

### Transmission ROE Change Upload

There is a disconnect between the ROE allowed in transmission formula rates and the ROE allowed in retail jurisdictions (i.e. allowed ROE is lower for retail), which results in us taking a revenue credit at a higher ROE than is authorized for retail jurisdictions. We propose that the cost of capital should be treated consistently across all rate base. Therefore, we take transmission revenues and expenses, for which the FERC allows a 10.52% total ROE, and make an adjustment to reflect them at the last authorized ROE for retail purposes, which is 9.25 (SD E)%.

Transmission Accounting provides a total company NSPM number which is loaded into RIS. RIS allocates to the jurisdictions. All transmission revenue and expense is allocated in RIS using the NSPM EDemandTran allocator. Currently we are only proposing this adjustment for Minnesota Electric and SD Electric.

This adjustment uses the record type **NSPM-Transmission ROE Change**

**BO Query results:** N/A

**Note:** Refer to the Transmission Revenue and Transmission Expense uploads for items we remove from Transmission Accounting's files and why. We take the exact same approach with this upload in adjusting the transmission impact to a different ROE.

**Note:** We are removing the ROE difference in Schedule 26 and 26A revenues and expenses. In this particular rate case, we are fully removing RECB items in the SD TCR; and so ROE differences would have no impact as the dollars are zero.

**A Does adjustment upload total company amounts (i.e. RIS performs allocation) or do we manually allocate in this file? (highlight one):**

Total Company  Manual

If Manual, please document why, or else consider using RIS to allocate

N/A

**B Is this a precedential adjustment? (highlight one)**

Yes  No

If Yes, please cite the order/decision where it became precedent. Include any helpful screenshots to the right --->

N/A

**C Is this a rider removal? (highlight one)**

Yes  No

If yes, provide link to the relevant process document:

Link: N/A





Line No.	NSPM - 00 Complete Revenue Requirements by Jurisdiction, Sysr ALL IN	Total						NSPM SD Electric Retail					
		Dec - 2021	Dec - 2022	Dec - 2023	Dec - 2024	Dec - 2025	Dec - 2026	Dec - 2021	Dec - 2022	Dec - 2023	Dec - 2024	Dec - 2025	Dec - 2026
115													
116	<b>State Taxes</b>												
117	State Taxable Income	(4,717,209)						(318,440)					
118	State Income Tax Rate												
119	State Taxes before Credits												
120	Less State Tax Credits applied												
121	<b>Total State Income Taxes</b>												
122													
123	<b>Federal Taxes</b>												
124	Federal Sec 199 Production Deduction												
125	Federal Taxable Income	(4,717,209)						(318,440)					
126	Federal Income Tax Rate	63.00%	63.00%	63.00%	63.00%	63.00%	63.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
127	Federal Tax before Credits	(990,614)						(66,872)					
128	Less Federal Tax Credits												
129	<b>Total Federal Income Taxes</b>	(990,614)						(66,872)					
130													
131	<b>Total Taxes</b>												
132	Total Taxes Other than Income												
133	Total Federal and State Income Taxes	(990,614)	0	0	0	0	0	(66,872)	0	0	0	0	0
134	<b>Total Taxes</b>	(990,614)						(66,872)					
135													
136	<b>Total Operating Revenues</b>	(4,729,443)						(319,266)					
137	<b>Total Expenses</b>	(1,002,847)						(67,698)					
138													
139	AFDC Debt												
140	AFDC Equity												
141													
142	<b>Net Income</b>	(3,726,595)						(251,568)					
143													
144	<b>Rate of Return (ROR)</b>												
145	Total Operating Income	(3,726,595)						(251,568)					
146	Total Rate Base												
147	<b>ROR (Operating Income / Rate Base)</b>												
148													
149	<b>Return on Equity (ROE)</b>												
150	Net Operating Income	(3,726,595)						(251,568)					
151	Debt Interest (Rate Base * Weighted Cost of Debt)												
152	Earnings Available for Common	(3,726,595)						(251,568)					
153	Equity Rate Base (Rate Base * Equity Ratio)												
154	<b>RDE (earnings for Common / Equity)</b>												
155													
156	<b>Revenue Deficiency</b>												
157	Required Operating Income (Rate Base * Required Return)												
158	Net Operating Income	(3,726,595)						(251,568)					
159	<b>Operating Income Deficiency</b>	3,726,595						251,568					
160													
161	Revenue Conversion Factor (1/(1-Composite Tax Rate))	3.797468	3.797468	3.797468	3.797468	3.797468	3.797468	1.265823	1.265823	1.265823	1.265823	1.265823	1.265823
162	<b>Revenue Deficiency (Income Deficiency * Conversion Factor)</b>	4,717,209						318,440					
163													
164	<b>Total Revenue Requirements</b>												
165	Total Retail Revenues												
166	Revenue Deficiency	4,717,209						318,440					
167	Total Revenue Requirements	4,717,209						318,440					
168													



9.25% ROE	
Row Labels	Sum of Total 2021
5060001	873,097
5060021	72,799,746
5060061	208,028
5060081	3,921,697
5060086	8,375,658
5060091	602,484
5060096	287,198
5060151	282,218
5060156	10,195,977
5060181	28,066
5060186	92
5060251	130,108,632
5060256	100,000
5060411	3,475,937
5066201	9,962,099

10.52% ROE	
Account	Cost Element - Medium Text
5060001	Point to Point Transmission
5060021	Network Transmission
5060061	Facilities Charge
5060081	Admin Charges - FERC ASMNT
5060086	Admin Charges - SSC&D
5060091	Admin Charges - RP&SD
5060096	Admin Charges - MAM&C
5060151	Schedule 1 - Sch Sys Ctrl and Dispatch
5060156	Schedule 2 - Reactive Supply
5060181	Schedule 33
5060186	Schedule 45
5060251	Transmission Expansion Plan
5060256	Transmission Studies
5060271	Transmission Admin Prop-SSC&D
5060276	Transmission Admin Prop-RP&SD
5060281	Transmission Admin Prop MAM&C
5060346	Wheeling - Resale ST Prop
5060361	Self Funding Expense
5060401	MISO Sch 26A Prop
5060411	Interconnection Upgrades
5066201	Schedule 24 - Balancing Authority

Total	Expense Variance
873,097	5060001 -
72,799,746	5060021 -
208,028	5060061 -
3,921,697	5060081 -
8,375,658	5060086 -
602,484	5060091 -
287,198	5060096 -
282,218	5060151 -
10,195,977	5060156 -
28,066	5060181 -
92	5060186 -
132,181,965	5060251 - zeroed to remove impa
100,000	5060256 -
27,977	5060411 (14,619)
2,012	5066201 -
959	(14,619) Total
3,070,027	
176,024	
246,882	
3,314,533	
9,962,099	