

Section R

20:10:13:102. Statement R -- Purchases from affiliated companies. If any of the preceding statements cover purchases or other transfers of equipment, fuels or gas, materials, or services from an affiliate that are not regulated for price, the applicant shall submit a detailed explanation, including a showing of the affiliate's rate of return on investment associated with the purchases and the prices of comparable equipment, materials, or services offered by unaffiliated suppliers.

Source: 2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: SDCL 49-34A-4.

Law Implemented: SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Northern States Power Company (Minnesota- “NSPM”) and Northern States Power Company (Wisconsin- “NSPW”) coordinate in the development and operation of their generation and transmission facilities as an integrated system under the FERC approved Interchange Agreement. The Agreement is designed to establish the charges for each company to the other for the sales of power and energy between the companies and for transmission service provided to each, by the other. Each company then shares in system generation and transmission costs by billing each other on an actual basis.

The Agreement provides for the identification of major system cost components including fixed charges (return, depreciation, property taxes, income taxes and insurance), and fixed and variable costs, which include the cost of fuel, purchases and sales of capacity and energy, and production and transmission related operating and maintenance expenses. As prescribed by the Agreement, fixed costs are shared between NSPM and NSPW on the basis of the 36-month peak demands of the two companies, while variable costs are shared on the basis of the respective energy requirements of the two companies. As a general rule of thumb, NSPM shares in approximately 84% of all system production and transmission costs, while NSPW shares in approximately 16%.

NSPM purchases facilities and services from Xcel Energy Services Inc. Those services are provided at cost, the allocation of which is described in the Cost Assignment and Allocation Manual. NSPM recently proposed changes to the Administrative Services Agreement, which also addresses the allocation of costs between NSPM and Xcel Energy Services Inc. That filing is currently pending before the Minnesota Public Utilities Commission.

Both the Interchange Agreement and the Cost Assignment and Allocation Manual are provided in Volume 4 of this filing.

In addition to the Interchange Agreement and the Cost Assignment and Allocation Manual, NSPM and NSPW have entered into three additional affiliate agreements. The first two agreements allow NSPM to provide construction management and construction services at cost to NSPW and other CapX2020 partners on the CapX2020 Hampton to La Crosse transmission project. The third agreement allows NSPM and NSPW to provide goods and services to each other at cost, if the goods and services are related to a capital project which has received the necessary regulatory

approvals from the state (or states) in which the project is built. These three affiliate agreements have received approval from the Minnesota Public Utilities Commission and the Public Service Commission of Wisconsin.