Direct Testimony and Schedules
Nicholas N. Paluck

Before the South Dakota Public Utilities Commission
State of South Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Electric Service in South Dakota

Docket No. EL25-___
Exhibit___(NNP-1)

Rate Design

June 30, 2025

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Nicholas N. Paluck. I am a Manager of Regulatory Analysis for Northern States Power Company Minnesota (NSPM or the Company).

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have 18 years of natural gas and electric pricing experience with Northern States Power Company and Xcel Energy Inc., which includes rate design, revenue determinations, and cost allocations for the utility operating subsidiaries of Xcel Energy Inc. My qualifications and experience are further described in Exhibit___(NNP-1), Schedule 1.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I present the Company's proposed rate-revenue analysis and class-revenue responsibility. The Company's proposed rate design also includes specific proposals that are addressed by Company witness Christopher J. Barthol. Finally, I am sponsoring the Company's proposed rate schedules and tariffs. Redlined and non-redlined versions of the tariff sheets are provided in Exhibit___(NNP-1), Schedule 10. I am also sponsoring Statement I and the following schedules included within my testimony:

Schedule 2 – Sales and Revenue by Rate Schedule

Schedule 3 – Revenue by Rate Class

Schedule 4 – Comparison of Present and Proposed Rates

Schedule 5 – Comparison of Monthly Bills at Present and Proposed Rates

Schedule 6 – Fuel Clause Rider and Fuel Adjustment Factor Calculation

Schedule 7 – Voltage Discount Analysis

Schedule 8 – LED Automatic Protective Lighting Service Rate Calculation
Schedule 9 – List of Proposed Tariff Sheets
Schedule 10 – Summary List of Tariff Changes
Schedule 11 – Rate Schedule & Tariff (Redline and Non-Redline)

Q. WHAT IS THE BASIS FOR YOUR PROPOSED CLASS REVENUE RESPONSIBILITY AND RATE DESIGN?

A. The Company bases its electric pricing proposals on the following objectives:

- Produce total revenue equal to test-year revenue requirements, thereby providing the Company a reasonable opportunity to earn its authorized return on investment;
- Accurately reflect the resource costs of providing service and, where appropriate, the market value of the service;
- Provide sufficient flexibility in pricing levels and provisions for our electric service to remain competitive in the broader energy market; and
- Provide reasonable pricing by considering the importance of rate continuity, customer understanding, revenue stability, and administrative practicality.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. I present my testimony in the following sections:

- Rate Revenue Determination;
- Class Revenue Responsibility;
- Rate Design Proposals;
- Tariff Modifications; and
- Conclusion.

II. RATE REVENUE DETERMINATION

Q. WHAT ARE THE 2024 TEST YEAR ELECTRIC REVENUES FROM SALES AT PRESENT AND PROPOSED RATE LEVELS?

A. Table 1 below shows 2024 test year revenues at present and proposed rates for the Electric Utility-South Dakota retail jurisdiction. Revenues are separated into two categories: retail rate revenues and other increases. The "other increases" category is the increase in winter construction, excess footage, and dedicated switching revenue from the proposed rate level that is an offset to the proposed retail increase.

Table 1
Test-Year Revenue ($1,000s)

	Present	Proposed	Proposed Increase	Percent Increase
Retail Rate Revenue	$289,622	$333,121	$43,499	15.02%
+ Other Increases	0	$58	$58	
Total	$289,622	$333,179	$43,557	15.04%

Company witness Laurie J. Wold presents the 2024 test year total revenue deficiency in her Direct Testimony. Present and proposed 2024 test year revenues are based on the application of present and proposed rates to the test-year budgeted sales and customers that are also supported by Company witness Wold.

Q. HAVE YOU PROVIDED MORE DETAILED COMPARISONS OF TEST-YEAR REVENUES?

A. Yes. I prepared the following summary and detailed comparisons of present and proposed rate revenues:

- **Sales and Revenue by Rate Schedule**
  - Filed as Schedule 2;
- **Revenue by Rate Class**
  - Filed as Schedule 3; and
- **Sales and Revenue by Rate Schedule and Component Detail**
  - Filed as Statement I in Volume 1 of the Application.

Q. PLEASE DESCRIBE THE COMPARISONS FILED AS SCHEDULE 4 AND SCHEDULE 5.

A. Schedule 4 is a comparison by rate schedule of present and proposed base rates, including energy charges both with and without fuel costs. Schedule 5 is a monthly bill comparison by rate schedule of the present and proposed rates at different usage levels.

Q. WERE ANY ADJUSTMENTS TO SALES MADE TO ARRIVE AT THE REVENUE IN SCHEDULE 2, SCHEDULE 3, AND STATEMENT I?

A. Yes. Actual sales were weather-normalized. The impact of this adjustment was a 23,815 MWh increase in sales, from 2,239,012 MWh on an actual basis to 2,262,827 MWh on a weather-normalized basis.

III. CLASS REVENUE RESPONSIBILITY

Q. WHAT PROCESS WAS USED TO DEVELOP THE PROPOSED CLASS REVENUE APPORTIONMENT?

A. Consistent with our pricing objectives, the starting point for proposed class revenue apportionment is the cost responsibility for each customer class. Class cost responsibility is determined by the Class Cost of Service Study (CCOSS) sponsored by Company witness Barthol. The resulting cost increases by class

are then considered individually, and relative to the total retail increase, to consider whether a full movement to the cost of service should be moderated.

Q. WHAT ARE THE CLASS COST RESPONSIBILITIES AND PROPOSED CLASS INCREASES IN THIS CASE?

A. Table 2 shows the CCOSS class cost responsibilities and the proposed class apportionment for the 2024 test year.

Table 2
Rate Revenue and Cost by CCOSS Class ($1,000s)

Class	Present Revenue	Class Cost of Service	Cost Increase %	Proposed Revenue	Proposed Increase %
Residential	$122,437	$151,978	24.13%	$145,287	18.66%
Non-Demand	$12,552	$14,064	12.05%	$14,288	13.83%
C&I Demand	$152,421	$164,465	7.90%	$170,974	12.17%
Lighting	$2,213	$2,614	18.12%	$2,572	16.25%
Total Retail	**$289,622**	**$333,121**	**15.02%**	**$333,121**	**15.02%**
Total	**$289,622**	**$333,179**	**15.04%**	**$333,179**	**15.04%**

Q. WHAT IS THE BASIS FOR THE PROPOSED CLASS APPORTIONMENTS IN TABLE 2?

A. The basis was a 40 percent movement toward cost for all customer classes. This is a balanced proposal that provides both significant rate impact moderation and a significant movement to cost.

Q. HOW DO YOU MEASURE CLASS MOVEMENT TO COST?

A. This measurement defines the relative position between a class increase set at the average retail increase (no movement to cost) and a class increase set directly at a class cost from the CCOSS (full movement to cost). Using a hypothetical example of a 10 percent average retail increase and a 16 percent class cost

increase, the potential cost movement range is 6 percent (16 percent less 10 percent). In this example, a proposed 13 percent class increase represents a 50 percent cost movement, calculated as 3 percent (13 percent less 10 percent) divided by the full 6 percent range.

Q. CAN A PROPOSED REVENUE APPORTIONMENT BE ADJUSTED IF A DIFFERENT FINAL REVENUE REQUIREMENT IS APPROVED BY THE COMMISSION?

A. Yes. The proportional class revenue responsibilities that are represented by a proposed class revenue apportionment, at a certain total retail increase amount, can be applied to another total retail revenue requirement. This proportional factoring approach is reasonable and has been previously used for the Company's compliance filings in prior rate cases to accurately maintain a Commission-approved class revenue apportionment at a different rate level. This approach can also accommodate revisions to class cost allocations or changes to the percent movements to cost, as well as updated sales and revenue levels.

Q. IS THE RECOMMENDED REVENUE APPORTIONMENT CONSISTENT WITH THE COMPANY'S PRICING OBJECTIVES?

A. Yes, the revenue apportionment balances the pricing objective of moving customer classes to cost with the pricing objective of rate continuity.

IV. RATE DESIGN PROPOSALS

Q. IS THE COMPANY PROPOSING ANY STRUCTURAL CHANGES TO ITS BASIC RATE STRUCTURE?

A. Yes, the Company is proposing to simplify its Residential and C&I Non-

Demand Billed Class customer charge structure by proposing one customer charge level for each class.

A. Residential and C&I Non-Demand Customer Charges

Q. WHAT IS THE PRIMARY FUNCTION OF A CUSTOMER CHARGE?

A. The primary function of a customer charge is to recover the fixed cost of serving customers. Customer-related costs include metering, service lines, meter reading, and billing. These costs are not variable with usage. Other industries include similar customer charges, including cable television, streaming services, and internet service. When fixed costs are recovered through a fixed customer charge, costs are more equitably recovered from customers at all usage levels.

Q. WHAT IS THE FIXED COST OF SERVING CUSTOMERS THAT IS NOT RELATED TO ENERGY USAGE IN THIS CASE?

A. According to the CCOSS, the fixed monthly cost of serving Residential customers is $28.08.

Q. WHY IS THE COMPANY PROPOSING A CHANGE TO THE STRUCTURE AND LEVEL OF CUSTOMER CHARGES FOR RESIDENTIAL SERVICE AND SMALL GENERAL SERVICE CUSTOMERS?

A. The Company is proposing to simplify the customer charge levels for Residential and Small General Service customers. With the installation of Advanced Metering Infrastructure (AMI) metering, customers on Residential Service and Residential Time of Day Service now have the same meters to measure energy usage and a customer charge differential is no longer warranted. Further, recognizing that CCOSS identified a fixed cost of $28.08, a modest increase in the customer charge for most service types is appropriate.

Additionally, in an effort to reduce tariff complexity and increase customer understanding, the Company is proposing a uniform $11.00 customer charge level for all Residential customers.

Q. HOW DID THE COMPANY ARRIVE AT AN $11.00 CUSTOMER CHARGE LEVEL?

A. For the Residential class, the weighted average residential customer charge in South Dakota was $9.24 in 2024. Applying the average Residential customer class increase of 18.66 percent and rounding to the nearest tenth of cent yields a residential customer charge of $11.00 for the entire Residential class. This normalizes the customer charge across all service categories while making an incremental movement to the fixed cost of service identified in the CCOSS. Our present and proposed customer charges for Residential Service customers are shown in Table 3 below.

Table 3
Residential Service Customer Charges

Service Category	Present	Proposed
Residential Overhead	$8.30	$11.00
Residential Time-of-Day or Underground	$10.30	$11.00
Residential Electric Heating - Overhead	$8.30	$11.00
Residential Electric Heating - Underground	$10.30	$11.00
Residential Time-of-Day and Underground	$12.30	$11.00

Q. WHY IS IT IMPORTANT TO MOVE FIXED CUSTOMER CHARGES CLOSER TO COST?

A. When fixed customer charges are set below cost, the difference is recovered in variable energy charges. This results in customers with above-average usage subsidizing the cost of serving those customers with below-average usage.

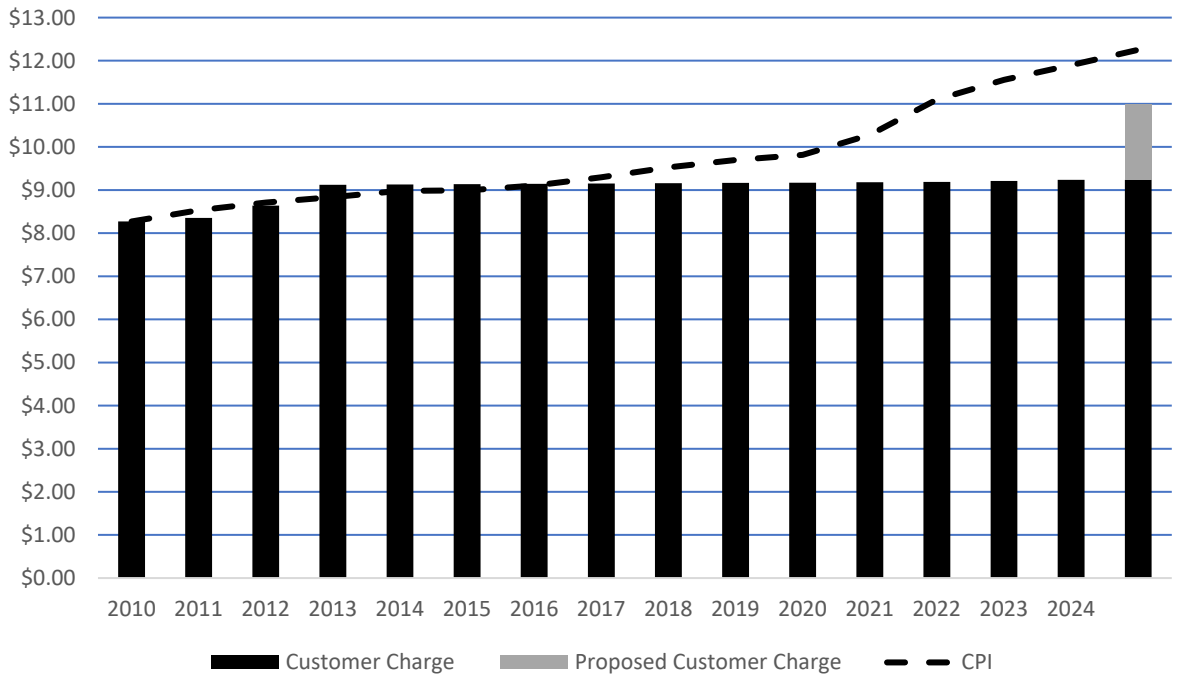
Q. ARE THERE OTHER CUSTOMER BENEFITS FROM MOVING CLOSER TO COST-BASED CUSTOMER CHARGES?

A. Yes. Customers will benefit from our proposed customer charges because their monthly bills will be less sensitive to weather variations. Also, customers with electric water heating or clothes dryers, for example, will pay lower subsidies as a result of the above average usage related to those appliances.

Q. SHOULD THE PROPOSED CUSTOMER CHARGE BE VIEWED IN A BROADER HISTORICAL CONTEXT?

A. Yes. While I acknowledge the proposed customer charge represents an 18.66 percent increase from the present level, when considered over a longer period of time, the proposed customer charge is still nearly a dollar below the inflation adjusted level in previous years. Figure 1 outlines the average residential customer charge over the last 16 years compared to the Consumer Price Index (CPI) over the same period.

Figure 1
Average Residential Service Customer Charge Compared to CPI-Adjusted Customer Charge Levels – 2010 to 2025

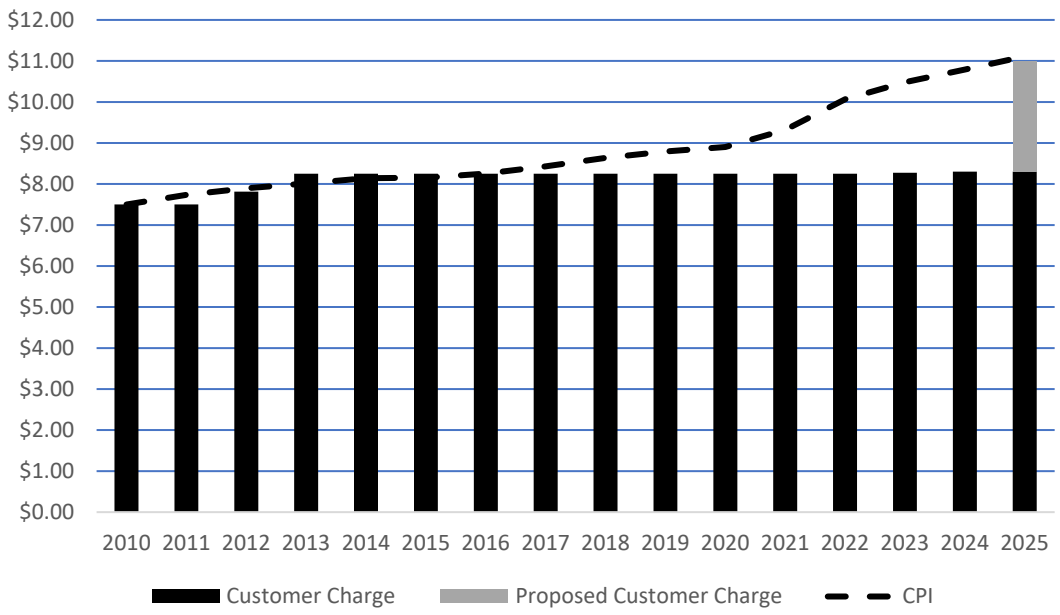


Q. IS THE CUSTOMER CHARGE INCREASE FOR THE RESIDENTIAL OVERHEAD SERVICE FROM THE PRESENT LEVEL OF $8.30 TO THE PROPOSED LEVEL OF $11.00 ALSO SUPPORTED BY THE COMPARISON TO A CPI-ADJUSTED CUSTOMER CHARGE OVER THE 2010-2025 PERIOD?

A. Yes. The process of streamlining the customer charge level for all residential customers does require a larger percentage increase for the Residential Overhead Service customers. However, from the customer charge level of $7.50 in 2010, the proposed customer charge of $11.00 is still 11 cents lower than the CPI-adjusted customer charge level of $11.11 in 2025 for this subset of residential customers. Put differently, when accounting for inflation, the Company's proposed increase for these customers will mean that they would still pay a slightly *lower* customer charge than they paid in 2010. Additionally,

when considering the customer charge will likely not be effective until at least somewhere near the beginning of 2026, the gap between the proposed customer charge and inflation-adjusted customer charge level will likely widen even further. Figure 2 outlines the Residential Overhead Service customer charge starting in 2010 through 2025 compared to inflation adjusted customer charge level over the same time period. Changes to the Commercial Non-Demand Billed customer charge are described in the section C. Commercial Non-Demand Billed Rate Design.

Figure 2
Residential Overhead Service Customer Charge Compared to Inflation Adjusted Customer Charge Levels – 2010 to 2025



B. Other Residential Service Rate Design

Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGN FOR RESIDENTIAL SERVICE OTHER THAN CUSTOMER CHARGES.

A. The proposed Residential Service tariff retains the present design structure aside from the customer charge proposal, including the distinction for electric space

heating. After crediting the proposed customer charge revenue against the class revenue allocation, Residential energy charges are calculated by considering a seasonal differential and the Residential cost of service distinction for electric space heating. Based on class cost of service distinctions, customers with electric space heating have lower energy charges during the non-summer months of October through May.

C. C&I Non-Demand Billed Rate Design

Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGN PROCESS FOR COMMERCIAL NON-DEMAND BILLED SERVICE.

A. Like the Residential Service, Commercial Non-Demand Billed Service rate design starts with the design of the customer charge. The energy charge is then designed based on all the costs apportioned to the class that are not recovered through the customer charge.

Q. PLEASE DESCRIBE PROPOSED CHANGES TO THE CUSTOMER CHARGE RATE DESIGN STRUCTURE FOR COMMERCIAL NON-DEMAND BILLED SERVICE.

A. Like the Residential Service, Commercial Non-Demand Billed customers have received or are in the process of receiving new AMI meters. Similar to Residential Service tariffs, the Commercial Non-Demand Billed Time of Day (TOD) Service customer charge includes a $2 adder due to higher legacy meter costs. Because there is no longer a metering cost difference between the one-period and time of day (two-period) services, the Company is proposing to eliminate the $2 adder for Small General TOD Service given the small number customers receiving this service.

Q. PLEASE DESCRIBE THE DEVELOPMENT OF PROPOSED CUSTOMER CHARGE LEVELS FOR COMMERCIAL NON-DEMAND BILLED SERVICE.

A. Like the development of the Residential class customer charge level, the Company began with the present customer charge for Small General Service of $9.05 and then applied the average Commercial Non-Demand Billed class increase of 13.83 percent and rounded to the nearest 10 cents. This yields a customer charge of $10.30 for the entire metered Commercial Non-Demand Billed class.

D. C&I Demand Billed Class Rate Design

Q. HOW DID YOU DEVELOP THE PROPOSED RATE DESIGN FOR THE C&I DEMAND CLASS?

A. I started by calculating the proposed base energy charge, which is not time-differentiated and is the same for all non-time-of-day tariffs in the C&I Demand class. The base energy charge is calculated using C&I Demand class energy costs and energy-related capacity costs at the secondary voltage level, which is consistent with the Company's stratification approach supported by Company witness Barthol for allocating production plant to customer classes. Next, the cost of fuel was subtracted from the base energy charge, because fuel and purchased energy costs are recovered separately, and the resulting net cost was increased by an additional amount to recover the average cost of the Energy Charge Credit (ECC). The ECC cost is equal to the proposed ECC per kWh times the 17.6 percent of sales that qualify for the ECC. Finally, the resulting base energy charge was increased by 0.210 cents per kWh to moderate the increases otherwise required in the demand charge.

Q. ARE GENERAL TOD SERVICE ENERGY CHARGES DERIVED FROM THE GENERAL SERVICE ENERGY CHARGE?

A. Yes. The General TOD Service base energy charges are the result of separating the General Service base energy charge into on-peak and off-peak components by using a TOD ratio. The level of the General TOD Service base energy charges is set equivalent to the non-TOD charge then weighted by the on-peak and off-peak kWh sales percentages for the C&I Demand class.

Q. WHAT TOD RATIO DID YOU USE TO SEPARATE THE GENERAL SERVICE BASE ENERGY CHARGE INTO THE GENERAL TOD SERVICE BASE ENERGY CHARGES?

A. In this case, I used a TOD ratio of on-peak to off-peak base energy charges (Energy Ratio) of 1.80 to 1.

One of the goals in designing rates for General TOD Service is to maintain reasonable continuity in the relationship between on-peak and off-peak charges, as measured by the TOD Combined Ratio. The TOD Combined Ratio results from combining the Energy Ratio and TOD fuel cost charges (Fuel Ratio), as shown in Table 4 below. The Fuel Ratio is prescribed as the marginal energy cost ratio for the full test year, which for the 2024 test year is a historically low ratio of 1.41 on-peak to 1 off-peak. Despite the lower Fuel Ratio, the Energy Ratio of 1.80 to 1 was required to balance the impact of a higher base rate share of total price to produce a Combined Ratio of 1.69 to 1.

Table 4
Comparison of On-Peak Ratios

Test Year	Energy Ratio	Fuel Ratio	Total Ratio
2011	1.63	1.58	1.60
2013	1.90	1.46	1.71
2021	1.80	1.41	1.69
2024	1.80	1.45	1.69

Q. WHAT IS THE ECC?

A. The ECC, or Energy Charge Credit, which has also been referred to as a high load factor credit, is a component of demand-metered rates that applies a credit to kWh energy usage above the 400 hours-use (55 percent load factor) level. The ECC was originally developed in 1993 to mitigate the effect of our stratification-based CCOSS driven demand and energy charges on customers with very high load factors. The ECC is a mathematical device that has the effect of determining the monthly bills of customers at both standard rates and an equivalent rate design with higher demand and lower energy charges, and automatically applies the lower cost option.

Q. DOES THE ECC PROVIDE OTHER BENEFITS?

A. Yes. The ECC adds precision to two-part TOD energy charges by recognizing that as a customer's load factor increases, a larger portion of energy use occurs when system loads and energy costs are at the lowest levels. The ECC essentially provides much of the benefit of a three-part TOD rate without its substantially greater complexity.

Q. ARE YOU PROPOSING TO CHANGE THE AMOUNT OF THE ECC?

A. Yes. The proposed ECC of 1.321¢ per kWh is a 0.111¢ per kWh increase from

the current ECC of 1.210¢ per kWh. This increase is designed to help maintain the relationship of the ECC to the combination of base energy and fuel rates.

Q. HOW DID YOU DEVELOP THE PROPOSED DEMAND CHARGES FOR THE C&I DEMAND CLASS?

A. Proposed demand charges were designed to recover the proposed C&I Demand class revenue requirement that is not recovered through the energy and customer charges. This approach also recovers the cost of all interruptible demand charge discounts through demand charges.

Q. DO THE COMPANY'S PROPOSED DEMAND CHARGES INCLUDE ADDITIONAL INTERRUPTIBLE DISCOUNTS?

A. Yes. Proposed interruptible demand charge discounts were increased to maintain greater consistency with the Company's rates in its other jurisdictions. The individual proposed increases for the two currently available interruptible service categories are 6.1 percent to 7.1 percent.

Table 5
Present and Proposed Interruptible Discounts
NSPM-South Dakota Electric Jurisdiction
(Average Monthly Discount per kW)

Rate Code	E20-21	E22
Present	$3.79	$4.36
Proposed	$4.02	$4.67
Increase	$0.23	$0.31
Increase %	6.1%	7.1%

Q. DOES THE PROPOSED C&I DEMAND RATE DESIGN PRODUCE CUSTOMER BILL INCREASES THAT VARY BY LOAD FACTOR?

A. Yes. There is a lower percentage increase in customer bills for customers with

higher load factors than for customers with lower load factors. These differentials for General Service and General TOD Service are shown in Schedule 5, with the different percent increases for customer load factors at 200, 400 and 600 hours of use per month. For a customer with a demand of 100 kW, the percent increase at the 600 hours use level is approximately three percentage points less than at the 200 hours use level.

Q. HOW WERE THE VOLTAGE DISCOUNTS DERIVED?

A. The energy charge voltage discounts were monetized by multiplying the net decrease in losses at primary, transmission transformed and transmission levels by the General Service energy charge and fuel costs. The demand voltage discounts were calculated by deriving the distribution cost per kW of avoided distribution costs. For example, a customer at a primary voltage level causes no secondary distribution cost, therefore the primary voltage discount removes the impact of secondary distribution cost from the base demand charges calculated at the secondary voltage level. Schedule 7 contains the voltage discount analysis.

E. Lighting Services

Q. DO THE PROPOSED LIGHTING RATES RECOGNIZE COST DIFFERENTIALS BY SUB-CATEGORY WITHIN THE LIGHTING CLASS?

A. Yes. The proposed revenue levels were determined by moderately applying the CCOSS-indicating adjustments for the lighting sub-categories. Street Lighting for municipal customers includes the System and Energy service cost categories. System service is full-service lighting that includes the lighting system, energy, maintenance, and repairs. The Energy category includes flat-rate Purchased

Equipment services and metered energy-only service. Protective service is full-service security lighting that is available for Residential and Commercial customers.

Q. DOES THE COMPANY PROPOSE ANY OTHER CHANGES TO THE LIGHTING RATES?

A. Yes. The Company proposes to add light emitting diode (LED) rate options for area and directional lighting in the Automatic Protective Lighting Service tariff.

Q. WHY IS THE COMPANY PROPOSING LED OPTIONS FOR AREA AND DIRECTIONAL LIGHTING AT THIS TIME?

A. The Company is no longer able to procure High-Pressure Sodium (HPS) fixtures. In addition, the cost of LED area and directional lighting fixtures have decreased to the point where they are now cost-effective options for customers.

Q. HAS THE COMPANY RECEIVED APPROVAL FOR OTHER LED LIGHTING FIXTURES?

A. Yes. The Commission has approved LED fixture rates for the Street Lighting System Service (Rate Code E30) and Street Lighting Energy Service (Rate Code E31). The proposal for the LED option for Area and Directional units within the Automatic Protection Lighting Service leverages the same inputs and previous Commission decisions. The calculation for the LED options for Automatic Protective Lighting Service are included in Schedule 8.

Q. HOW WOULD THE COMPANY IMPLEMENT THE LED RATE OPTIONS?

A. The proposal creates a price differential between the current HPS fixture tariff rate and the proposed LED fixture tariff rate option. If approved, the Company would apply that pricing differential to the final Automatic Protective HPS area and directional lighting rates in this docket. For example, for a 100W equivalent

LED area lighting fixture option, the Company has calculation the LED fixture tariff option rate to be $1.43 lower than the HPS tariff option. Therefore, when the Company calculates fine rate in this docket, the Company would include a 100W equivalent area lighting LED tariff option that is $1.43 lower than the HPS area lighting option. The Company has included LED fixture options in its proposed tariffs in Schedule 11.

Q. IS THE COMPANY PROPOSING ANY ADDITIONS TO THE STREET LIGHTING TARIFFS?

A. Yes. The Company is proposing a modification to the service time required to restore a service outage.

Q. WHY IS THE COMPANY PROPOSING THE TARIFF MODIFICATION AT THIS TIME?

A. The current tariff language requires the Company to restore an outage within 24 hours. In some cases, Company work requires a service locate. Service locates generally take up to three business days before the Company can start its work. As a result, when a service locate is needed, there is no way for the Company to meet the service outage repair standard of 24 hours. To avoid this occurrence, the Company requests the service outage timeline be increased to five business days. Given the service location element to restore some outages and the cost efficiency of avoiding work on weekends, the five business day timeline is a reasonable modification.

F. Fuel Clause Rider

Q. HAS THE PROPOSED FUEL CLAUSE RIDER BEEN UPDATED FOR THE 2024 TEST YEAR?

A. Yes. The Service Category Ratio section of the Fuel Cost Rider was updated to be consistent with test year 2024 information. This update was determined using

the method approved by the Commission in previous rate cases. The development of these updates is shown in Schedule 6. Consistent with Company witness Wold's testimony, present revenues incorporate the fuel amount detailed in Statement P.

V. TARIFF MODIFICATIONS

Q. ARE YOU SPONSORING SCHEDULES OF THE PROPOSED TARIFFS AND PROPOSED TARIFF CHANGES?

A. Yes. I sponsor several schedules that provide the proposed tariffs and that identify proposed tariff changes. Those schedules are located in Volume 2 of the Application and are attached to my testimony as follows:

- Schedule 9 – List of Proposed Tariff Sheets
- Schedule 10 – Summary List of Tariff Changes
- Schedule 11 – Rate Schedules and Tariffs (Redlined and non-Redlined)

Q. IS THE COMPANY PROPOSING ANY NON-RATE REVISIONS TO THE SOUTH DAKOTA ELECTRIC TARIFF?

A. Yes. The Company is proposing to add a performance factor calculation formula to its Peak Controlled Service schedules and an Annual Minimum Charge provision to the form Electric Service Agreement.

Q. WHY IS THE COMPANY PROPOSING TO ADD THE PERFORMANCE FACTOR CALCULATION FORMULA TO THE PEAK CONTROLLED SERVICE SCHEDULES?

A. Adding the performance factor calculation formula to the tariff is an effort to be more transparent about bill calculation details. In the past, there has been customer interest in the calculation, so including it in the tariff would be a

customer friendly addition. It is important to note that no modifications to the calculation formula are being proposed.

Q. WHY IS THE COMPANY PROPOSING TO ADD AN ANNUAL MINIMUM CHARGE PROVISION TO THE FORM ELECTRIC SERVICE AGREEMENT?

A. This type of provision can be used for instances in which the Company makes investments to serve a new customer based on anticipated capacity. The term would most commonly be used for large load customers. By guaranteeing a minimum annual payment, the Company can mitigate against the risk that other customers will subsidize the costs of such investments.

Q. ARE YOU GENERALLY TESTIFYING ABOUT THE FORM ELECTRIC SERVICE AGREEMENT OR THE COMPANY'S NEGOTIATIONS WITH LARGE LOAD CUSTOMERS?

A. No. I am only providing support for this specific change.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Company's proposed class revenue allocation and rate design is consistent with our pricing objectives and our cost of providing service. The cost-based focus of our overall recommendations will result in fair and reasonable electric pricing that provides an economically sound distribution of cost responsibility.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.