



500 West Russell Street  
Sioux Falls, SD 57104

July 19, 2024

—Via Electronic Filing—

Ms. Patricia Van Gerpen, Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, 1<sup>st</sup> Floor  
500 E. Capitol Ave.  
Pierre, SD 57501-5070

RE: SUPPLEMENT-FOLLOW-UP TO JUNE 17, 2024 HEARING  
2024 INFRASTRUCTURE RIDER PROJECT ELIGIBILITY AND FACTOR  
DOCKET NO. EL23-025

Dear Ms. Van Gerpen:

At the June 17, 2024 South Dakota Public Utilities Commission meeting, the Company agreed to provide additional information in response to several Commissioner questions. Below we respond to questions regarding settlement payments to the Prairie Island Indian Community (PIIC) and the capacity factor at the Foxtail wind generating facility.

## **I. PRAIRIE ISLAND INDIAN COMMUNITY SETTLEMENT PAYMENTS**

### **A. Additional Background**

The Company spent many months negotiating this very important settlement agreement with the PIIC as it is a critical element to supporting the life extension of the baseload Prairie Island Nuclear Generating Plant (PINGP). The PIIC is adjacent to the PINGP and is the closest community to a nuclear facility in the United States. In all but the most technical sense, the PIIC is a host community. Accordingly, they deserve to be recognized and compensated like every other host community. They are a key stakeholder, and they have an important stake in what happens to the future of the plant. As we request a life extension of the plant from the Nuclear Regulatory Commission (NRC) and propose additional cask storage on-site, their concerns and rights must be acknowledged.

The payments to PIIC are fair and appropriate to be included in rate recovery because they are an inherent cost associated with running the PINGP and recognize the

burden associated with being a host community. They are comparable to the property tax payments the City of Red Wing receives, which is the other host community for our PINGP. These payments are also important in receiving the federal approvals from the NRC necessary to keep PINGP operating.

We recognize that the PIIC payments are not identical to property tax payments. However, we used property taxes as a useful analogy because they are a similar cost of operating within a community. Just as other host communities determine how to spend their payments, the South Dakota allocated payment of \$592,675 to be paid to the PIIC for each year PINGP is in licensed operation goes to essential services. This may include, but is not limited to: land acquisition; community health initiatives; education and outreach activities; first responder and emergency management activities; and habitat restoration. The Tribe's Office of Emergency Management also uses these funds to train, prepare, respond, and understand circumstances related to the safety of PINGP. These impact payments are vital to the community and the Company's customers to facilitate the continued operation of the plant.

In alignment with the Settlement Agreement, our relationship with the PIIC is a priority for the Company. Toward that end, the Company leadership meets with the PIIC regularly to discuss key issues, strategic vision, and plant performance. Our partnership with PIIC includes engaging with the PIIC on important nuclear industry topics and Community objectives. Our goal with the payments is to ensure that PIIC, which does not receive property tax payments, would receive an annual payment comparable to other communities hosting power plants that receive property taxes from the Company. The Company further recognizes that PINGP is located on the spiritual, cultural, and traditional homeland of the Dakota people and recognizes that an extension of the operating licenses for Units 1 & 2 imposes an additional burden on the PIIC.

The Company also acknowledges the reality of PIIC members' lived experience, and that the historical and cultural impacts and perceived risks of living adjacent to PINGP cannot be quantified. The Company has committed to continue engaging with PIIC to tell its story, ensure continued safe operation of the plant, continue working towards a federal long-term spent fuel solution, and support the Community's needs in transparency and the spirit of partnership, which helps all of our customers, including those in South Dakota. Indeed, our nuclear plants provide wide-ranging and substantial benefits not only to our customers but also to the environment, the State of South Dakota, and the broader region. The continued operation, including a 20-year extension of operations at PINGP, is in the public interest and is critical to serving all of our customers reliably. The PIIC payments are a necessary piece of this larger object.

## B. Property Tax Comparison

Since the Company compared the PIIC settlement payments to property taxes in our filing, Commissioners had questions regarding property taxes and how they are defined in Minnesota and South Dakota. We discuss below how property tax is valued and allocated in Minnesota and the similarities and differences from property tax treatment in South Dakota.

Property taxes are levied in every state in the country, but in some states such as South Dakota, property taxes are levied by local taxing entities and not by the state itself. In other states such as Minnesota, property taxes are levied by both local taxing entities and the state government. Local governments, or taxing entities, that levy property taxes include counties, municipalities, townships, school districts, ambulance districts, and fire districts.<sup>1</sup> For local governments, taxes make up a large majority of total tax revenue generated. In South Dakota, property taxes are the primary source of funding for schools, counties, municipalities and other units of local government. Property taxes fund things such as schools, fire and police protection, streets, libraries, and other public benefits.

In Minnesota, as in South Dakota, Northern States Power Company-Minnesota (NSPM) is assessed on the value of all taxable utility operating property in the state. At the state level, the Minnesota Department of Revenue (MNDOR) values the entire multi-state operating company. This value includes all personal property necessary to generate, transmit, and distribute power. The Minnesota value is an allocation from the total NSPM operating unit. The MNDOR then removes exempt, locally assessed property (land and real estate), and property taxed by other means (renewables) to arrive at the Minnesota value. Finally, the MNDOR allocates the state value to each of the counties. The value allocated to each county, and to the taxing jurisdictions within them, is based on the relative cost of the property in each jurisdiction. This valuation and allocation process is used in many other states, including South Dakota. As such, South Dakota determines a value of all of NSPM's taxable utility property and performs an allocation to arrive at the South Dakota portion of the value. South Dakota makes adjustments to their value to remove exempt property and property taxed by other means, similar to the adjustments performed by Minnesota. South Dakota also allocates this value to the local taxing jurisdictions through a process similar to that in Minnesota.

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<sup>1</sup> South Dakota Legislature Legislative Research Counsel, *Comparison of Neighboring State Tax Systems*, Issue Memorandum, 2023-02. Will Steward, Research Analyst, on August 7, 2023.

Personal property is often exempt for non-utility property. Many states, including South Dakota, tax personal property of utilities. Sections 10-4-6.1 and 10-35-2 of the SD Codified Laws address the taxation of personal property for utilities.

We note that Minnesota and South Dakota levy taxes on certain centrally assessed property, including utilities and pipelines. Similarly, North Dakota imposes personal property on utilities and certain oil and gas refineries.

## II. FOXTAIL WIND CAPACITY FACTOR

At the hearing, Commissioners also asked about the low capacity factor at the Foxtail wind facility in 2022. The Foxtail wind facility capacity factor in 2022 was impacted by both blade repairs and transmission constraints. Extensive blade repairs were necessary, impacting the availability of the wind facility, and thus its capacity factor. The site also saw high curtailment (117,063 MWh in 2022 versus 43,725 MWh in 2021 and 61,173 MWh in 2023) related to transmission constraints, which also reduced the capacity factor at the wind facility.

## III. UPDATED RATE IMPLEMENTATION PROPOSAL

Due to the passage of time, the Company proposes to update the implementation month to September 1, 2024. Table 1 below provides the updated rate and bill impact using the updated implementation month, both with and without the PIIC costs. If the Commission prefers, the Company can file a request for deferred accounting related to the PIIC settlement payments. The Company will file supporting schedules and the final tariff sheet in compliance reflecting Commission decisions in this docket.

**Table 1**  
**Rate Impact**

	with PIIC costs	without PIIC costs
Energy Factor (per kWh)	\$0.003331	\$0.002504
Residential Bill Impact <sup>1</sup> (per month)	\$2.50	\$1.88

(1) Assumes 750 kWh per month

Please contact me at (605) 339-8350 or [steven.t.kolbeck@xcelenergy.com](mailto:steven.t.kolbeck@xcelenergy.com) or Jennifer Roesler at (612) 330-1925 or [jennifer.roesler@xcelenergy.com](mailto:jennifer.roesler@xcelenergy.com) if you have any questions regarding this filing.

Sincerely,

/s/

STEVE KOLBECK  
PRINCIPAL MANAGER

cc: Service List