

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

Chris Nelson
Kristie Fiegen
Gary Hanson

Chairman
Vice Chairman
Commissioner

IN THE MATTER OF THE APPLICATION)
OF NORTHERN STATES POWER)
COMPANY, FOR AUTHORITY TO)
INCREASE RATES FOR ELECTRIC)
SERVICE IN THE STATE OF SOUTH)
DAKOTA)

DOCKET NO. EL22-017

**NOTICE OF INTENT TO
IMPLEMENT INTERIM RATES**

INTRODUCTION

Northern States Power Company, a Minnesota corporation doing business as Xcel Energy (Company), submits to the South Dakota Public Utilities Commission (Commission) this Notice of Intent to Implement an interim rate increase for our South Dakota retail electric customers for service provided on and after January 1, 2023 (the “Interim Rate Increase”) pursuant to S.D. Codified Laws § 49-34A-17. It is the Company’s understanding that no Commission action is required to implement interim rates. This Interim Rate Increase of \$87.1 million will remain in effect until final rates are implemented following the Commission’s final determination in this matter. The Interim Rate Increase consists of a net incremental interim revenue increase of \$43.7 million plus a transfer of approximately \$43.4 million for certain rider costs, shifting recovery to base rates from certain riders consistent with the Company’s request in this rate case and the respective rider dockets. The overall incremental revenue increase of \$43.7 million represents a 28.04 percent increase to base rate revenue, or a 17.69 percent increase to total revenue including fuel. As authorized by S.D. Codified Laws § 49-34A-17, the Company will use the rate design currently in effect to recover the interim revenue requirement. For a residential customer using 750 kWh, the monthly bill impact will be \$18.94.

BACKGROUND

On June 30, 2022, the Company filed a Petition (Petition) for approval to increase rates. The Company’s Interim Rate Increase is consistent with the requested increase, with one change noted below. The effect of the Company’s proposed change in rates, if

approved, would be an annual incremental increase in total electric revenues of approximately \$44.1 million, or approximately 17.85 percent. The Company's Petition also requests to move recovery of \$41.6 million of costs of certain capital projects, currently being paid by customers through the Infrastructure Rider and the Transmission Cost Recovery (TCR) Rider, from riders to base rates. Our annual rider update filings made on September 30, 2022 for the Infrastructure Rider (Docket No. EL22-026) and on September 1, 2022 for the Transmission Cost Recovery Rider (Docket No. EL22-022) have requested the 2023 rate for each rider be adjusted as of January 1, 2023 to incorporate this cost recovery transfer from riders to base rates.

The Company's Petition also requested to transfer \$1.8 million of property tax expense currently collected in the FCR to base rate recovery. Pursuant to the Commission's June 16, 2015 Order in Docket No. EL14-058, the Company currently includes a property tax adjustment in the Fuel Clause Rider (FCR) to reflect the difference between South Dakota property tax forecast in the calendar year and the amount reflected in base rates. To implement the transfer, the Company will reduce the FCR property tax recovery to incorporate this cost recovery transfer starting with the recovery of January 2023 property taxes, by reflecting the updated base rate property tax level in the calculation of the FCR property tax adjustment. The total \$87.5 million base rate increase requested in the Petition consists of \$44.1 million in incremental increase, \$41.6 in cost recovery transferred from the Infrastructure and TCR Riders, and \$1.8 million in cost recovery transferred from the FCR .

The Company's Interim Rate Increase includes the increases noted above and removes \$389,000 in known and measurable adjustments for the Major Line Rebuild and associated secondary calculations. With that change, the total Interim Rate Increase is \$87.1 million.

On July 22, 2022, the Commission issued an Order in Docket No. EL22-017 suspending the proposed rate schedules for 180 days after the Company's initial filing date of June 30, 2022. Due to the Commission's Order, the Company will not seek these interim rates to become effective until January 1, 2023, beyond the 180-day period the Commission ordered.

S.D. Codified Laws § 49-34A-17 provides that a public utility may implement its proposed rate or practice if: 1) the proposed rate or practice has not been suspended or is no longer subject to suspension; 2) the Commission has not issued a final decision; and 3) 30 days has passed from the date of filing. In this case, the Company's proposed rate was requested to be effective January 1, 2023, after the Commission's suspension period has ended, and no final decision by the Commission on the Company's proposed rate increase is anticipated to be entered prior to December 31, 2022.

Additionally, more than 30 days have passed from the date of the Company's initial filing on June 30, 2022. Accordingly, the Company intends to implement its Interim Rate Increase effective January 1, 2023.

DESCRIPTION OF INTERIM RATES

A. Rate Design

The Company will apply the Interim Rate Increase to the base rate components of customer's bills beginning with service provided as of January 1, 2023. Interim rates are necessary because the Company is currently experiencing the increased cost of service reflected in the Company's June 30, 2022 filing in this Docket. Without interim rate relief, the Company would be unable to recover the increased cost of providing service to its customers.

S.D. Codified Laws § 49-34A-17 states that if a utility implements the proposed rate or a rate lower than the proposed rate, the utility shall use the same rate design currently in effect or the rate design the utility proposed when the petition for increased rates was filed. The Company has selected the option of implementing the Interim Rate Increase using the same rate design currently in effect rather than its proposed rate design. Implementing the Interim Rate Increase using a uniform percentage increase to current base rates will ensure that the interim rate design is based on a rate design that has received the express approval of the Commission. This method is consistent with our implementation of interim rates in prior rate proceedings in Docket Nos. EL14-059 and EL12-046.

B. Interim Rate Increase

The Interim Rate Increase sets forth an annual increase in base rate electric revenues of approximately \$87.1 million, which includes the transfer of approximately \$43.4 million from certain cost recovery riders and the fuel clause to base rates. The Interim Rate Increase was determined using our original 2021 Pro Forma Test Year revenue requirement as provided in our June 30, 2022 filing, with an adjustment to remove the Major Line Rebuild known and measurable adjustment included in the June 30, 2022 initial filing. In this case, we do not believe there are any other circumstances that would warrant any material adjustments at this time.

Overall, our proposed interim rates are an incremental revenue deficiency of \$43.7 million, or about 17.69 percent. Using the existing rate design, we will implement our proposed rate increase request as interim rates as allowed by law. This interim rate adjustment will be uniformly billed as a 55.83 percent increase on the base rate portion of customers' bills (exclusive of fuel costs and certain cost recovery rate riders).¹ We

¹ The Fuel Clause Rider, Transmission Cost Recovery Rider, Infrastructure Rider, and other rate components that are excluded from the Interim Rate Adjustment are shown in Attachment 5.

provide a comparison of the rate base and income statement changes included in interim rates as compared with our June 30, 2022 initial filing in this Docket as Attachments 1 and 2. A Cost of Service Interim Model is included as Attachment 3. Attachment 4 includes the interim rate revenue impacts by rate schedule.

The difference between the overall interim deficiency of 17.69 percent and the interim rate adjustment of 55.83 percent is primarily due to the application of the interim increase to base rates only and not fuel costs, which have been unbundled from base rates and are shown separately as a line item on customers' bills. Additionally, there is a \$41.6 million transfer from rider recovery to base rates and a \$1.8 million transfer from the fuel clause to base rates not currently reflected in present rates, and the Interim Rate Increase is not applied to all rate riders. Because the Interim Rate Increase will not apply to fuel costs or certain rate riders, a higher interim rate percent increase is required to collect the interim revenue deficiency. Please see page 1 of Attachment 4 to see how the percentages were calculated.

Consistent with our application of interim rates in Docket No. EL14-058, the interim rate adjustment is applied to only the base portions of customer bills. Attachment 5 lists those charges to which the interim rate increase applies and lists those rate riders to which the interim rate increase does not apply. Attachment 6 shows the tariff pages to which the interim rate adjustment will apply in both legislative (red-line) and final form.

REFUNDS

The Interim Rate Increase will be subject to refund, pending final Commission determination in Docket No. EL22-017. South Dakota Codified Laws § 49-34A-17 provides, in part, as follows:

In the case of a proposed increased rate, the commission may, by order, require the public utility to keep an accurate account in detail of all amounts received by reason of increase, specifying by whom and in whose behalf the amounts are paid. Upon completion of the hearings and decision, the commission may by further order require the public utility to refund, with interest, to customers, the portion of the increased rates found to be unjust, unreasonable, or discriminatory. The refund shall be carried out as provided in South Dakota Codified Laws Sections 49-34A-22 and 49-34A-23.

The Company will track the individual customer billing impacts during this interim rate period in the event that the Commission approves an increase less than the Company's Interim Rate Increase. Further, the Company commits to refunding customers, with interest, interim rate amounts collected greater than the level approved by the Commission in its final order in this case.

CUSTOMER NOTICE

In addition to the notice the Company provided our customers regarding our June 30, 2022 Application for a rate increase, we will provide notice to our customers of our Interim Rate Increase as follows:

- a. Notice will be given to the public by posting a copy of this *Notice Of Intent To Implement Interim Rates* in a prominent location at its local customer service center in Sioux Falls for at least thirty (30) days prior to the rates taking effect;
- b. Notice will be given to the public no later than December 1, 2022 by publishing a copy of this *Notice Of Intent To Implement Interim Rates* on Xcel Energy's website www.xcelenergy.com; and
- c. Notice will be given to customers by a bill message and/or bill onsert.

CONCLUSION

For the foregoing reasons, the Company respectfully informs the Commission of its intent to implement an Interim Rate Increase of \$87.1 million, including \$41.6 million of costs moving from riders to base rates and \$1.8 million of costs moving from the fuel clause to base rates, resulting in an incremental increase of \$43.7 million or approximately 17.69 percent for service on and after January 1, 2023, using our current rate design, pursuant to S.D. Codified Laws § 49-34A-17, and until final rates are implemented following the Commission's final determination in this proceeding.

The Company agrees that placing interim rates into effect will not affect the Commission's authority to order a refund of the Interim Rate Increase pursuant to S.D. Codified Laws §§ 49-34A-17, 49-34A-22, and 49-34A-23, in the event the Commission order establishing final rates determines that a lower rate increase is appropriate.

Dated: November 15, 2022

Respectfully submitted,

/s/

AMY LIBERKOWSKI
REGIONAL VICE PRESIDENT, REGULATORY AND PRICING
NORTHERN STATES POWER COMPANY