STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF THE 2023 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR	DOCKET NO. EL22-___ **INFRASTRUCTURE RIDER ANNUAL FILING AND UPDATE**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this annual filing to update the Infrastructure Cost Recovery Rider, Adjustment Factor, and Tracker. The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. The Infrastructure Rider was subsequently modified and approved in the electric rate case Settlement Stipulation in Docket No. EL14-058 by the Commission's June 16, 2015 Order. This filing is submitted consistent with that Order and Settlement.

Projects eligible for recovery through the Infrastructure Rider include those projects specified in Exhibit C to the Settlement in Docket No. EL14-058 and capital investments consistent with the Phase-In Statute (SDCL § 49-34A-73) not yet included in base rates or otherwise recovered through other available mechanisms. In that docket, the Company agreed the annual rider update process would change from a compliance filing to an annual filing requiring specific Commission approval.

An additional Settlement Stipulation was approved by the Commission in the Tax Reform docket, which allows the Company to seek recovery through the Infrastructure Rider of new wind generation projects and the costs of terminating certain biomass Purchase Power Agreements (PPAs).[1] The Commission granted the Company's request for deferred accounting for the biomass costs, as required prior to inclusion of those costs in the Infrastructure Rider.[2] The Commission subsequently approved Infrastructure Rider recovery of the biomass PPA termination costs and

[1] Docket No. GE17-003; Order (July 18, 2018)
[2] Docket No. EL18-027, Order (June 28, 2018)

costs associated with several wind projects that were forecasted to be in-service in 2019, 2020, 2021 and 2022.[3]

In compliance with the various Settlement Agreements and Commission Orders referenced above, we last submitted a filing to update the Infrastructure Rider Adjustment Factor on October 1, 2021. The updated Adjustment Factor became effective January 1, 2022. We have included a tracker report showing actual revenue collections under this rate through July 31, 2022 and forecasted costs and collections for the remainder of 2022.

We note that the Company recently filed an electric rate case with the Commission in Docket No. EL22-017. In that case, we proposed to move all projects currently being recovered through the Infrastructure Rider that were forecasted to be in-service prior to December 31, 2022 from the Infrastructure Rider into base rates. We have included these projects in the Infrastructure Rider through 2022, and have assumed that as of January 1, 2023 these projects' revenue requirements will be recovered through base rates. The revenue requirements included in this Petition are related to the true-up of 2021 actual costs and 2022 actual and forecasted costs. The result of moving these projects to base rate recovery is a *negative* revenue requirement and rate factor for 2023. This is effectively a credit on customers' monthly bill during 2023.

In this filing, we propose to decrease the Infrastructure Rider rate to refund an estimated $2,262,749 in revenue requirements for 2023. The resulting rate we propose to implement on January 1, 2023 is negative $0.001037 per kWh applied to all energy billed to each customer class during the calendar year 2023. The average bill impact is estimated to be a credit of $0.78 per month for a typical residential electric customer using 750 kWh per month, a decrease of $10.80 compared to the 2022 rate. We note that we have proposed to move these costs to base rates beginning January 1, 2023. Therefore, costs associated with these projects currently in the Infrastructure Rider will continue to be reflected on customer bills after January 1, 2023 through an interim rate adjustment and based on the Commission's determination in the pending rate case.

We specifically request Commission approval of:

- the Infrastructure Rider Tracker Report and true-up for the 2022 revenue requirements;

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[3] Docket No. EL18-040, Order (December 18, 2018); Docket No. EL19-035, Order (December 13, 2019); Docket No. EL20-026, Order (December 28, 2020); Docket No. EL21-028 (December 23, 2021)

- 2023 Infrastructure Rider revenue requirements of negative $2.3 million;
- an updated Infrastructure Rider Adjustment Factor of negative $0.001037 per kWh;
- proposed revision to the Infrastructure Rider tariff sheet; and
- proposed customer notice.

REQUIRED INFORMATION

Following is information specified in S.D. Admin. R. 20:10:13:26 regarding our proposed Infrastructure Rider 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) 339-8350

(2) Section and Sheet Number of Tariff Schedule

We propose to revise tariff sheet number 74 in Section 5 of the Northern States Power Company South Dakota Electric Rate Book. The proposed tariff sheet that would implement the revised Infrastructure Rider Adjustment Factor is included as Attachment 11.

(3) Description of the Tariff Change

This request revises the Infrastructure Rider Adjustment Factor shown as a separate line item on customer bills. The current Infrastructure Adjustment Factor of $0.013361 per kWh became effective on January 1, 2022. We propose the new 2023 Infrastructure Adjustment Factor of negative $0.001037 per kWh be effective on January 1, 2023.

(4) Reason for the Requested Change

The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. In the subsequent electric rate case, Docket No. EL14-058, new projects were included, and the rider mechanism was expanded to implement the Phase-In Statute for possible recovery of other capital investments consistent with SDCL § 49-34A-73.1. Exhibit C of the Settlement in the last concluded rate case identified projects with forecasted in-service dates through 2017. The Settlement Stipulation in Docket No. GE17-003 allows the Company to request recovery of new wind projects and costs related to the termination of several biomass PPAs.

The Infrastructure Rider Adjustment Factor has been updated each year since the mechanism was approved to reflect current costs and new facilities. To ensure that customers are not under or overcharged, we record the actual revenues and costs in our tracker account and credit or collect any difference during the next recovery period based on the estimated end of year balance in the tracker account.

This Petition includes the projected true-up amount for 2022. All projects included in the Infrastructure Rider for 2022 will be moved to base rates beginning in 2023.

(5) Present Rate

The current monthly rate for all customer classes is $0.013361 per kWh, implemented on January 1, 2022 and approved in the Commission's December 23, 2021 Order in Docket No. EL21-028. The rate was calculated by dividing the 2022 projected annual revenue requirements of the Infrastructure Rider Tracker Account, including the 2021 true-up and adjustment from the Docket No. EL14-058 rate case proceeding, by the 2022 forecasted retail sales for the period January through December (the time period the rate was in effect); it was rounded to the nearest $0.000001 per kWh.

(6) Proposed Rate

A. Commission Authority

The Commission's authority for considering and approving the revised Infrastructure Rider Adjustment Factor proposed in this Petition was established through approval of the Settlement Agreements in Docket Nos. EL12-046 and as refreshed in EL14-058 first under its general authority provided in SDCL § 49-34A. Additionally, authority granted through SDCL §§ 49-34A-73 through 49-34A-78 (Phase-In Statute) allows for cost recovery of material plant investments in generation, transmission and distribution assets. In part, the Phase-In Statute provides:

> *S.D. Codified laws 49-34A-73. Phase in rate plan for rate increases due to plant additions. Notwithstanding anything in this chapter to the contrary, an electric utility that is subject to rate regulation by the commission and plans plant additions that are expected to have a material impact on rates may make application to the commission for a phase in rate plan to provide for the phase in of expected rate increases resulting from plant additions. The plan may provide for any of the following:*

(1) Rate increases to be incrementally phased in prior to the commencement of commercial operation of the plant additions;
(2) To the extent rate increases for plant additions are allowed prior to commercial operation, restrictions on the capitalization of allowance for funds used during construction for the plant additions;
(3) Restrictions on other rate increases; and
(4) Any other conditions which benefit the public interest and may be imposed by the commission consistent with the findings in § 49-34A-74.

> *S.D. Codified Laws 49-34A-73.1. Plant additions defined. For purposes of §§ 49-34A-73 to 49-34A-78, inclusive, plant additions are investments in fixed generation, transmission, and distribution assets, whether purchased or constructed, including operations and maintenance expenses directly related to those fixed assets, real property, and new power purchases.*

In addition, the Settlement Stipulation approved in Docket No. GE17-003 allows for the inclusion of new wind projects and biomass PPA termination costs in the Infrastructure Rider.

We have calculated our revenue requirement consistent with the methodology accepted by the Commission in past Infrastructure Rider filing Orders.[4] The 2023 overall rate of return is based on the Company's last authorized capital structure and the return on equity (ROE) approved by the Commission in our last concluded electric rate case.[5]

The Company proposes a 2023 Infrastructure Rider Adjustment Factor for all customer classes of negative $0.001037 per kWh. The Infrastructure Rider Adjustment Factor was calculated by dividing the forecasted balance of the Infrastructure Rider Tracker Account by the forecasted retail sales for the calendar year; it is rounded to the nearest $0.000001 per kWh.

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[4] Docket No. EL12-046: April 18, 2013, December 9, 2013; Docket No EL14-058: June 16, 2015; Docket No. EL15-038: December 11, 2015; Docket No. EL16-032, December 21, 2016; Docket No. EL17-039: December 21, 2017; Docket No. EL18-040: December 18, 2018; Docket No. EL19-035: December 13, 2019; Docket No. EL20-026: December 28, 2020; Docket No. EL21-028: December 23, 2021.
[5] Docket No. EL14-058. We note since our electric rate case in Docket No. EL22-017 is pending and not yet approved, we have not used the proposed ROE from that case to calculate the 2023 revenue requirements.

B. Proposed Infrastructure Projects

i. Projects Previously Approved for Rider Recovery

A complete list of projects previously approved for Infrastructure Rider recovery is provided in Attachment 10. The projects approved in the 2014, 2015, 2016, 2017, 2018, 2019, and 2020 dockets were reaffirmed for rider inclusion most recently in Docket No. EL21-028 and are included in the 2023 revenue requirement calculations.

ii. Project Updates

Attachment 4 provides a summary of the updated revenue requirements for the approved projects compared to the forecasted revenue requirements presented in our last Infrastructure Rider update filed in Docket No. EL21-028. We discuss notable project cost, in-service date, and scope changes below.

In total, the 2022 forecast for projects included the Infrastructure Rider is approximately $575,897 less at this time compared to our approved 2022 level. See Attachment 4. The lower-than-forecasted 2022 revenue requirements effectively reduce the 2023 revenue requirements through the carryover balance.

a. Inflation Reduction Act

The recently passed federal Inflation Reduction Act of 2022 (IRA) includes important tax changes to spur U.S. clean energy production. We, along with the rest of the industry, continue to analyze impacts of the legislation, but believe it will lead to significant savings for our customers.

There are several components in the IRA that will require estimation, interpretation, and further guidance from the Internal Revenue Service (IRS) to refine our estimate of the economic impact on projects recovered through the Infrastructure Rider. For example, a particularly important component is the ability to transfer/sell tax credits to third parties. This will require the development of a new market to facilitate these transactions. The cost to transact will be determined by several factors including market conditions and transaction structure. We will better understand the cost as the market develops, but we expect the cost to be relatively small compared to the value of the credits and the overall benefits to our customers.

Other factors in the IRA that need further review and clarification include eligibility requirements to qualify for the full credit including prevailing wage and apprenticeship provisions, and requirements to qualify for bonus credits including "energy community" and "domestic content" provisions as defined in the IRA. Guidance on these and other details of the IRA will help us to refine the expected impact on infrastructure-related projects.

In the coming months, we will work to refine the impact of the IRA, including on the projects being recovered through the Infrastructure Rider, as additional guidance is provided by the IRS. Overall, we expect the passage of the IRA will provide significant benefits to our customers in a lower levelized cost of energy (LCOE) for eligible projects.

At this time, we have been able to quantify some impacts of the IRA on production tax credits (PTCs). While PTCs are trued-up through the Fuel Clause Charge (FCC) Rider monthly, the changes to the PTC credits even through a different recovery mechanism will still offset the costs of these generation facilities for customers. The known PTC impacts are as follows:

- The IRA provides for a PTC credit rate of $27.50 per MWh for projects placed-in-service in 2022 or later, assuming all requirements of the Inflation Reduction Act are satisfied, some of which remain subject to additional guidance expected to be provided by Treasury and the IRS.
    - This change is expected to impact all projects, including repowers, with placed-in-service dates after December 31, 2021. This includes the Dakota Range I and II project, Nobles Repower project, and the Northern Wind Repower project currently included in the Infrastructure Rider.
    - Projects with a placed-in-service date of December 31, 2021 and earlier remain at $26.00 per MWh.
- Additionally, the Nobles Repower and Northern Wind Repower projects are now eligible for the full PTC credit (i.e., the 100 percent PTC credit) rather than being limited to 80 percent.
- Additionally, the IRA expanded the types of projects that qualify for PTCs (e.g., solar PTCs) and investment tax credits, and Xcel Energy is continuing to review the legislation to determine what, if any, of these benefits it can avail itself of in the future.

b. Dakota Range I and II Notable Updates

Dakota Range I and II achieved commercial operation in January 2022, just slightly later than our expectation that it would begin commercial operation at the end of 2021 at the time of our last Infrastructure Rider filing in Docket No. EL21-028. As discussed above, the recently passed IRA increased the PTC credit for projects placed in-service in 2022 from $26.00 to $27.50. The Dakota Range I and II project will receive PTCs with this higher value as a result.

While the additional PTCs will result in significant benefits for our customers, we note that there has been an increase in forecasted capital costs for the Dakota Range project since our last Infrastructure Rider proceeding caused, in part, by ongoing supply chain issues resulting from the pandemic. The final balance of plant (BOP) contract and the turbine supply agreement costs were higher than initially estimated and quoted by the vendors. We also had a cost increase for state mandated independent landowner liaison personnel, and we incurred additional costs to transport materials between our jurisdictions, which was part of our effort to achieve the 100 percent PTC level. However, with the project in-service date shifting to January 2022, the benefits of the elimination of the 2021 revenue requirements combined with the additional PTC level outweigh the increased overall project cost.

c. Northern Wind

Since our last Infrastructure Rider filing, several important developments have directly affected the Company's acquisition of the 120 MW Northern Wind and Rock Aetna projects and the project developer, ALLETE's, ability to deliver the projects as described in our last proceeding. These include changes in anticipated production levels as well as supply chain issues and inflationary pressures. Notwithstanding these challenges, the Company was able to renegotiate the terms of the transaction so that the projects could achieve commercial operation at essentially the same cost to customers.

After the Company renegotiated the transaction terms, the passage of the IRA, discussed above, further reduced the expected cost of the Northern Wind Project. As noted above, we now expect the Northern Wind and Rock Aetna project to receive the full PTC credit. The net impact of the changes is a reduction of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS** to the levelized cost of energy (LCOE) to **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Given the current state of the MISO interconnection queue as well as overall inflation impacts and specific disruptions to the solar supply chain caused by the U.S. Department of Commerce's ongoing antidumping investigation, we believe it is important to keep the Northern Wind and Rock Aetna projects on track to cost-effectively meet our resource needs.

We note the following changes to the Northern Wind project:

- Accounting treatment of the Northern Wind project as two projects (Viking and Chanarambie as one project and Rock Aetna as the second project);

- A $5.6 million increase to the acquisition costs;
- Increased nameplate capacity of 2 MW for the Rock Aetna project from 20 to 22 MW;
- Reduced anticipated production for the combined project from 472,204 to 451,000 MWh and reduced net capacity factor due to changes made to the wind turbine configuration;
- A slight delay to the project's commercial operation date (COD) from December 1, 2022 to later in December 2022 for the Northern Wind project, with closing of the Rock Aetna sales transaction and resulting in-service date shifting to January 2023;
- Additional PTC benefits for the Northern Wind Project; and
- A reduction of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS** to LCOE.

As a result of these updates, the attachments to this filing now show two work order numbers instead of three for this combined repower project, and the updated in-service dates are incorporated. The attachments also reflect the updated project costs; however, the projects were included in the Known and Measurable adjustment in the rate case and therefore there are no costs included in the Infrastructure Rider beginning on January 1, 2023. Project costs included in the rate case do not capture the cost increases or changed in-service dates.

iii. New Project Eligibility

The Company does not seek eligibility determinations for any new projects in this Petition. However, in our pending rate case we have included a Known and Measurable adjustment for projects forecasted to be placed in-service after 2022 which generally meet the requirements for inclusion in the Infrastructure Rider. If approved as proposed in the rate case, those additional projects will be recovered through base rates, and there will be no projects included in the Infrastructure Rider from 2023.

C. Infrastructure Rider Tracker Account and Accounting

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure Rider 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 allocated costs among jurisdictions based on the cost allocation methodology approved in our last concluded rate case and consistent with the

Commission's December 23, 2021 Order approving the prior Infrastructure Rider filing. As a result, for 2023, South Dakota electric customers are allocated approximately 5.65 percent to 6.8 percent of each individual project, depending on the type of system component.

Each month as revenues are collected from retail customers, the Company tracks the amount of recovery under the Infrastructure Rider 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 Adjustment Factor for the next year's forecasted revenue requirement.

Since our last concluded rate case, the Company has consistently calculated the carrying charge in Infrastructure Rider filings based on the methodology used in the rate case settlement. However, while updating the tracker for this Infrastructure Rider filing, we discovered that our method of calculating the carrying charge is not consistent with how we are calculating the carrying charge in the Transmission Cost Recovery (TCR) Rider. The Company believes the carrying charge calculation should match how it is being done in the TCR Rider. As a result, in this filing we have modified the calculation so that the carrying charge is being calculated as a percentage of the total running over/under balance in the tracker, rather than the monthly balance. This change can be seen in Attachments 2 and 3, effective at the start of 2022.

D. Project Cost Recovery

i. Summary

Below we provide support for the proposed 2023 Infrastructure Rider rates. This information is summarized as follows:

- The projected Infrastructure Rider Tracker Account activity for 2023, including both revenue requirements and projected revenues, is summarized in Attachment 2 with monthly detail in Attachment 3.
- The projected 2023 revenue requirement proposed to be recovered through the Infrastructure Rider Adjustment Factor from South Dakota electric customers

is approximately negative $2.3 million. Detailed revenue requirements for each project can be found in Attachment 5. We note that the Commission approved special rate treatment for the Community Wind North project. Attachment 5A details how the revenue requirements were calculated for this project separately.

- Projected revenues are calculated by month as shown in Attachment 6 and are based on forecast 2023 South Dakota sales by calendar month.
- The development of the Infrastructure Rider Adjustment Factor is included in Attachment 1. The proposed Infrastructure Rider Adjustment Factor is shown below.

The negative $2.3 million in total 2023 revenue requirements is the 2022 Infrastructure Rider Tracker Report projected true-up over-collection balance. This projected carryover balance is primarily due to revenues being higher in 2021 and 2022 than forecast in our last petition and the shift of the Dakota Range I and II in-service date from 2021 to 2022.

ii. Proposed 2023 Infrastructure Rider Adjustment Factor

The Company's Infrastructure Rider rate design is the annual calculated revenue requirements (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 2023. This calculation is shown on Attachment 1.

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

Table 1: 2023 Rate Factor Calculation

	Retail
Infrastructure Rider Adjustment Factor Per kWh	**$(0.001037)**
2023 SD retail Sales (MWh)	**2,181,444**
2023 Revenue Requirement	*$0*
2022 Carry-Forward Balance	*$(2,262,749)*
2023 Net SD retail Cost	**$(2,262,749)**

If approved as proposed, our 2023 revenue requirements reflect the true-up balance for 2022. The remaining 2021 Tracker balance has been included in the Infrastructure Adjustment Factor. We propose to implement a credit of $0.001037 per kWh applicable to all customer classes beginning January 1, 2023.

iii. Bill Impact

The average bill impact for a residential customer using 750 kWh per month will be a credit of $0.78 per month, a decrease of $10.80 compared to the current rate. Consistent with our approved tariff, we will notify our customers of the change through a bill onsert in the month the change is effective.

iv. Tariff

Attachment 11 provides the proposed revised tariff sheet to implement the proposed Infrastructure Rider Adjustment Factor based on forecasted costs for the 2023 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 Infrastructure Rider recoveries from customers and the actual revenue requirements for the period.

v. South Dakota Jurisdictional Cost

Attachment 5 shows the development of the revenue requirements by year for each project for the South Dakota jurisdiction, based on the capital related cost, by project, using the most recent capital forecast.

Xcel Energy operates the generation and transmission assets of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW) as one system (NSP 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 generation and 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 the allocation methodology generally accepted in our rate case proceedings.

vi. *Calculations to establish that the rate adjustment is consistent with the terms of the tariff.*

Attachment 1 contains the calculation of the proposed 2023 Infrastructure Rider Adjustment Factor consistent with the terms of the Infrastructure Rider tariff proposed in Attachment 11. Attachment 8 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

E. Infrastructure Rider Interaction with Pending Electric Rate Case

As discussed above in this Petition, we proposed in the pending electric rate case to move Infrastructure Rider projects that were forecasted to be in-service by the end of 2022 into base rates as of January 1, 2023. The Infrastructure Rider tracker in Attachment 2 reflects this roll-in. In addition, we included a Known and Measurable adjustment in our base rate case request, which included additional projects generally qualifying for inclusion in the Infrastructure Rider per the Phase-In Statute with in-service dates in 2022 and 2023. If the rate case is approved as proposed, there will be no projects remaining in the Infrastructure Rider. We will true-up actual 2022 costs in our 2023 Infrastructure Rider compliance filing.

(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, 2023. 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. As indicated above, the rate has been determined based on a January 1 implementation, and we request the opportunity to recalculate the Infrastructure Adjustment Factor to reflect the time remaining in 2023 in the event Commission approval occurs later.

(8) Approximation of Annual Increase in Revenue

Attachment 2 shows the summary of the Infrastructure Tracker Account activity for 2021 through 2023, and Attachment 3 provides monthly detail for 2021, 2022 and 2023. The 2022 true-up balance is currently forecasted to be $(2,262,749) at the end of 2022. We propose revenue requirements of negative $2.3 million for 2023, which is essentially the true-up balance, be included as part of this rider mechanism; support for this amount is included in Attachments 1 through 9. We have calculated this amount to be credited to customers from January through December 2023 through this tariff mechanism. Pending the timing of Commission approval, we will recalculate the Infrastructure Rider Adjustment Factor based on when the new rate can be implemented.

The proposed 2023 revenue requirements represent a $31 million decrease compared to the 2022 revenue requirement approved for the Infrastructure Rider in Docket No. EL21-028 as a result of the base rate roll-in.

(9) Points Affected

The proposed Infrastructure Rider 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 99,452 customers in 34 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 13 includes the language we propose be included with customers' bills in the month the Infrastructure Adjustment Factor is implemented, or as soon as is practicable after implementation of the 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.

WIND PROJECT PERFORMANCE ANNUAL REPORT

A. Background

In the Settlement Stipulation approved by the Commission in our last concluded rate case (Docket No. EL14-058), the Company agreed to report certain information related to capital cost, operating costs, congestion costs and other energy production information for the Pleasant Valley and Border Winds projects once construction of either project was completed. In the 2015 Infrastructure Rider proceeding, the Company also agreed to report the same information for the Courtenay project once construction was completed.[6] The Settlement stipulated that reporting should begin with the first October 1 annual Infrastructure Rider update filing following the completion of the project construction, and we will continue to provide annual reports until each of these projects is moved into base rates.

As part of the Settlement Stipulation approved in the 2015 Annual Infrastructure Rider Update (Docket No. EL15-038), we also agreed to include information about the Courtenay wind project in the report once the project was complete and in-service. In the Company's October 1, 2018 Infrastructure Rider Petition in Docket No. EL18-040, the Company committed to reporting the same information for the new wind projects included in the Petition – Blazing Star I, Crowned Ridge, Foxtail, and Lake Benton II.

The Commission's December 13, 2019 Order in Docket No. EL19-035 requires the Company to submit annual informational reports on the performance metrics of the Blazing Star II and Freeborn wind projects.

As indicated in the December 14, 2021 Staff Memo in Docket No. EL21-028, the Company agreed to provide annual informational reports on the performance metrics of the Dakota Range I and II, Community Wind North, Jeffers, Mower, and Northern Wind projects once they are placed in-service.

We provide the Wind Project Performance Annual Report information for calendar year 2021 for the Pleasant Valley, Border Winds, Courtenay, Foxtail, Lake Benton II, Blazing Star I, Crowned Ridge II, Blazing Star II, Freeborn, Jeffers, Community Wind North, and Mower facilities in Attachments 12 and 12A. The other wind facilities were not yet placed in-service before the end of 2021. We will add the additional projects to the wind report as each is placed in-service.

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[6] Docket No. EL15-038

We will continue to provide these production reports annually even after the projects move to base rate recovery.

B. Analysis of Wind Benefits

When choosing which wind generation facilities to add to the NSPM system, the Company performs capacity expansion modeling on each of the wind projects that shows the expected net costs or benefits of each of the projects. All projects included in the Infrastructure Rider were found to be expected to provide net benefits to customers under their respective base case scenarios (i.e. relative to a case where they were not pursued).[7] As we are proposing to move wind projects currently in the Infrastructure Rider into base rates, we provided a similar analysis of the benefits of wind in our pending rate case.

The savings expected for these wind projects are generally due to the decreased fuel costs of the projects outweighing the costs of adding them over the life of each project. Thus, the projects are anticipated to result in long-term energy costs that will be lower than they would otherwise have been had the given wind resource not been selected. In a future scenario in which natural gas costs are lower, the fuel savings from the wind projects are diminished to a certain extent. On the flip side, however, we expect wind additions to show higher benefits under a future scenario in which gas prices are higher.

However, it is difficult to demonstrate the actual occurrence of the estimated savings for each wind project because the comparison being made is to the costs (occurring over the life of the project) of a future resource alternative that will never actually be experienced. Thus, the modeling we conduct to evaluate projects is most appropriately viewed as an economic decision-making tool – comparing a future system with the plant in question to a future without it – rather than an indication of specific rate savings. However, historical trends in our fuel and purchased energy costs as reflected in the FCC appear to show that energy cost savings have occurred in recent years that can at least partially be the result of the Company's use of wind resources.

Figure 1 below represents a graph of the annual average monthly FCC rates from 2010 through 2021 for residential customers in South Dakota, as shown in the solid

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[7] See Tables 3 through 8 on pages 37-38 of the Direct Testimony of Ms. Farah L. Mandich in Docket No. EL22-017.

line. Note that in the period from 2010-2015, prior to the addition of most of Xcel Energy's major wind resources, energy rates were on an upward trend, as indicated by the dashed line labeled "Trend Line Rates." However, from 2015 to 2020, which coincides with the timing of the addition of several of the wind projects currently in the Infrastructure Rider, as shown in Figure 1, we saw the FCC rates fall to nearly half their 2013 peak. The FCC rates did rise again in 2021, primarily due to an increase in gas costs offsetting the downward pressure on the FCC generated by the additions of the wind projects.

Figure 1: Average Annual SD FCC Rate per kWh (Residential) 2010-2021

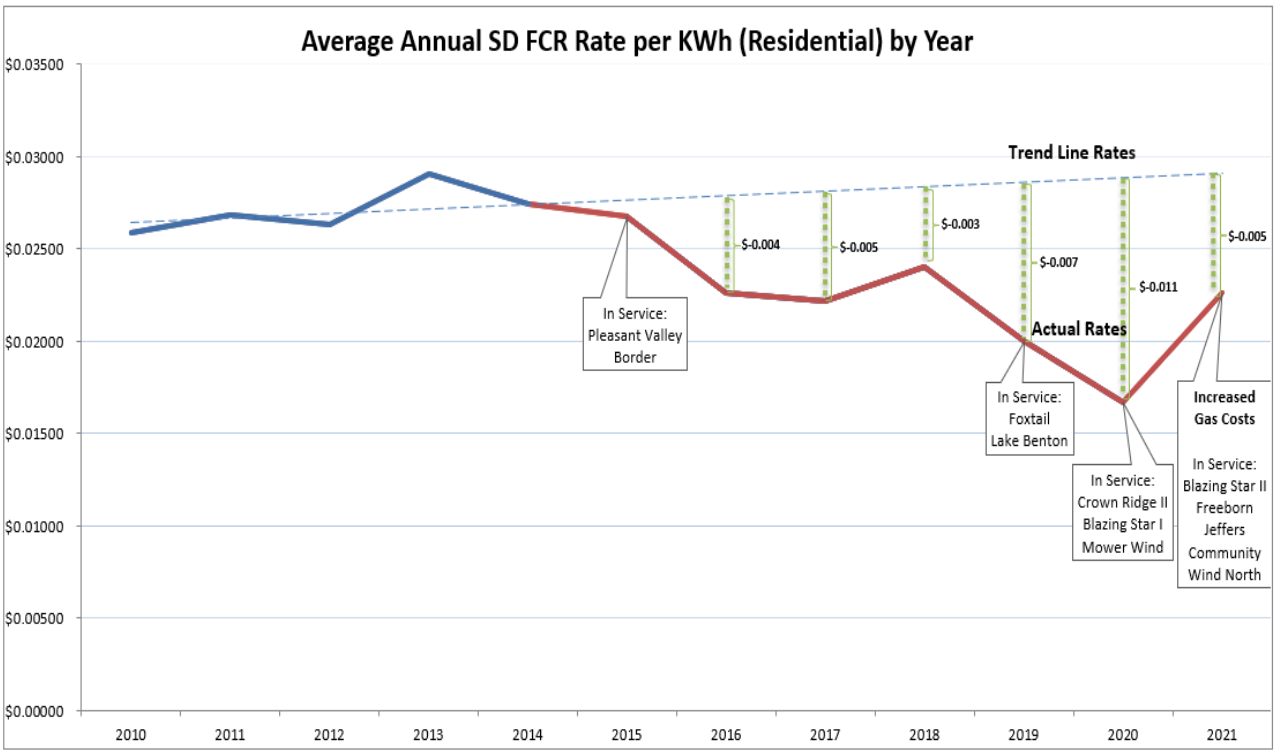

Figure 1 shows that, for example, the delta between the 2020 average rate (around 1.7¢/kWh) and the rate that would have been expected in 2020 based on the trend of costs from 2010 – 2015 (about 2.7¢/kWh) is approximately 1¢/kWh. For a typical residential customer using 750 kWh a month, this reflects an approximate savings of $7.50 per month.

Figure 2 below shows the historical average "all-in" residential electric rate per kWh (i.e., including all base, riders, and FCC rates) by year. Figure 2 shows that the price trend from 2016-2021 is lower than the trend from 2010-2015, coinciding with the Company's investment in wind resources.

Figure 2: Xcel Energy Average Residential Electric Rate in SD (2010 – 2021)

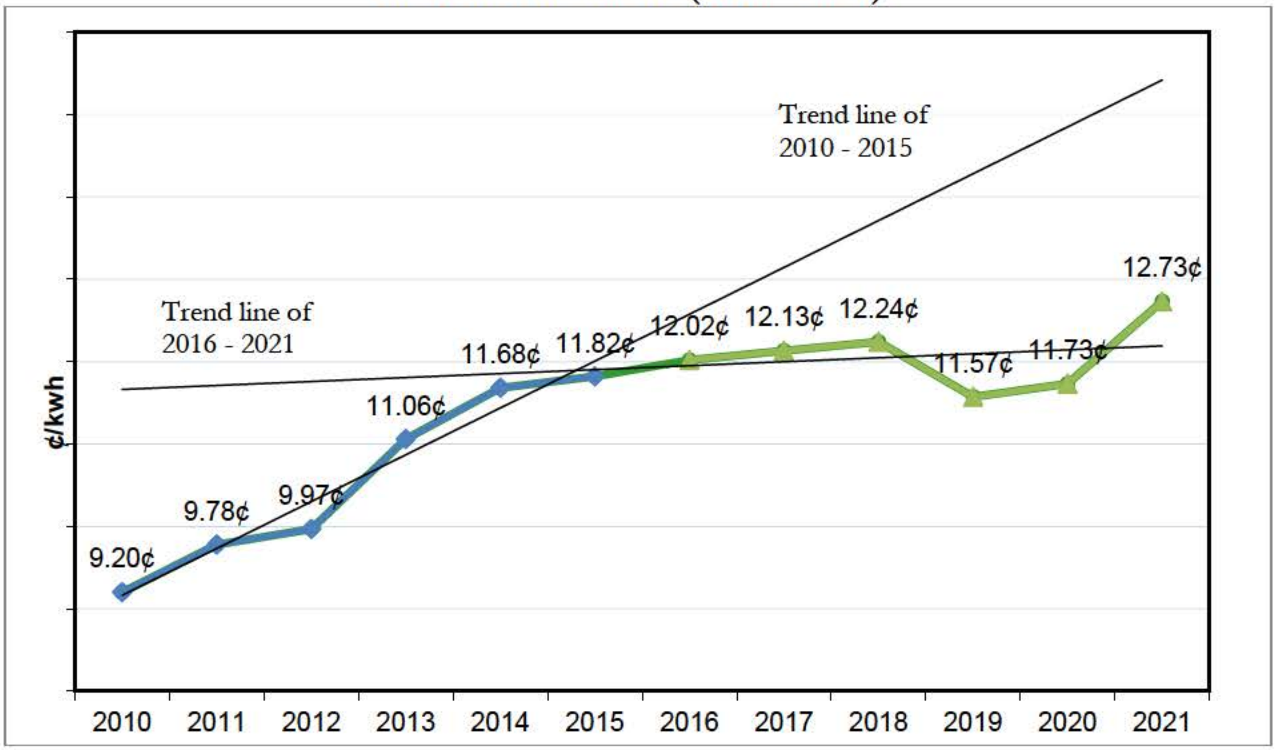

Figure 2 provides support for the proposition that wind additions have driven lower overall energy costs for South Dakota consumers compared to costs anticipated if the wind was not added, as modeled by the Company in its various resource filings. Lower gas commodity cost also contributed to the lower fuel costs customers have seen in recent years. The combination of lower gas costs and wind generation allowed for cost savings by offsetting more expensive generation. As shown in Figure 1, above, fuel costs increased in 2021. This increase was driven by the increase in gas commodity costs. While this increase in gas commodity costs has resulted in an increase in the FCC rates, the wind generation provides a hedge against fuel costs, keeping the fuel costs lower than they would have been without the wind additions.

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 certain portions of the petition and Attachments 2, 3, 4, 5, 7, and 8 pursuant to S.D. Codified Laws Chapter 20:10:01:41. The Company submits the following justification for confidential treatment of these Attachments.

(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. Certain portions of the petition and 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 certain portions of the petition and 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 capital structure and confidential provisions of the Settlement 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:

Christine Schwartz
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 revised Infrastructure Rider Adjustment Factor of negative $0.001037 per kWh for 2023 as described in this filing. The Company appreciates the interest and efforts of South Dakota policymakers in adopting a constructive approach to support the continued and on-going system improvements that are needed for safe, efficient and reliable service to customers.

Dated: September 30, 2022

Northern States Power Company