
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: BRITTANY MEHLHAFF AND AMANDA REISS
RE: EL23-025 - In the Matter of the Petition of Northern States Power Company dba Xcel Energy for Approval of its 2024 Infrastructure Rider Project Eligibility and Factor Update
DATE: June 10, 2024

BACKGROUND

On September 1, 2023, the South Dakota Public Utilities Commission (Commission) received a petition from Northern States Power Company dba Xcel Energy (Xcel or Company) for approval of its 2024 Infrastructure Rider Project Eligibility and Factor Update.

The Infrastructure Rider was established in Docket EL12-046 and was revised in Docket EL14-058 to require annual Commission-approved filings. Since then, the Company has made annual filings requesting approval of revenue requirements, project eligibility, and rates. The Infrastructure Rider is based on estimated costs of the capital projects subject to annual true-up to their actual costs and recoveries.

In Docket GE17-003, as part of the resolution of the Commission's investigation of the impacts of the Tax Cuts and Jobs Act (TCJA), Staff and the Company stipulated to allow the Company to only seek Infrastructure Rider recovery of new wind generation projects and the costs of terminating certain biomass power purchase agreements going forward. The Infrastructure Rider continued in this form up until the filing of the Company's most recent rate case in Docket EL22-017.

The Infrastructure Rider was updated in Docket EL22-026, with rates effective January 1, 2023. In conjunction with the Company's proposal in Docket EL22-017, the Company proposed to roll the costs associated with completed projects from the Infrastructure Rider to base rates. The 2023 Infrastructure Rider revenue requirement approved in Docket EL22-026, effective January 1, 2023, consisted solely of the true-up of the remaining over-recovery to be returned to ratepayers.

Staff and the Company entered into a settlement stipulation in Docket EL22-017. The settlement shifted cost recovery of all Infrastructure Rider projects to base rates, with the exception of revenue requirements associated with wind projects with in-service dates of 2022 and beyond. Retaining projects with recent in-service dates ensures that the reductions associated with depreciation expenses are incorporated in the annual Infrastructure Rider adjustments. These projects include: Dakota Range Wind, Nobles Wind Repowering, Northern Wind (including the Northern Wind expansion, referred to as Rock Aetna), and Grand Meadows Wind.

The EL22-017 settlement also allowed for Infrastructure Rider recovery of major capital additions placed in service in 2023, that Xcel had originally proposed to be recovered in base rates, with the intent to recognize, with conditions, certain additional projects. The settlement limits the Infrastructure Rider for 2023 to non-operating income producing projects totaling no more than \$13.9 million in 2023 revenue requirements. However, at the time the settlement was prepared, Xcel's estimated 2023 Infrastructure Rider revenue requirements associated with 2023 projects was approximately \$10.7 million.

Going forward, the settlement allows Xcel to seek recovery of other non-operating income producing projects initially proposed for inclusion in the rate case as 2023 additions, which have been delayed. Xcel may also request to include additional projects beginning in 2024, with the condition that the individual project revenue requirements are \$250,000 or greater on a South Dakota jurisdictional level¹. This condition limits the use of the Infrastructure Rider to major projects impacting the revenue requirement.

As part of the EL22-017 settlement, all wind Production Tax Credits (PTCs) will be credited to customers through the Infrastructure Rider instead of the fuel clause in order to help reduce volatility on customers' monthly bills. This shift in recovery mechanism resulted in an estimated \$11,229,488 credit for the 2023 Infrastructure Rider revenue requirement, offsetting the project revenue requirements.

Revenue requirements for January through June 2023, combined with the estimated under/over balance as of June 30, 2023, resulted in an estimated balance of \$36,034. The settlement netted this balance against the interim refund, allowing for the Infrastructure Rider to begin with an estimated \$0 balance on July 1, 2023. Remaining estimated 2023 revenue requirements, including the PTC credits, for July 2023 through December 2023 totaled \$(2,132,416). Using forecasted sales for this same time period resulted in a rate of \$(0.001838) per kWh effective July 1, 2023.

In this current filing, Xcel initially proposed to increase the Infrastructure Rider rate to refund an estimated \$58,928 in revenue requirements for 2024. The resulting rate proposed to be implemented on January 1, 2024, was \$(0.000026) per kWh. Xcel estimated the average bill impact for a typical residential customer using 750 kWh per month to be a negative \$0.02 per month, an increase of \$1.36 per month compared to the current credit.

Staff's recommendation is based on its analysis of Xcel's filing, discovery information, relevant statutes, and previous Commission orders. Staff reviewed updates regarding previously approved projects, the 2023 tracker report, new projects proposed for recovery, the forecasted 2024 revenue requirement, and rate calculations.

EXISTING PROJECTS

Attachment 12 to Xcel's petition in this docket provides a list of all previously approved projects. The projects found on pages 1 through 4 of this attachment (with the exclusion of Dakota Range I and II) were moved to base rate recovery in Docket EL22-017.

¹ This ongoing condition does not apply to 2023 projects proposed in the rate case that were delayed.

As stated above, the EL22-017 settlement continued Infrastructure Rider recovery of the revenue requirements associated with Dakota Range I and II, Nobles Wind Repowering, and Northern Wind (including the Rock Aetna expansion).

Beginning on page 5 of Xcel’s Attachment 12, the Company provides a list of the “Known and Measurable” projects initially proposed to be recovered in the rate case but were instead included in the Infrastructure Rider per the EL22-017 settlement.

Beginning at the bottom of page 8 of Xcel’s Attachment 12, the Company provides descriptions of other 2023 projects included in the Infrastructure Rider revenue requirement. These projects were included in the Infrastructure Rider per the settlement in EL22-017, in addition to those 2023 projects initially proposed in the rate case.

The estimated 2023 revenue requirements associated with the continued wind, rate case known and measurable, and additional projects², which are summarized on Xcel’s Attachment 2 to its Petition, total approximately \$11.0 million. This compares to Xcel’s estimated 2023 revenue requirements for these projects at the time of the EL22-017 settlement of approximately \$10.7 million. The estimated 2024 revenue requirements are approximately \$17.2 million. Staff summarizes the revenue requirements for the existing projects below:

| Description | 2023 Revenue Requirement (EL22-017) | 2023 Revenue Requirement (EL23-025) | 2024 Revenue Requirement (EL23-025) |
|----------------------------------|--|--|--|
| Continuing Wind | \$ 8,120,151 | \$ 8,150,434 | \$ 7,937,193 |
| From Rate Case K&Ms | \$ 1,454,587 | \$ 1,792,732 | \$ 6,632,775 |
| Additional Projects ³ | \$ 1,133,955 | \$ 1,109,225 | \$ 2,662,558 |
| Total | \$ 10,708,693 | \$ 11,052,391 | \$ 17,232,526 |

Over \$8 million of the 2023 revenue requirements is attributable to the continuing wind projects. The majority of these wind projects were in-service in 2022, and the remaining in 2023. As these projects begin to depreciate, the Infrastructure Rider revenue requirements associated with these projects will decrease. Accordingly, the estimated 2024 revenue requirements associated with the wind projects is approximately \$7.9 million.

The other projects included in the 2023 Infrastructure Rider noted in the EL22-017 settlement⁴ are all projects with either 2023 in-service dates⁵, or projects initially proposed to be in-service in 2023 but had experienced delays. Given these projects went into service at varying times in 2023, or won’t be fully in-

² Attachment 2 includes MT 2023 Maintenance Blanket and ITC-VMWare projects under “Additional Projects”. These projects and the associated revenue requirements are discussed below under “New 2023 Projects”.

³ Excludes MT 2023 Maintenance Blanket and ITC-VMWare.

⁴ See EL22-017 Settlement Agreement, Exhibit D, “From Rate Case K&Ms” and “Additional Projects”.

⁵ Some projects are fully in-service in 2023; Other projects are partially in-service in 2023 with subsequent related additions in 2024 and beyond.

service until after 2023, revenue requirements associated with these projects will increase as these projects become fully in-service and the revenue requirement reflects a full year instead of a partial year of associated project revenue requirements. The estimated 2023 revenue requirements associated with these projects total approximately \$2.9 million. The estimated 2024 revenue requirements associated with these projects total approximately \$9.3 million. The recovery of these additional significant capital expenditures was a critical component of the EL22-017 settlement.

While the majority of the projects included have 2023 in-service dates, and the only additional revenue requirements in 2024 is due to the project being in-service for the entire year versus only a partial year in 2023, some projects will see increased capital additions in 2024 and beyond. Some projects are only partially in-service in 2023, with the remainder of the related capital additions occurring in 2024 and beyond.

BLANKET PROJECTS

Other projects included in the existing projects above have additional spend in 2024 and later years due to being “blanket projects”, which are an accumulation of smaller projects grouped together in one larger work order. To achieve a settlement and avoid more frequent base rate cases, Staff agreed to include these projects in the 2023 Infrastructure Rider revenue requirements. However, when finalizing the settlement agreement and reviewing the additional projects Xcel proposed to include for 2023, Staff expressed concern regarding blanket projects and these projects carrying over from year to year with incremental costs added each year, as Staff’s goal was to limit future projects to material capital additions.

Following Staff’s concern regarding these projects, for certain blanket projects included under “Additional Projects” on Exhibit D of the EL22-017 Settlement Stipulation, the Company only included capital expenditures through December 31, 2023⁶. Xcel will not seek recovery of incremental costs for these blanket projects in the Infrastructure Rider after 2023.

However, blanket type projects included under “From Rate Case K&Ms” on Exhibit D of the EL22-017 Settlement Stipulation do have continuing additions into future years that Xcel has included in the 2024 revenue requirements and intends to include in 2025 and beyond. While it was not clear to Staff at the time of the EL22-017 settlement that these projects would carry over from year to year, Staff understands the importance of these revenue requirements to Xcel’s agreement in the rate case. Furthermore, the incremental 2024 revenue requirements for some of these projects exceed the \$250,000 threshold⁷. Staff understands it is Xcel’s position that the \$250,000 threshold does not apply to any “From Rate Case K&Ms” projects, even those blanket projects with additional spend from year to year.

⁶ These include the following projects: A.0010013.001-SD – OH Relocation Blanket, A.0010021.001-SD – OH Rebuild Blanket, A.0010029.001-SD – URD Cable Replacement Blanket.

⁷ For instance, see A.0010021.007-SD – Pole Replacement Blanket.

It still remains Staff's concern that blanket projects are an accumulation of smaller projects. It was Staff's intent to limit the revenue requirement to material projects going forward and blanket projects do not fulfill that purpose in Staff's opinion. In light of differing opinions regarding the intent of the threshold and the ongoing treatment of blanket projects, Staff agrees to the continuation of the blanket projects found under "From Rate Case K&Ms" on Exhibit D of the EL22-017 Settlement Stipulation.

The Company did not request recovery of any new blanket projects beginning in 2024. In the event the Company desires to include additional blanket projects for 2025 or future years, Staff wishes to clarify its position regarding these projects. Since blanket projects are an accumulation of smaller projects, these projects would not meet Staff's intention of the \$250,000 revenue requirement threshold for new projects Xcel may request to be included in future years. If there is a discrete subproject included in the blanket that meets the \$250,000 threshold, Staff would support including that discrete subproject in the Infrastructure Rider in future years.

PRODUCTION TAX CREDITS

As part of the EL22-017 settlement, all wind PTCs are now credited to customers through the Infrastructure Rider instead of the fuel clause in order to help reduce volatility on customers' monthly bills. The estimated 2023 credit included per the EL22-017 settlement was \$11,229,488. Xcel's filing in this docket updates that estimate to \$11,797,523. The Company's estimated credit for 2024 filed in the initial docket was \$18,630,367. After removing the PTCs associated with the Sherco Solar Project⁸, the estimated PTCs for 2024 are \$18,563,240.

In addition, because the fuel clause included PTCs prior the EL22-017 settlement, a one-time true up for the balance in the fuel clause is included in order to fully complete the transfer of the PTCs from the fuel clause to the Infrastructure Rider. This one-time true-up adds \$447,052 to the 2023 Infrastructure Rider revenue requirement.

In addition, per the EL22-017 settlement, the Parties agreed to track the PTCs in order to ensure customers receive the benefits expected. The settlement establishes a baseline PTC floor for the Company's wind portfolio equal to 90% of the PTC forecasts the Company used to justify the prudence of the wind projects. Actual PTCs received are tracked and compared to the floor annually. Any amounts of PTCs above the PTC floor will be carried forward in the tracker for the following year. If the actual PTCs are below the 90% floor, then the Company will refund to customers the value of the difference through the Infrastructure Rider, net of any positive balances in the tracker mechanism. Per the stipulation, the first evaluation will occur in 2024 and based on actual PTC performance that is tracked and considered on a cumulative three-year basis. Thereafter, the tracker balance will be compared to the 90% floor on an annual basis. The estimated amount in the tracker at the end of 2023 to be returned to customers in 2024 is \$427,434. This amount is associated with crediting customers for not meeting

⁸ See Sherco Solar Project section.

the PTC floor on a cumulative basis for 2021-2023. Xcel provides the PTC Floor Tracker calculations on Attachment 11. Staff summarizes the tracker for 2021-2023 below⁹.

| | 2021 | 2022 | 2023 |
|---------------------------|--------------|--------------|--------------|
| Actual PTCs | \$ 2,262,209 | \$ 5,326,178 | \$ 7,259,155 |
| Baseline PTCs | \$ 2,510,106 | \$ 5,086,461 | \$ 7,588,649 |
| Yearly Balance | \$ (247,897) | \$ 239,717 | \$ (329,493) |
| Yearly Balance Grossed Up | \$ (313,794) | \$ 303,439 | \$ (417,080) |
| Cumulative Balance | \$ (313,794) | \$ (10,355) | \$ (427,434) |

NEW 2023 PROJECTS

Beginning on page 13 of Xcel’s Attachment 12, the Company discusses new proposed 2023 projects: Monticello 2023 Maintenance, ITC-VMWare-200148-MN, Red Wing projects, and Wilmarth projects. The Company also removed one 2023 project that was previously identified in the EL22-017 settlement, the 6th Street Bridge Relocation, because Xcel no longer forecasts a 2023 or 2024 in-service date for that project.

| Description | 2023 Revenue Requirement | 2024 Revenue Requirement |
|-----------------------------|---------------------------------|---------------------------------|
| Monticello 2023 Maintenance | \$ 33,589 | \$ 74,005 |
| ITC-VMWare | \$ 78,540 | \$ 161,263 |
| Red Wing | \$ 28,364 | \$ 68,027 |
| Wilmarth | \$ 61,450 | \$ 117,533 |
| Total | \$ 201,943 | \$ 420,828 |

Per the EL22-017 settlement, the Company may propose to include additional projects for 2023 as long as they are non-operating income producing projects and the 2023 revenue requirements total no more than \$13.9 million. As shown in the table above, these projects add \$201,943 to the 2023 revenue requirement. With the addition of these projects, the estimated 2023 revenue requirements meet this \$13.9 million requirement with a total 2023 revenue requirement of \$11,254,333.

Regarding the ITC-VMWare project, Xcel explained that VMWare is a software company that develops virtualization software that allows the hardware elements of a single computer to be divided into multiple virtual computers. Xcel’s VMWare license includes several software. The Company’s previous license with VMWare was to end in December 2025. The new contract term is July 1, 2023 to June 30, 2028.

⁹ SD Allocated amounts

In response to Staff's data request, the Company identified O&M savings that are expected to be achieved with the new license. Staff recommends in subsequent annual Infrastructure Rider filings the Company reflect these O&M savings and return to customers the costs included in base rates related to the current license agreement that will be replaced by the renewal. Such adjustment should begin with 2023 Infrastructure Rider revenue requirements.

SHERCO SOLAR PROJECT

New projects to be included with in-service dates in 2024 or later are subject to the \$250,000 threshold outlined in the EL22-017 settlement. Xcel identified one project meeting this threshold for 2024: the Sherco Solar project.

The Company indicated the Sherco Solar Project partially replaces Sherco Unit 2. Therefore, in order to evaluate the prudence of the Sherco Solar Project, Staff needed to first evaluate the prudence of the Xcel's decision to retire Sherco Unit 2. Given that Xcel did not file any testimony in this docket supporting the Sherco Solar Project or the retirements of Sherco Units 1 and 2, Staff and Xcel agreed that it would be best to establish a procedural schedule for an evidentiary hearing process regarding this matter. Consequently, the cost recovery associated with the Sherco Solar Project will not be included in the revenue requirements now but addressed later on in the same docket, through the evidentiary process.

PRAIRIE ISLAND INDIAN COMMUNITY PAYMENTS

On November 29, 2023, Xcel filed a supplemental filing requesting to update the 2024 revenue requirements to include the South Dakota jurisdictional share of new payments to be made to the Prairie Island Indian Community related to the operation of the Prairie Island Nuclear Generating Plant (PINGP) starting in 2024. Xcel states that the 2023 amended settlement between the Company and the Prairie Island Indian Community includes a \$7.5 million payment per year as well as \$50,000 for each cask of fuel stored at the PINGP (which results in a payment of \$2.5 million in the first year associated with the current 50 casks). Xcel's proposal to recover these increased costs adds approximately \$593,000 to the 2024 revenue requirement.

The new payments are in addition to \$2.5 million currently paid to the Prairie Island Indian Community annually. Xcel states the current payment is not being recovered from South Dakota customers¹⁰. The current annual payment stems from a 2003 settlement agreement¹¹ with the Prairie Island Indian Community, a provision of 2003 laws passed by the Minnesota legislature to allow additional storage at PINGP. Xcel states that since these agreements were directly related to decisions of the Minnesota Supreme Court and the Minnesota State Legislature to settle ongoing disputes, the costs were direct assigned to Minnesota customers. Refer to Xcel's supplemental filing for additional history.

¹⁰ The decommissioning accrual included in SD base rates does include an amount associated with estimated future obligations to the PIIC upon retirement of PINGP. The appropriate amount of PIIC post-retirement payments included in the decommissioning accrual will be evaluated in the Company's next rate case.

¹¹ The 2003 agreement was amended in 2015 resulting in the current \$2.5 million annual payment.

Xcel is seeking a 20-year extension to the life of the PINGP¹². The Company proposes to extend the operating lives to 2053 and 2054 for Unit 1 and Unit 2, respectively. To accommodate the additional spent nuclear fuel associated with the extension, additional spent fuel storage will be required¹³. Anticipating this requested life extension, an Amended and Restated Settlement Agreement between the Company and the Prairie Island Indian Community was executed on August 3, 2023, detailing a revised payment amount to account for the impacts of that extension on the Prairie Island Indian Community. Xcel states the negotiated terms of the new agreement are different than the payments under the 2003 and 2015 agreements. According to the Company, “[r]ather than resolving specific disputes between the parties, these terms identify necessary payments associated with operation and maintenance of the PINGP that appropriately recognize and fairly compensate its closest residents for their proximity to a generating facility.”

Minnesota legislation passed in May 2023 authorizes Xcel to recover the Minnesota share of the costs paid to the Prairie Island Indian Community under this agreement. The amended MN statute¹⁴ requires Xcel to make annual payments to the Prairie Island Indian Community in amounts consistent with those included in the settlement agreement between Xcel and Prairie Island Indian Community. Xcel explained that negotiations with the Prairie Island Indian Community began well in advance of the Minnesota legislation. While final execution of the agreement followed passage of the legislation, the legislation simply codified an agreement that was in near final form. Xcel explained that the codification was needed to clarify for the Company and Minnesota regulators details regarding the source and recovery mechanisms for Minnesota customers. However, Xcel Energy emphasized, and Staff understands, the importance of the agreement as a necessary first step as it relates to the PINGP life extension.

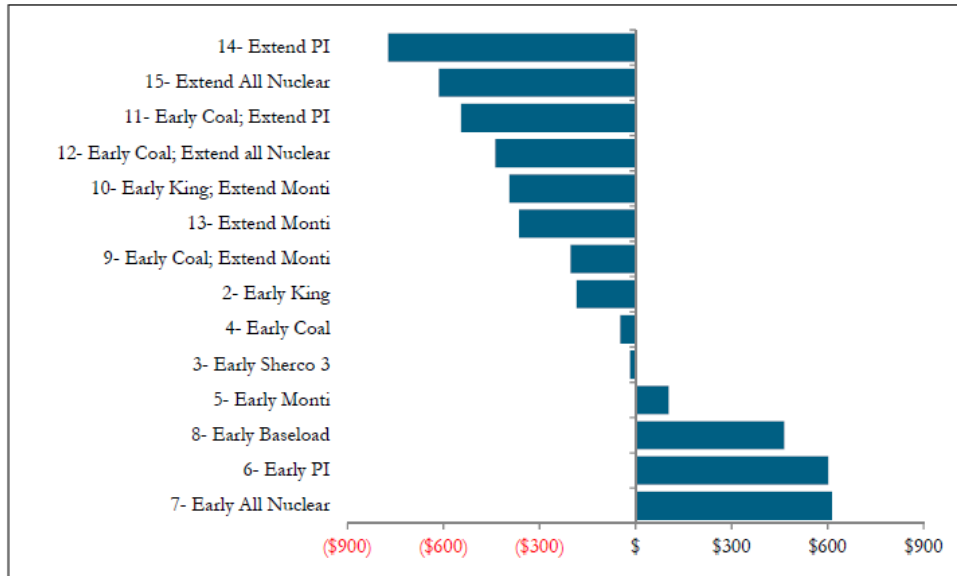
Xcel states the new agreement is critical to support the PINGP life extension, which is an integral part of the Company’s ability to meet customers’ needs reliably and affordably. While Staff has not yet comprehensively reviewed Xcel’s latest Integrated Resource Plan including the Company’s plan to extend the life of PINGP, Staff evaluated the 2019 IRP which included scenarios to extend the life of PINGP. As the chart shows below, scenarios that modeled extending the life of PINGP were lower cost compared to the reference case and other cases where the nuclear plant life was not extended.

¹² Xcel’s most recent Integrated Resource Plan was submitted to the MN PUC on February 1, 2024, including the Company’s plan for continued operation of PINGP until 2053/2054. See MN PUC Docket E002/RP-24-67

¹³ See Xcel’s Prairie Island Spent Fuel Storage Certificate of Need Application filed with the MN PUC in Docket E002/CN-24-68 in April 2024.

¹⁴ Refer to Minn. Stat. § 216B.1645, Subd. 4.

**Scenario PVRR Deltas from Reference Case¹⁵
(\$2019 millions)**



Based on the above, Staff believes that the continued operation of the PINGP is essential to reliable, affordable electricity for South Dakota customers.

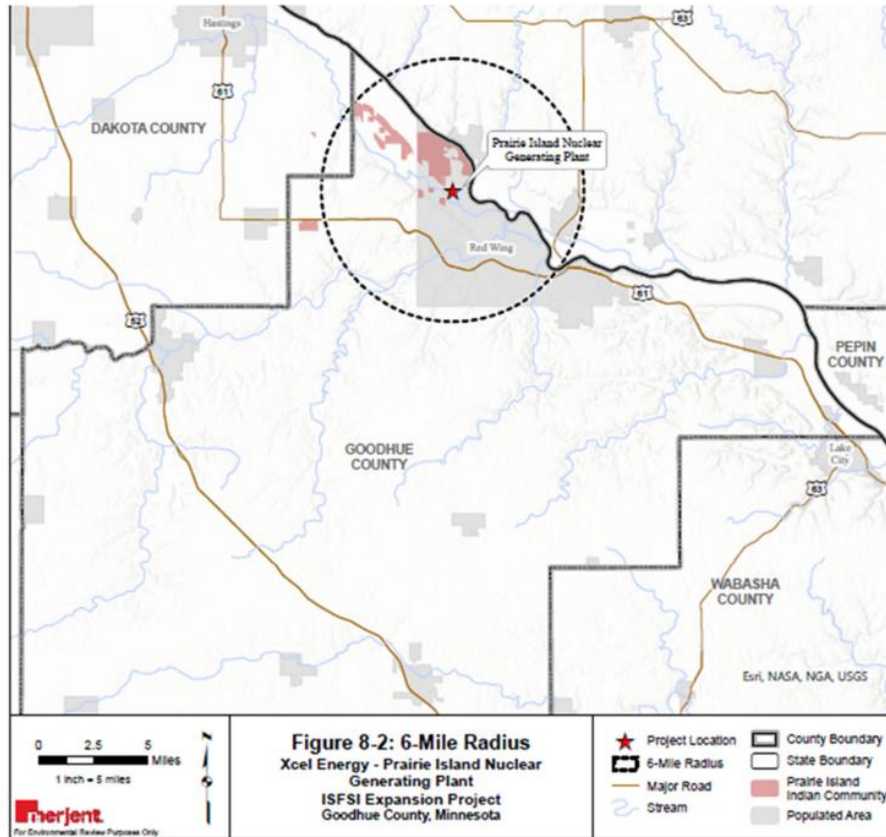
Xcel relates these payments to property taxes that other local municipalities receive due to their proximity to generating facilities, including Red Wing, MN which receives property tax revenue due to the location of the nuclear plant at Prairie Island. In 2023, the City of Red Wing, MN received approximately \$10.2 million in property taxes¹⁶. PINGP is within Red Wing city limits and downtown is a few miles from the plant. The Prairie Island Indian Community, however, is adjacent to Prairie Island and is the closest community to a nuclear facility in the United States¹⁷. The map¹⁸ below shows the location of the Prairie Island Indian Community and Red Wing in relation to PINGP.

¹⁵ Table 5-8 from Xcel Energy’s 2019 Resource Plan.

¹⁶ ND PSC Docket PU-23-364, February 22, 2024, Informal Hearing Presentation, slide 9.

¹⁷ ND PSC Docket PU-23-364, February 22, 2024, Informal Hearing Presentation, slide 9.

¹⁸ ND PSC Docket PU-23-364, February 22, 2024, Informal Hearing Presentation, slide 5.



Given the importance of this agreement to the life extension of PINGP, Staff believes it is appropriate for South Dakota customers to share in the costs paid to the Prairie Island Indian Community. One of the outcomes of extending the life of PINGP will be a reduction in depreciation expense. Staff reserves the right to consider the depreciation savings and confirm the cost effectiveness of the life extension in a later proceeding.

While Staff supports Xcel’s proposal to recover these costs at the present time and through the Infrastructure Rider, in the event the Commission finds it prudent to defer this decision until after the Company has been granted the extension for PINGP, Staff recommends the Commission consider authorizing the Company to seek deferral accounting.

2023 TRACKER REPORT

The Infrastructure Rider rate approved in Docket EL22-026 was based on the estimated 2023 revenue requirements consisting only of the forecasted 2022 over-collection to be returned to customers given Xcel proposed to move all the existing projects to base rates in Docket EL22-017. The rate of \$(0.001100) per kWh was effective January 1, 2023, in conjunction with the interim rates effective date for the base rate change in Docket EL22-017. The settlement in Docket EL22-017 transferred all existing projects to base rates except for wind projects in-service 2022 and later. The settlement also provided for recovery of estimated 2023 revenue requirements of “Known and Measurable Projects” and “Additional Projects” as discussed above. The revenue requirements for January through June 2023 combined with the

estimated under/over balance as of June 30, 2023, resulted in an estimated balance of \$36,034. This balance was netted against the interim refund, allowing the rider to begin with a \$0 balance on July 1, 2023. Remaining estimated 2023 revenue requirements, including PTC credits, for July 2023 through December 2023 totaled \$(2,132,416). Using forecasted sales for July 2023 through December 2023, the resulting rate effective July 1, 2023, was \$(0.001838).

Xcel's filing in this docket updates the 2023 Tracker Report for actual costs and revenues through June 2023, and forecasted costs and collections for the remainder of 2023. The proposed updated 2023 revenue requirements include the existing and new 2023 projects and PTCs discussed above. Netted against the estimated revenue collections for 2023, the resulting under collection, including carrying charges, for 2023 as initially proposed was \$364,503. The proposed 2023 revenue requirements included approximately \$10,000 associated with the Sherco Solar Project. When the Sherco Solar Project is removed, the under collection for 2023 is \$354,006.

2024 INFRASTRUCTURE RIDER REVENUE REQUIREMENT

Xcel's initial petition proposed a 2024 revenue requirement of \$(58,928). Xcel's November 29, 2023 Supplemental Filing requesting to recover the payments to the Prairie Island Indian Community increased the proposed 2024 revenue requirement to \$533,747. Removing the Sherco Solar Project results in an estimated 2024 revenue requirement of \$(390,639).

2024 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR

Xcel's initial filing designed the new Infrastructure Rider Adjustment Factor to be implemented effective January 1, 2024. However, due to review of the Company's Supplemental Filing in late 2023 regarding the PIIC payments and analysis and discussions regarding the Sherco Solar Project, a four month process was not sufficient. The current negative rate¹⁹ has remained in effect while Staff and the Company exchanged further discovery and discussed the best options for moving forward. Now that Staff and Xcel have agreed to separately address the Sherco Solar Project and remove that project from the Infrastructure Rider at this time, the Company calculated a revised rate to be effective July 1, 2024.

While the revised 2024 revenue requirement is negative, since the current negative rate has been in effect for the first six months of 2024, customers have received too large of a credit during those six months. Accounting for the credit customers received during January through June 2024, estimated at \$1,959,194, results in a positive balance remaining to collect for July through December 2024 of \$1,568,555.

The rate is calculated based on forecasted sales for July 2024 through December 2024. The Infrastructure Rider rate based on the remaining costs to collect of \$1,568,555 is \$0.001351 per kWh, as shown on Xcel's Updated Attachment 1. The average residential bill impact of the 2024 Infrastructure

¹⁹ \$(0.001838) per kWh effective July 1, 2023.

Rider is \$1.01 per month, an increase of \$2.39 per month compared to the average residential bill impact of the 2023 Infrastructure Rider effective July 1, 2023, of negative \$1.38 per month.

ANNUAL REPORT ON WIND PROJECTS PERFORMANCE

In past rate case and infrastructure rider dockets, Xcel agreed to report information related to capital costs, operating costs, and plant performance for the Pleasant Valley, Border, Courtenay, Blazing Star I, Crowned Ridge II, Foxtail, Lake Benton, Blazing Star II, Freeborn, Dakota Range I & II, Jeffers, Community Wind North, Mower, Northern Wind, and Noble Wind Repower projects once completed and in-service, so that Staff may assess the actual economics of the projects.

Xcel provided the Wind Project Performance Annual Report information for calendar year 2022 in Attachment 14 for Pleasant Valley, Border, Courtenay, Foxtail, Lake Benton, Blazing Star I, Crowned Ridge II, Blazing Star II, Freeborn, Jeffers, Community Wind North, Mower, Dakota Range, Rock Aetna, and Nobles, as these were the projects placed in-service by the end of 2022. Xcel agrees to provide this information for Northern Wind and Grand Meadows in subsequent infrastructure rider filings. Staff summarizes the 2022 information contained in Xcel’s report in the table below.

| Project | In-Service Date | Operating Capacity | 2022 Total Capital to Date | 2022 O&M | 2022 Congestion & Loss | 2022 Average Capacity Factor |
|--------------------------|-----------------|--------------------|----------------------------|-------------|------------------------|------------------------------|
| Pleasant Valley | 2015 | 200 MW | \$331,791,894 | \$4,421,390 | \$376,666 | 49.6% |
| Borders | 2015 | 150 MW | \$261,586,803 | \$2,537,703 | \$792,338 | 50.8% |
| Courtenay | 2016 | 200 MW | \$286,949,324 | \$5,490,724 | \$290,548 | 46.7% |
| Foxtail | 2019 | 150 MW | \$230,285,739 | \$3,145,812 | \$6,807,843 | 38.8% |
| Lake Benton II | 2019 | 100 MW | \$158,310,519 | \$(224,092) | \$2,512,025 | 52.0% |
| Blazing Star I | 2020 | 200 MW | \$315,596,497 | \$5,072,596 | \$3,435,723 | 48.0% |
| Crowned Ridge II | 2020 | 200 MW | \$301,462,920 | \$3,955,171 | \$6,931,068 | 50.4% |
| Blazing Star II | 2021 | 200 MW | \$342,833,986 | \$6,344,246 | \$3,558,959 | 47.1% |
| Freeborn | 2021 | 200 MW | \$318,132,693 | \$5,589,784 | \$2,474,178 | 41.3% |
| Jeffers | 2021 | 44 MW | \$72,029,057 | \$1,332,274 | \$764,878 | 54.4% |
| Community Wind North | 2021 | 26.4 MW | \$66,622,809 | \$774,067 | \$533,122 | 52.5% |
| Mower | 2021 | 98.9 MW | \$158,385,544 | \$2,382,484 | \$82,580 | 41.2% |
| Dakota Range I & II | 2022 | 302.4 MW | \$377,866,456 | \$7,227,695 | \$15,521,792 | 43.0% |
| Rock Aetna ²⁰ | 2022 | 22.3 MW | \$33,419,111 | \$17,243 | \$35,717 | 37.1% |
| Nobles Repower | 2022 | 201 MW | \$211,935,716 | \$4,213,278 | \$1,749,530 | 23.0% |

Some of the wind projects are now included in base rates and only the projects in-service in 2022 and beyond are included in the Infrastructure Rider. However, the PTCs associated with the entire wind portfolio are passed through the customers in the Infrastructure Rider. The PTCs are integral to the economics of the wind projects and are calculated based on the actual generation of each wind facility, and thus are reflective of the wind projects’ capacity factors. Staff notes that with the addition of the PTC tracker and floor established in Docket EL22-017, customers are protected from years where the

²⁰ Rock Aetna was in-service in December 2022. Capacity Factor is for December only.

Company's wind portfolio has capacity factors well below what was used to justify cost effectiveness and need for the wind resources.

RECOMMENDATION

Staff recommends the Commission approve the revised Infrastructure Rider Adjustment Factor of \$0.001351 per kWh and tariff sheet effective July 1, 2024.