

From: PUC
Sent: Monday, December 12, 2022 2:52 PM
To: [REDACTED]
Subject: EL22-017

Mr. Chambers,

This is in response to your email to the South Dakota Public Utilities Commission regarding the Xcel Energy rate increase request, docket EL22-017, currently being reviewed by the commission.

A team of PUC staff rate analysts and a staff attorney along with staff's three expert witnesses, as well as commissioners and their advisors, are currently reviewing Xcel's requested rate increase. During this lengthy and thorough review process, additional financial and technical data has been and continues to be requested and analyzed to determine what percentage increase, if any, staff believes is appropriate and justifiable under state law. Commissioners are prohibited to say no to any rate increase request filed in accordance with the law without fully vetting the facts and reasoning for the request, and are required to arrive at a reasonable and legally enforceable decision. As you know, Xcel Energy is an investor-owned utility and thus, subject to rate review by the commission, in contrast to rural electric and municipal utilities, the latter which you represented and referenced in your message. This [FAQ](#) posted on the commission's website explains further, with key excerpts below.

What are the IOU companies and why does the commission regulate their rates?

There are six IOUs that provide electric service to specific geographic areas in South Dakota. Because these companies are regulated monopolies, owned by their investors and managed as private enterprises, state law provides the PUC with authority over rates and service requirements. These IOUs are Black Hills Energy, MidAmerican Energy Co., Montana-Dakota Utilities Co., NorthWestern Energy, Otter Tail Power Co., and Xcel Energy. Here is contact information for the IOUs, <https://puc.sd.gov/energy/investorowned.aspx>.

The South Dakota Legislature gave the PUC authority to ensure the IOUs provide safe and reliable service at fair and reasonable rates. For example, when considering a rate increase request filed by any one of these utilities, the commission must process such a case according to the law. This means the commission must balance the public's need for adequate, efficient and reasonable service along with each utility's need to collect revenues enabling it to meet its cost of furnishing such service and the opportunity to earn a fair, reasonable

return. The commission determines these factors based on definitions, standards and references specified in South Dakota Codified Law.

Does the PUC regulate rural electric cooperatives and municipal electric systems?

The legislature has not delegated the PUC the same oversight by law when it comes to rural electric cooperatives or municipal electric systems. The reason for this is that the members of each co-op and municipality elect those that represent them and manage their system. Thus those customers have a voice in their service and its oversight, unlike in the case with customers of the six IOUs. The commission has authority to ensure every one of South Dakota's electric utilities – whether IOU, co-op or municipal - provides adequate electric service, as provided by [SDCL 49-34A-58](#).

While comparing the rates of other utility systems is interesting, it is important to remember that each utility has its own unique service territory, energy resources and resource mix, and expenses in order to serve its customers. Some of the costs that Xcel identified as primary drivers of this rate case are investments in their distribution system, upgrades to technology, ensuring safe and reliable nuclear generation, nuclear plant decommissioning funding, wind generation investments, and other inflationary pressures. While recent weather events in the Sioux Falls area have certainly contributed to the outages you have experienced in recent years, it appears that Xcel's plans for distribution investments are intended to solidify its system for future events.

Given your interest in Xcel's rate case, we encourage you to read through some of the documents filed in this docket to better understand the issues of the case, such as those topics referenced as drivers of the request. These can be found online via the [EL22-017 docket](#). The [Electric Rate Increase Requests Information Guide](#) posted in the docket and on the commission website home page is helpful in understanding how dockets such as these are processed by the commission within the confines of state law.

Your email and this response will be posted under Comments and Responses in the online docket.

South Dakota Public Utilities Commission Staff
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