STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF THE 2025 INFRASTRUCTURE RIDER ADJUSTMENT FACTOR	DOCKET NO. EL24-___ **INFRASTRUCTURE RIDER ANNUAL FILING AND UPDATE**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this annual filing to update the Infrastructure Cost Recovery Rider, Adjustment Factor, and Tracker. The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. The Infrastructure Rider was subsequently modified and approved in the electric rate case Settlement Stipulation in Docket No. EL14-058 by the Commission's June 16, 2015 Order. The Infrastructure Rider was further modified by the May 24, 2023 Settlement Stipulation in the Company's last electric rate case, Docket No. EL22-017, which was approved by the Commission's June 6, 2023 Order (2022 Settlement Stipulation). This filing is submitted consistent with the 2022 Settlement Stipulation and Order. The Company will continue to file an annual Infrastructure Rider for Commission approval.

Projects eligible for recovery through the Infrastructure Rider include those projects specified in Exhibit D to the Settlement in Docket No. EL22-017 and capital investments consistent with the Phase-In Statute (SDCL § 49-34A-73) not yet included in base rates or otherwise recovered through other available mechanisms.

In compliance with the various Settlement Agreements and Commission Orders referenced above, we last submitted a filing to update the Infrastructure Rider Adjustment Factor on September 1, 2023. The updated Adjustment Factor will become effective September 1, 2024.

In this filing, we propose to increase the Infrastructure Rider rate to collect an estimated $3 million in revenue requirements for 2025. The resulting rate we propose to implement on January 1, 2025 is $0.001366 per kWh applied to all energy billed to each customer class during the calendar year 2025. The average bill impact is estimated to be $1.02 per month for a typical residential electric customer using 750 kWh per month, a decrease of $0.86 compared to the current rate.[1]

We specifically request Commission approval of:

- the Infrastructure Rider Tracker Report and true-up for the 2024 revenue requirements, including PTCs and the PTC tracker mechanism;
- 2025 Infrastructure Rider revenue requirements of $3,036,215;
- an updated Infrastructure Rider Adjustment Factor of $0.001366 per kWh;
- proposed revision to the Infrastructure Rider tariff sheet; and
- proposed customer notice.

I. REQUIRED INFORMATION

Following is information specified in ARSD 20:10:13:26 regarding our proposed Infrastructure Rider Adjustment Factor and tariff.

(1) Name and Address of the Public Utility

Northern States Power Company
500 West Russell Street
Sioux Falls, SD 57104
(605) 339-8350

(2) Section and Sheet Number of Tariff Schedule

We propose to revise tariff Sheet No. 5-74 of the Northern States Power Company South Dakota Electric Rate Book. The proposed tariff sheet that would implement the revised Infrastructure Rider Adjustment Factor is included as Attachment 13.

(3) Description of the Tariff Change

This request revises the Infrastructure Rider Adjustment Factor shown as a separate line item on customer bills. The 2024 Infrastructure Adjustment Factor of $0.002504 per kWh will become effective on September 1, 2024. We propose the new 2025 Infrastructure Adjustment Factor of $0.001366 per kWh be effective on January 1, 2025.

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[1] We note that due to a delay in the implementation of our 2024 revenue requirements, which were updated for over-credited amounts for the first half of the year, the proposed 2025 rate is a decrease compared to approved 2024 rate, though the overall 2025 revenue requirement is an increase.

(4) Reason for the Requested Change

The Company was initially authorized to establish the Infrastructure Rider by the Commission's April 18, 2013 Order in Docket No. EL12-046. In the subsequent electric rate case, Docket No. EL14-058, new projects were included, and the rider mechanism was expanded to implement the Phase-In Statute for possible recovery of other capital investments consistent with SDCL § 49-34A-73.1.

In our last rate case, Docket No. EL22-017, the Commission authorized the continued use of the Infrastructure Rider to seek recovery of non-operating income producing projects initially proposed for inclusion in the rate case as 2023 additions, which have been delayed, and as identified in Exhibit D of the Settlement Agreement. The Settlement also allowed the Company to include additional projects beginning in 2024, with the condition that the individual project revenue requirements are $250,000 or greater annually on a South Dakota jurisdictional level. The Commission also authorized all wind Production Tax Credits (PTCs) to be credited to customers through the Infrastructure Rider going forward.

The Infrastructure Rider Adjustment Factor has been updated each year since the mechanism was approved to reflect current costs and new facilities. To ensure that customers are not under or overcharged, we record the actual revenues and costs in our tracker account and credit or collect any difference during the next recovery period based on the estimated end of year balance in the tracker account.

This Petition includes the final 2023 true-up amount and the projected true-up amount for 2024.

(5) Present Rate

The current monthly rate for all customer classes is $0.002504 per kWh, implemented on September 1, 2024 and approved in the Commission's August 2, 2024 Order in Docket No. EL23-025. The rate was calculated by dividing the total 2024 projected annual revenue requirements of the Infrastructure Rider Tracker Account, including the projected tracker balance as of August 2024, by the 2024 forecasted retail sales for the period September through December (the time period the rate will be in effect).

(6) Proposed Rate

A. Commission Authority

The Commission's authority for considering and approving the revised Infrastructure Rider Adjustment Factor proposed in this Petition was established through approval of the Settlement Agreement in Docket No. EL12-046 and as refreshed most recently in Docket No. EL22-017 under its general authority provided in SDCL § 49-34A. Additionally, authority granted through SDCL §§ 49-34A-73 through 49-34A-78 (Phase-In Statute) allows for cost recovery of material plant investments in generation, transmission and distribution assets. In part, the Phase-In Statute provides:

> *S.D. Codified laws 49-34A-73 - Phase in rate plan for rate increases due to plant additions. Notwithstanding anything in this chapter to the contrary, an electric utility that is subject to rate regulation by the commission and plans plant additions that are expected to have a material impact on rates may make application to the commission for a phase in rate plan to provide for the phase in of expected rate increases resulting from plant additions. The plan may provide for any of the following:*
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> *(1) Rate increases to be incrementally phased in prior to the commencement of commercial operation of the plant additions;*
> *(2) To the extent rate increases for plant additions are allowed prior to commercial operation, restrictions on the capitalization of allowance for funds used during construction for the plant additions;*
> *(3) Restrictions on other rate increases; and*
> *(4) Any other conditions which benefit the public interest and may be imposed by the commission consistent with the findings in § 49-34A-74.*
>
> *S.D. Codified Laws 49-34A-73.1 - Plant additions defined. For purposes of §§ 49-34A-73 to 49-34A-78, inclusive, plant additions are investments in fixed generation, transmission, and distribution assets, whether purchased or constructed, including operations and maintenance expenses directly related to those fixed assets, real property, and new power purchases.*

We have calculated our revenue requirement consistent with the methodology accepted by the Commission in past Infrastructure Rider Orders, most recently in its August 2, 2024 Order in Docket No. EL23-025. The 2025 overall rate of return is based on the Company's last authorized capital structure and the return on equity (ROE) approved by the Commission in our last concluded electric rate case.[2]

The Company proposes a 2025 Infrastructure Rider Adjustment Factor for all customer classes of $0.001366 per kWh. The Infrastructure Rider Adjustment Factor was calculated by dividing the forecasted balance of the Infrastructure Rider Tracker Account by the forecasted retail sales for the calendar year; it is rounded to the nearest $0.000001 per kWh.

B. Proposed Infrastructure Projects

i. Projects Previously Approved for Rider Recovery

A complete list of projects previously approved for Infrastructure Rider recovery is provided in Attachment 12. The projects approved in the 2021, 2022, and 2023 dockets were reaffirmed for rider inclusion most recently in Docket No. EL23-025.

ii. Project Updates

Attachment 4 provides a summary of the updated revenue requirements for the approved projects compared to the forecasted revenue requirements presented in our last Infrastructure Rider update filed in Docket No. EL23-025. We discuss notable project cost, in-service date, and scope changes below.

The project 2023 revenue requirements true-up decreased $338,288, while the 2024 forecasted revenue requirements increased $127,228 from the previously approved amounts. This results in a net decrease of $212,753 from the previously approved project revenue requirements. See Attachment 4.

a. Louise Line and Sub Installation

The Louise Line and Sub project involves installation of a second distribution transformer at the Louise substation in Sioux Falls, SD. The line and substation project were expected to be completed by November 2023. However, the Company experienced delays acquiring switches, bus fittings, and materials for the weight trap drop. Due to vendor delays in acquiring the necessary building materials, the project was completed in April 2024.

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[2] Docket No. EL22-017.

b. Information Technology Capital (ITC) – Monitoring Device Management SW 20017

The Monitoring Device Management System (MDMS) replacement of the legacy mainframe system was anticipated to be placed in-service in September 2023. The initial project scope was underestimated and reassessed as system dependencies were realized. In late 2023, the project scope was updated to include all the components for a platform that will replace the asset management system of record for all meters and other serialized devices for existing and future requirements. Significant progress has been made on the project and is expected to be in-service in September 2024.

c. ITC – Marshall Operations Center

This project covers the technology that is required by the new facility to support the requirements of the Transmission and Distribution operations, including a consolidated Control Center. This project was dependent upon the Marshall Service Center being completed and resiliency of the grid during a control center migration. The Marshall Service Center completion was delayed a month, shifting the coordination of migration efforts and causing delayed completion of this project until August 2024. This project had been anticipated to go into service at the end of 2023.

d. ITC – Customer Care IVR

The Contact Center Interactive Voice Response (IVR) and dependent Avaya application upgrades were not completed in December 2023, as originally planned. Security enhancements related to Natural Language Understanding software were required, resulting in additional upgrades on the existing system prior to being placed in service. The project is expected to be placed in-service prior to year-end 2024.

e. ITC – Distributed Intelligence (DI) Services Platform SW

This project has multiple phases as functionality of the customer-facing software platform are developed and enabled. In response to customer feedback and various state requirements, the Company is building a solution that allows customers to read real-time meter data from any location, compare present day to historical energy usage, estimate utility bills, and get tips on how to save energy. Leveraging one platform for multiple capabilities through agile project management under one project structure creates a more efficient workflow. All phases are expected to be in-service by the end of 2024.

f. Other Technology (OT) – Monitoring 2021 Minnesota Hardware

This project, D.0002515.034-OT Monitoring 2021 HW, is a discrete subset from D.0002515.003-ITC – OT Monitoring 2021 NSPW. The Company separated hardware equipment by major location in accordance with accounting procedures; while the hardware may support a network across geographic areas, it is a physical asset that resides at one physical site. These assets are located in Minnesota and monitor assets that support the NSP system. The business has a requirement that no additional spend can be charged to the project for at least 30 days prior to the reclassification occurring. This business requirement caused the shift of in-service date from 2023 to 2024.

g. OT – Monitoring 2021 South Dakota Hardware

This project, D.0002515.038-OT Monitoring 2021 SD is a discrete subset from D.0002515.003-ITC – OT Monitoring 2021 NSPW. The Company separated hardware equipment by major location in accordance with accounting procedures; while the hardware may support a network across geographic areas, it is a physical asset that resides at one physical site. These assets are located in South Dakota and monitor assets that support the NSP system. The business has a requirement that no additional spend can be charged to the project for at least 30 days prior to the reclassification occurring. This business requirement caused the shift of in-service date from 2023 to 2024.

iii. New Project Eligibility

The Settlement Agreement in our most recent rate case, Docket No. EL22-017, allowed the Company to include additional projects beginning in 2024, with the condition that the individual project revenue requirements are $250,000 or greater annually on a South Dakota jurisdictional level. The Company has added five new projects this year that meet this requirement. New projects are described in more detail in Attachment 12, Project Descriptions.

The amount included in the Infrastructure Rider for capital projects in 2024 initially reflects a partial year of revenue requirements for amounts going into service in 2024 based on the expected in-service dates in 2024. In the event certain projects are unable to be completed in 2024, the Company may include different projects that are completed in 2024 as long as such projects meet the $250,000 revenue requirement threshold, do not have offsetting cost savings and are not required for the provision of service to new customers or increased load for existing customers.

iv. Sherco Land Sale

In the 2022 Settlement Stipulation, the Parties agreed that the Infrastructure Rider would also include the return to customers of the gains on sale (net of expenses) of a pending sale of a parcel of land in Sherburne County. The sale closed on April 24, 2024.

Table 1 below summarizes how the proceeds from the sale of land have been distributed to the NSPM jurisdictions.

Table 1
Sherco Land Sale Proceeds

	Total	NSPM	MN	ND	SD
Allocator	100%	83.8765%	73.0986%	5.0705%	5.7074%
Sherco Land Sale Credit	$7,720,580	$6,475,752	$5,643,636	$391,472	$440,643

The Company has included the $440,643 credit to South Dakota electric customers in this Infrastructure Rider revenue requirements. See Attachment 2, line 106 for where this credit has been included.

C. Infrastructure Rider Tracker Account and Accounting

The Company uses a tracker account as the accounting mechanism for eligible Infrastructure Rider project costs. The revenue requirements included in the Tracker are only those related to South Dakota's share of eligible projects. In making our calculations, the Company used the most current data available at the time of this filing and allocated costs among jurisdictions based on the cost allocation methodology approved in our last concluded rate case and consistent with the Commission's August 2, 2024 Order approving the prior Infrastructure Rider filing. As a result, for 2025, South Dakota electric customers are allocated a portion of total costs for each project depending on the type of system component.

Each month, as revenues are collected from retail customers, the Company tracks the amount of recovery under the Infrastructure Rider Adjustment Factor and compares that amount with the monthly revenue requirements. The difference is recorded in the Tracker Account as the amount of over- or under-recovery. The under-recovered amounts are recorded in FERC Account 182.3, Other Regulatory Assets, and the over-recovered amounts are recorded in FERC Account 254, Other Regulatory Liabilities (the Tracker Accounts). A carrying charge is calculated monthly on the over- or under-recovered balance and added to the tracker balance. Any over- or under-recovery balance at the end of the year is used in the calculation of the Adjustment Factor for the next year's forecasted revenue requirement.

i. PTC Tracker

Per the 2022 Settlement Stipulation, the South Dakota jurisdictional share of Production Tax Credits (PTCs) associated with wind generation that were previously credited to customers through the Fuel Clause Rider (FCR) are now credited to customers through the Infrastructure Rider. The Parties agreed that this mechanism allows for reduced volatility from month to month in FCR rates.

In addition, the Parties agreed that the Company will incorporate a mechanism in the Infrastructure Rider to ensure that customers receive the benefits of the wind projects and all future wind projects. A baseline PTC floor has been established equal to 90 percent of the PTC forecasts the Company used to justify the prudence of the wind projects. A tracker mechanism has been established and actual PTCs received are tracked and will be compared to the floor annually.

If PTCs earned and allocated to the South Dakota jurisdiction are above the floor: (i) no changes to actual PTCs credited to the Infrastructure Rider are made; and (ii) any amounts of PTCs above the PTC floor will be carried forward as a positive balance in the tracker for the following year. In the event that PTCs earned and allocated to the South Dakota jurisdiction are below the 90 percent floor, then the Company will (iii) refund to customers the value of the difference between actual PTCs received and the 90 percent floor through the Infrastructure Rider net of any positive balances in the tracker mechanism established under this Section III.7.b. The baseline PTC floor and the actual PTCs received will be calculated on a portfolio basis.

The tracker mechanism has been established for wind production starting in 2021 and carries forward a net balance to the subsequent year. Wind production for 2021-2023 was below the established floor. In 2024, a refund of $621,999 will be credited to customers as part of the Infrastructure Rider. See Attachment 2, line 105. In 2025, we are projecting a credit of $225,683 to customers based on projected PTC generation.

ii. True-Up

As agreed upon in the 2022 Settlement Stipulation, an annual filing will be made by September 1 of each year and will include a tracker that will true-up the Infrastructure Rider for actual costs, revenues, and allocation factors for the prior period, reconciling any differences between estimated cost and in-service date and actual cost and in-service date, and include projected revenue requirements for the tracker projects in the following year. This process of true-up to actual costs and reset of the Infrastructure Rider factor based on forecast for the following year will continue until the revenue requirements related to projects in the Infrastructure Rider are moved into base rates in a future rate case.

Because the Fuel Clause Charge (FCC) had included PTCs prior to the Settlement, and the FCC only collects an approximate amount, a one-time true up for the balance in the FCC is included in 2023 as shown on Attachment 2, line 103.

iii. Inflation Reduction Act – Participation in the Tax Credit Market

With the passage of the federal Inflation Reduction Act of 2022, the Company is permitted to engage in transactions related to the transfer or sale of tax credits beginning in 2023. Selling PTCs results in significant net benefits to customers over time, but does result in an immediate cost in the form of transaction costs incurred by the Company. However, the Company expects the benefits of PTC transactions to substantially outweigh the transaction costs over time.

In last year's Infrastructure Rider Petition, we outlined our proposed approach to addressing the Company's transactions in tax credits through the Infrastructure Rider. We began selling PTCs in 2023, so we have included a true-up of the value of the transferred credits to the actual sales amounts in the Infrastructure Rider PTC generation tracker in this Petition for 2023 and 2024 through June. For the second half of 2024 and 2025 we have included in the tracker a forecast of the value of likely sales or transfers based on our (and others') experience in the transfer market thus far. This forecast will be trued-up in subsequent Infrastructure Rider proceedings based on the results of actual transfers. This process incentivizes the Company to maximize the value of tax credits for customers, while allowing us to recover our actual costs for participating in the tax credit market.

Selling PTCs will avoid the continued buildup of the deferred tax asset (DTA), which will result in lower future rates for customers. The DTA is part of rate base and adjusted in a base rate case filing; any reduction in that balance will reduce the total revenue requirement in base rates. The Company expects that avoiding the additional buildup will lead to savings for customers that exceed the annual transaction costs of the PTC sales. However, the impact may not be larger than annual transaction costs initially.

See Attachment 10 for PTCs net of sales.

D. Project Cost Recovery

i. Summary

Below we provide support for the proposed 2025 Infrastructure Rider rates. This information is summarized as follows:

- The projected Infrastructure Rider Tracker Account activity for 2025, including both revenue requirements and projected revenues, is summarized in Attachment 2 with monthly detail in Attachment 3.
- The projected 2025 revenue requirement proposed to be recovered through the Infrastructure Rider Adjustment Factor from South Dakota electric customers is approximately $3.0 million. Detailed revenue requirements for each project can be found in Attachment 5.
- Projected revenues are calculated by month as shown in Attachment 6 and are based on forecast 2025 South Dakota sales by calendar month.
- The development of the Infrastructure Rider Adjustment Factor is included in Attachment 1. The proposed Infrastructure Rider Adjustment Factor is shown below.

ii. Proposed 2025 Infrastructure Rider Adjustment Factor

The Company's Infrastructure Rider rate design is the annual calculated revenue requirements (including the current year South Dakota jurisdictional project costs and the carryover balance from the previous year) divided by the total annual forecast energy sales to South Dakota retail customers from January through December 2025. This calculation is shown on Attachment 1.

Based on this rate design, we propose the following Infrastructure Rider Adjustment Factor:

Table 2
2025 Rate Factor Calculation

2024 Carry-Forward Balance	$(635,819)	
2025 Project Revenue Requirements	$22,285,987	
PTCs (Net) and PTC Tracker	$(18,613,953)	
2025 Net SD Retail Cost	**$3,036,215**	[A]
2025 SD Retail Sales (MWh)	**2,222,770**	[B]
Infrastructure Rider Adjustment Factor (per kWh)	**$0.001366**	[C] = [A]/[B]

If approved as proposed, our 2025 revenue requirements reflect the current true-up balance for 2024. The remaining 2023 Tracker balance has been included in the Infrastructure Adjustment Factor. We propose to implement an adjustment factor of $0.001366 per kWh applicable to all customer classes beginning January 1, 2025.

iii. *Bill Impact*

The average bill impact for a residential customer using 750 kWh per month will be $1.02 per month, a decrease of $0.86 compared to the current rate. Consistent with our approved tariff, we will notify our customers of the change through a bill onsert in the month the change is effective.

iv. *Tariff*

Attachment 13 provides the proposed revised tariff sheet to implement the proposed Infrastructure Rider Adjustment Factor based on forecasted costs for the 2025 calendar year. As required by the Commission, for each 12-month period ending December 31, a true-up adjustment to the Tracker Account will be calculated reflecting the difference between the Infrastructure Rider recoveries from customers and the actual revenue requirements for the period.

v. *South Dakota Jurisdictional Cost*

Attachment 5 shows the development of the revenue requirements by year for each project for the South Dakota jurisdiction, based on the capital-related cost, by project, using the most recent capital forecast.

Xcel Energy operates the generation and transmission assets of Northern States Power Company – Minnesota (NSPM) and Northern States Power Company – Wisconsin (NSPW) as one system (NSP System). Pursuant to the terms of the Federal Energy Regulatory Commission (FERC) regulated *Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin)* (Interchange Agreement), all generation and transmission costs are shared between NSPM and NSPW based on load ratio share using a FERC-approved 36-month coincident peak demand allocator. The NSPM portion is then further allocated to its respective state jurisdictions (South Dakota, North Dakota, and Minnesota) based on the allocation methodology generally accepted in our rate case proceedings.

vi. Calculations to establish that the rate adjustment is consistent with the terms of the tariff.

Attachment 1 contains the calculation of the proposed 2025 Infrastructure Rider Adjustment Factor consistent with the terms of the Infrastructure Rider tariff proposed in Attachment 13. Attachment 8 demonstrates the revenue requirement model logic and aids in confirming the calculation is accurate.

(7) Proposed Effective Date of Modified Rate

Consistent with the 30-day notice requirement under SDCL § 49-34A-17, we propose to implement rates January 1, 2025. If the Commission acts to suspend the proposed rates and our Petition has not been approved in time to implement on January 1, we propose to implement the rates the first billing cycle following Commission approval, or at the time the proposed rates are no longer subject to suspension. As indicated above, the rate has been determined based on a January 1 implementation, and we request the opportunity to recalculate the Infrastructure Adjustment Factor to reflect the time remaining in 2025 in the event Commission approval occurs later.

(8) Approximation of Annual Increase in Revenue

Attachment 2 shows the summary of the Infrastructure Tracker Account activity for 2023 through 2025, and Attachment 3 provides monthly detail for 2023, 2024, and 2025. The 2024 true-up balance is currently forecasted to be a credit of $635,819, while the projected revenue requirements for 2025 is $22.3 million. This sum of $21.7 million is offset by $18.6 million of credits from PTC related tracker adjustments, which results in a $3 million revenue requirement for 2025. We have calculated this amount to be billed to customers from January through December 2025 through this tariff mechanism. Pending the timing of Commission approval, we will recalculate the

Infrastructure Rider Adjustment Factor based on when the new rate can be implemented.

The proposed 2025 revenue requirements represent a $4 million increase compared to the 2024 revenue requirement approved for the Infrastructure Rider in Docket No. EL23-025 as a result of the additional projects added to the Rider. These additions were partially offset by the PTC true-up and PTC floor.

(9) Points Affected

The proposed Infrastructure Rider Adjustment Factor would be applicable to all areas served by Xcel Energy in South Dakota.

(10) Estimation of the Number of Customers whose Cost of Service will be Affected and Annual Amounts of either Increases or Decreases, or both, in Cost of Service to those Customers

This tariff rider is proposed to be applied to all customers throughout all customer classes as described within this Petition. Xcel Energy presently serves approximately 105,812 customers in 33 communities in eastern South Dakota.

(11) Statement of Facts, Expert Opinions, Documents, and Exhibits to Support the Proposed Changes

Supporting information is provided in narrative throughout this Petition and in the attached Exhibits.

II. PLANNED CUSTOMER NOTICE

In accordance with ARSD 20:10:16:01(2), the Company plans to provide notice to customers comparing the prior rate and the new rate through a bill onsert. Attachment 15 includes the language we propose be included with customers' bills in the month the Infrastructure Adjustment Factor is implemented, or as soon as is practicable after implementation of the Adjustment Factor.

We will work with the Commission Staff to determine if there are any suggestions to modify this bill onsert. To the extent that multiple new rider rates are implemented on the same date, we will coordinate the various rider customer notices.

III. WIND PROJECT PERFORMANCE ANNUAL REPORT

A. Background

In the Settlement Stipulation approved by the Commission in Docket No. EL14-058, the Company agreed to report certain information related to capital cost, operating costs, congestion costs and other energy production information for the Pleasant Valley and Border Winds projects once construction of either project was completed. The Settlement stipulated that reporting should begin with the first annual Infrastructure Rider update filing following the completion of the project construction. Subsequent proceedings have added projects to this reporting requirement:

In the 2015 Infrastructure Rider proceeding, the Company also agreed to report the same information for the Courtenay project once construction was completed.[3]

In the 2018 Infrastructure Rider proceeding, the Company committed to reporting the same information for the new wind projects included in the Petition – Blazing Star I, Crowned Ridge II, Foxtail, and Lake Benton II.[4]

The Commission's December 13, 2019 Order requires the Company to submit annual informational reports on the performance metrics of the Blazing Star II and Freeborn wind projects.[5]

As indicated in the December 14, 2021 Staff Memo in Docket No. EL21-028, the Company agreed to provide annual informational reports on the performance metrics of the Dakota Range I and II, Community Wind North, Jeffers, Mower, and Rock Aetna) projects once they are placed in-service.

Attachments 14 and 14A provide the Wind Project Performance Annual Report information for calendar year 2023 for the Pleasant Valley, Border Winds, Courtenay, Foxtail, Lake Benton II, Blazing Star I, Crowned Ridge II, Blazing Star II, Freeborn, Jeffers, Community Wind North, Mower, Dakota Range I and II, Rock Aetna, Nobles, Northern Wind, and Grand Meadow facilities. We expect the repowered Border and Pleasant Valley projects to begin operation in 2025 and will add these projects to the report when we report on 2025 wind performance.

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[3] Docket No. EL15-038.
[4] Docket No. EL18-040.
[5] Docket No. EL19-035.

B. Analysis of Wind Benefits

When choosing which wind generation facilities to add to the NSPM system, the Company performs capacity expansion modeling on each of the wind projects that shows the expected net costs or benefits of each of the projects.

The savings expected for these wind projects are generally due to the decreased fuel costs of the projects outweighing the costs of adding them over the life of each project. Thus, the projects are anticipated to result in long-term energy costs that will be lower than they would otherwise have been had the given wind resource not been selected. In a future scenario in which natural gas costs are lower, the fuel savings from the wind projects are diminished to a certain extent. On the flip side, however, we expect wind additions to show higher benefits under a future scenario in which gas prices are higher.

It is difficult to demonstrate the actual occurrence of the estimated savings for each wind project because the comparison being made is to the costs (occurring over the life of the project) of a future resource alternative that will never actually be experienced. Thus, the modeling we conduct to evaluate projects is most appropriately viewed as an economic decision-making tool – comparing a future system with the plant in question to a future without it – rather than an indication of specific rate savings. However, historical trends in our fuel and purchased energy costs as reflected in the FCC appear to show that energy cost savings have occurred in recent years that can at least partially be the result of the Company's use of wind resources.

Similar to data provided in past Infrastructure Rider filings, Figure 1 below represents a graph of the annual average monthly FCC rates from 2010 through 2023 for residential customers in South Dakota, as shown in the solid line. Note that in the period from 2010-2015, prior to the addition of most of Xcel Energy's major wind resources, energy rates were on an upward trend, as indicated by the dashed line labeled "Trend Line Rates." However, from 2015 to 2020, which coincides with the timing of the addition of several of the wind projects currently in the Infrastructure Rider, as shown in Figure 1, we saw the FCC rates fall to nearly half their 2013 peak. The FCC rates did rise again in 2021, primarily due to an increase in gas costs offsetting the downward pressure on the FCC generated by the additions of the wind projects.

Figure 1
Average Annual SD FCC Rate per kWh
(Residential) 2010-2023

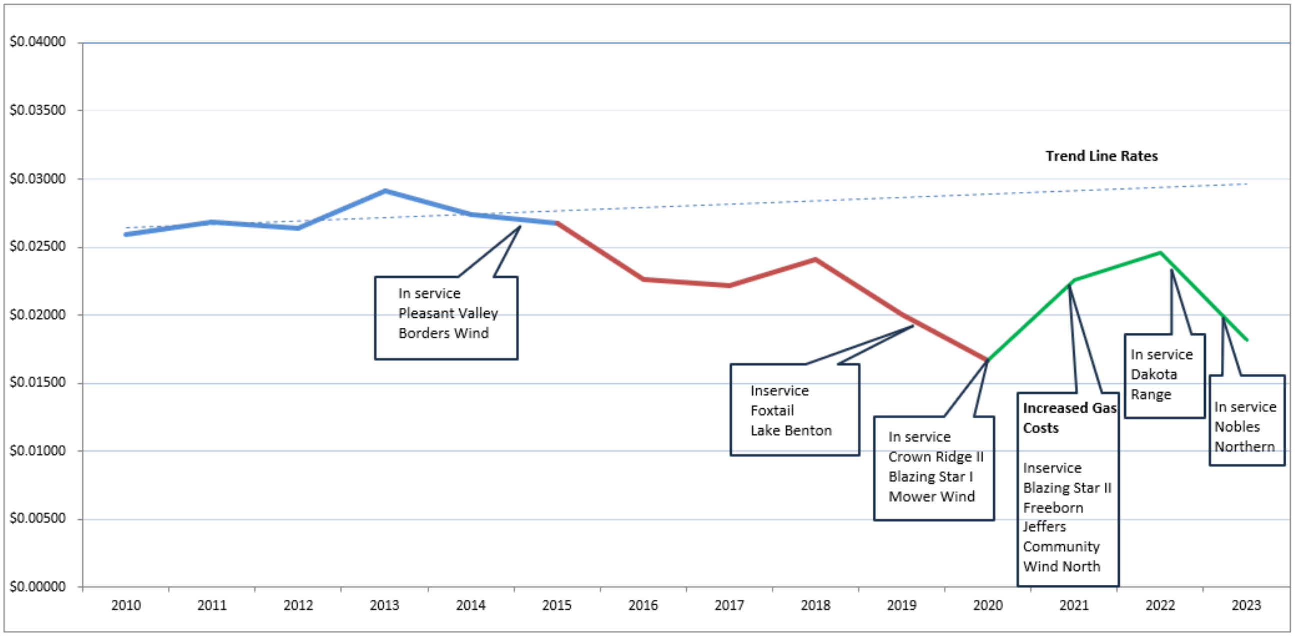

Figure 1 shows that, for example, the delta between the 2023 average rate (around 1.8 ¢/kWh) and the rate that would have been expected in 2020 based on the trend of costs from 2010 – 2015 (about 3.0¢/kWh) is approximately 1.2¢/kWh. For a typical residential customer using 750 kWh a month, this reflects an approximate savings of $9 per month.

Figure 2 below shows the historical average "all-in" residential electric rate per kWh (i.e., including all base, riders, and FCC rates) by year. Figure 2 shows that the price trend from 2016-2023 is lower than the trend from 2010-2015, coinciding with the Company's investment in wind resources.

Figure 2
Xcel Energy Average Residential
Electric Rate in SD (2010 – 2023)

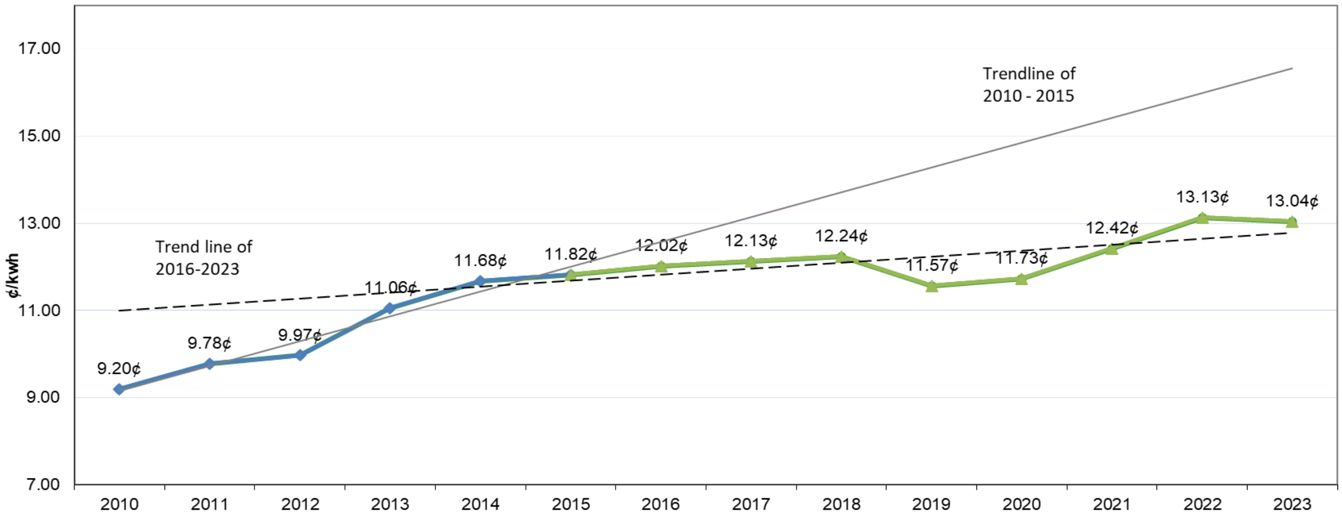

Figure 2 demonstrates that wind additions have driven lower overall energy costs for South Dakota consumers compared to costs anticipated if the wind was not added, as modeled by the Company in its various resource filings. Lower gas commodity costs also contributed to the lower fuel costs customers have seen in recent years. The combination of lower gas costs and wind generation allowed for cost savings by offsetting more expensive generation. As shown in Figure 1, above, fuel costs increased in 2021 and 2022. This increase was driven by the increase in gas commodity costs. While this increase in gas commodity costs has resulted in an increase in the FCC rates, the wind generation provides a hedge against fuel costs, keeping the fuel costs lower than they would have been without the wind additions. We note that gas commodity costs have declined in 2023.

IV. CONFIDENTIAL INFORMATION

We request confidential treatment of certain portions of Attachments 5, 7, 8, 10, 12, 12A, 12B, and 14. Pursuant to ARSD 20:10:01:41, the Company submits the following justification for confidential treatment.

(1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested.

Certain portions of Attachments 5, 7, 8, 10, 12, 12A, 12B, and 14 contain confidential information. This confidential information includes confidential financial information that is not available to the general public and that the Company takes efforts to protect from public disclosure, the disclosure of which would result in material damage to the Company's financial or competitive position, and which thus has independent economic and commercial value from not being generally known to, and not being readily ascertainable by other parties, who could obtain economic value from its disclosure or use.

(2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment.

The Company requests that certain portions of Attachments 5, 7, 8, 10, 12, 12A, 12B, and 14 be recognized as confidential data in perpetuity.

(3) The name, address, and phone number of a person to be contacted regarding the confidentiality request.

Steve T. Kolbeck
Principal Manager
500 W. Russell Street
P.O. Box 988
Sioux Falls, SD 57101
(605) 339-8350
steve.t.kolbeck@xcelenergy.com

(4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future.

The claim for confidential treatment is based on ARSD 20:10:01:39 and SDCL § 1-27-30, which identify confidential information that is exempt from public inspection, including trade secrets or other confidential research, development, or commercial information and information which is otherwise made confidential under any other provisions of state or federal law. Specifically, portions of the identified documents include information that qualifies as confidential, non-public information by one or more of the following SDCL Chapters:

§ 1-27-1.5(3) Trade secrets, the specific details of bona fide research, applied research, or scholarly or creative artistic projects being conducted at a school, postsecondary institution, or laboratory funded in whole or in part by the state, and other proprietary or commercial information which if released would infringe intellectual property rights, give advantage to business competitors, or serve no material public purpose.

§ 1-27-1.5(20) Any document declared closed or confidential by court order, contract, or stipulation of the parties to any civil or criminal action or proceeding.

§ 1-27-28(4), which defines "proprietary information" 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."

The information contained within the referenced documents also meets the definition of "trade secret" under SDCL § Chapter 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that "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… is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

(5) The factual basis that qualifies the information for confidentiality under the authority cited.

The identified Attachments contain confidential data Xcel Energy protects as not-public information for the reasons detailed in Part (1) above.

V. CONTACT INFORMATION

We request that all communications regarding this proceeding, including data requests, also be directed to:

Christine Schwartz
Regulatory Administrator
Xcel Energy
414 Nicollet Mall – 401, 7th Floor
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the revised Infrastructure Rider Adjustment Factor of $0.001366 per kWh for 2025 as described in this filing. The Company appreciates the interest and efforts of South Dakota policymakers in adopting a constructive approach to support the continued and on-going system improvements that are needed for safe, efficient, and reliable service to customers.

Dated: August 30, 2024

Northern States Power Company