



500 West Russell Street  
Sioux Falls, South Dakota 57101-0988

June 30, 2022

—VIA ELECTRONIC FILING AND FED-EX—

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, South Dakota 57501-5070

RE: APPLICATION OF NORTHERN STATES POWER COMPANY FOR AUTHORITY TO  
INCREASE RATES FOR ELECTRIC SERVICE IN SOUTH DAKOTA  
DOCKET NO. EL22-\_\_\_

Dear Ms. Van Gerpen:

Northern States Power Company (“the Company”), a Minnesota corporation, doing business as Xcel Energy, submits the enclosed Application to the South Dakota Public Utilities Commission (Commission) for authority to increase rates for electric service in South Dakota.

The rate and tariff changes proposed in the Notice of Change in Rates and Application affecting the Company’s approximately 97,500 electric customers in South Dakota and would result in a net annual incremental increase in revenues from our customers of \$44.1 million, or about 17.9 percent.<sup>1</sup> In addition, the Company currently recovers the costs of certain capital projects through the Infrastructure Rider and the Transmission Cost Recovery (TCR) Rider, which the Company proposes to be recovered through an increase in base rates. The result is that the revenue provided by those riders will cease and will be replaced by an equal increase in base rates. Thus the total requested increase in electric base rates (i.e. non-fuel) is \$85.8 million, offset by the elimination of \$41.7 million in Infrastructure and TCR Rider

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<sup>1</sup> Additional information and analyses on the rate impacts for various customer classes are included in the testimony of Company Witness Christopher J. Barthol and accompanying schedules. Further, the class cost of service study required by ARSD § 20:10:13:43 is found in Statement O. Increases to individual customers within a class will vary depending on particular usage patterns.

charges to customers. The reason for the proposed changes is to enable the Company to continue providing safe, reliable, and affordable electric service.<sup>2</sup>

The Company's request is based on a 2021 historic test year, as provided for by South Dakota law. The test year for the proposed increase uses actual 2021 data, adjusted to reflect certain regulatory requirements and to include \$21 million of incremental known and measurable changes for 24 months, consistent with the Commission's rules. These incremental known and measurable changes include projects that have been and will be placed in service in 2022 or 2023, as well as additional items such as property taxes and wages.

The test year revenue requirement is \$291 million, which reflects a Return on Equity (ROE) of 10.75 percent and an overall Rate of Return (ROR) of 7.65 percent. The Company is not proposing any material changes to the current rate design in South Dakota.

The Application, which consists of the four volumes listed below, has been e-filed with the Commission:

Volume 1 - Rate Application

Transmittal Letter  
Notice of Change in Rates  
Attestation by Authorized Accounting Representative  
Public Rate Increase Notice  
Required Statements A through R

Volume 2 - Testimony and Supporting Schedules and Tariffs

Policy – Allen D. Krug  
Revenue Requirements – Benjamin C. Halama  
Rate of Return / Return on Equity – Dylan W. D'Ascendis  
Depreciation – Laurie J. Wold  
Distribution – Marty D. Mensen  
Resource Planning – Farah L. Mandich

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<sup>2</sup> For additional information regarding the proposed rate changes, please see the testimony and accompanying schedules of Company Witnesses Allen D. Krug and Nicholas Paluck, found in Volume 2 of the Application. In addition, the Revenue Estimates as required by ARSD § 20:10:13:41 are contained in Statement I; the class cost of service study required by ARSD § 20:10:13:43 is found in Statement O; and the statement of system costs required by ARSD § 20:10:13:44 is primarily found in Statement N. These and other Required Statements are included in Volume 1 of the Application.

Class Cost of Service Study – Christopher J. Barthol  
Rate Design – Nicholas N. Paluck

Volume 3 - Workpapers

Cost of Service Study (COSS)  
Rate Base (Plant)  
Revenue  
O&M  
Cost of Capital  
Budget Allocators  
Adjustments  
Known and Measurable Adjustments

Volume 4

Lead Lag Study  
Cost Assignment & Allocation Manual  
Interchange Agreement

In addition, per staff's request, five (5) copies of the full four-volume Application have been submitted to the Commission to the address below, along with two (2) additional copies of the Volume 3 Workpapers in compliance with ARSD § 20:10:13:47:

SDPUC  
Attn: Joy Lashley  
500 E. Capitol Ave.  
Pierre SD 57501

The Company certifies we will notify customers of the proposed increase in compliance with ARSD §§ 20:10:13:17 through 19 and SDCL § 49-34A-12. The Public Rate Increase Notice, attached to this Transmittal Letter, will be posted in a conspicuous place at the Xcel Energy local customer service center in Sioux Falls for at least thirty (30) days prior to the January 1, 2023 date the change in rates is to become effective. We will also issue a press release and post the Application, Testimony, and Supporting Documentation on our website as well as include the Public Rate Increase Notice in the form of an onsert to our South Dakota customers advising them of our Application within 60 days of this filing.

In accordance with ARSD §§ 20:10:01:39 through 42, Xcel Energy respectfully requests confidential treatment of certain information contained in this filing. In compliance with ARSD §§ 20:10:01:40, 20:10:01:41, and 20:10:01:02:05, we have clearly marked each page of documents containing confidential information as “CONFIDENTIAL,” e-filed them in separate documents, and submitted them in a separate sealed envelope along with this filing. Confidential information may also at times be labelled as “TRADE SECRET” or “NOT PUBLIC.”

Pursuant to ARSD § 20:10:01:41, we provide the following information in support of our request:

- (1) We request confidential treatment of these listed documents in their entirety:

**Volume 1 – Rate Application**

- Exhibit \_\_\_ (NSP-1), Schedule K-1
- Exhibit \_\_\_ (NSP-1), Schedule K-3

Schedule K-1 is required to be included as part of the Application pursuant to ARSD § 20:10:13:89. Schedule K-1 contains working papers for the Company’s federal income taxes, and contains a complete reconciliation of the book net income with taxable net income as reported to the federal Internal Revenue Service for the most recent tax year and the three previous years. Schedule K-3 is required to be included as part of the Application pursuant to ARSD § 20:10:13:91. The Company joins in the filing of a consolidated federal income tax return. Schedule K-3 contains working papers showing the net taxable income or loss for each company included in the consolidated tax return, along with consolidating adjustments. The Company treats this information as highly confidential information, and as financial information, not released to the public.

We further request confidential treatment for certain identified portions of these listed documents:

**Volume 2 – Testimony**

Farah L. Mandich Direct Testimony

- Page 4: Cost savings associated with Grand Meadows Wind
- Pages 46-47: Pricing information associated with Grand Meadows Wind

- Pages 48-49: Cost savings associated with Grand Meadows Wind
- Exhibit\_\_\_\_(FLM-1), Schedule 4, Modeling Assumptions for June 2020 Supplement to IRP (“Supplement Plan”)

The information in Ms. Mandich’s testimony and schedules requested for confidential treatment is needed to demonstrate the prudence of the Company’s acquisition of the Grand Meadows Wind resource. Specifically, the information requested for protection is commercial information including the levelized cost of energy (LCOE) at Grand Meadows, the anticipated results of repowering it, and the results of modeling of the proposed repowering of the facility, which embodies Company estimates of future energy costs.

(2) We request these documents be treated as confidential forever.

(3) If you have questions regarding this request please contact:

Ian Dobson  
Assistant General Counsel  
Xcel Energy Services Inc.  
414 Nicollet Mall  
Minneapolis, MN 55401  
(612) 370-3578  
Ian.M.Dobson@xcelenergy.com

(4) We request confidential treatment pursuant to ARSD § 20:10:01:39(4) and SDCL § 1-27-30, 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. The information contained within the referenced documents meets the definition of “trade secret” under SDCL § 37-29-1(4), the South Dakota Uniform Trade Secrets Act, which defines “trade secret” information as information that:

- (i) 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
- (ii) 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 SDCL § 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 noted documents qualify for confidential treatment because they contain trade secret and proprietary business information which the Company does not disclose to the public.

Schedule K-1 provides a complete reconciliation of the Company's book net income with taxable net income. This information would provide actual and potential competitors with detailed information concerning the tax treatment of various income statement items that could provide competitors with an unfair competitive advantage.

Schedule K-3 provides the net taxable income or loss for each company in the consolidation, some of whom are unregulated. This information would provide actual and potential competitors with information concerning the profitability of its various unregulated affiliates that could provide competitors with an unfair competitive advantage.

The confidential information provided in Ms. Mandich's testimony and schedules relates to the existing and anticipated cost of a specific wind repowering project. Disclosure of this information would be harmful to the Company's ability to obtain service at the lowest available cost, because knowledge of the Company's costs (and anticipated future costs) could allow bidders to potentially determine a floor below which no bidder would submit a price. Such a result could be harmful for the Company's customers.

We request that communications regarding this Application be directed to the following four persons:

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Sincerely,



AMY LIBERKOWSKI  
REGIONAL VICE PRESIDENT, REGULATORY AND PRICING

Enclosures