed in this docket to better understand the issues of the rate case. These can be found at PUC.sd.gov by clicking on Commission Actions, Commission Dockets, Electric Dockets, 2022 Electric Dockets, and scrolling to EL22-017.

4. My husband and I have solar panels and sell energy to Xcel that we don't use or isn't stored in our battery. I haven't seen any increase, let alone a 50% increase, in the payment from Xcel since January 2023 for the energy. How does this effect that arrangement?

Answer: The amount Xcel Energy must reimburse you for any excess energy from your solar panels is found in the utility's filed tariff. However, the amount that the utility reimburses you for that energy is determined via a separate docket that the utility must file with the commission. The most recent docket that determined this was EL21-019, *In the Matter of the Filing by Northern States Power Company dba Xcel Energy for Approval of Tariff Revisions to its Rates for Small Power Production and Cogeneration*. You can access this docket to learn more about how this rate was determined, and you can also access Xcel's tariff, along with the other investor-owned utility tariffs, on the commission's website under the Energy tab, Investor-Owned Electric Companies, and Electric Tariffs.

Since my fellow commissioners and I will ultimately be voting on the outcome of this rate increase request, communication with any one of us must be noticed and done in public or posted in the docket available online. As such, your letter and my response will be posted under Comments and Responses in EL22-017.

Thank you for writing and sharing how our staff members helped you with your solar panel arrangement with Xcel. I also appreciate you allowing me the opportunity to explain how a rate case such as this one is processed by the commission as provided by law.

Sincerely,


Kristie Fiegen