

STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF UPDATES TO THE
FUEL COST TRUE-UP FACTOR PROCESS

DOCKET NO. EL26-____

**PETITION TO MODIFY FUEL COST
TRUE-UP PROCESS AND RELATED
TARIFFS**

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission this Petition requesting an immediate suspension of the monthly true-up process used to determine the fuel cost factor, subject to formal approval by the Commission, and the implementation of an annual true-up process to address over- or under-recovery of fuel costs. In conjunction with approval of an annual true-up process, we also request approval of a modification to South Dakota Electric Rate Book Section 5, Sheet 64.1.

This Petition is submitted pursuant to SDCL § 49-34A-25, which authorizes public utilities to file rate schedules containing provisions for the automatic adjustment of charges related to changes in delivered fuel costs. The Company's proposal would not eliminate or modify the Fuel Cost Adjustment mechanism authorized by that statute or alter the categories of costs recoverable through the mechanism. Rather, the Company proposes to modify the Fuel Cost True-Up Factor by replacing the current monthly reconciliation process with an annual reconciliation process. The proposed annual true-up process will continue to reconcile actual fuel costs and ensure that customers ultimately pay no more and no less than the prudently incurred fuel costs recovered through the Fuel Cost Adjustment mechanism. The proposal affects only the timing of reconciliation and collection.

The Company is proposing this change because the current monthly true-up process introduces significant volatility into the fuel cost charge. By replacing the monthly true-up process with an annual process, the fuel cost factor will be more stable month to month while continuing to reconcile over- and under- recovered fuel costs.

We specifically request that the Commission approve:

- Suspension of the current fuel cost true-up factor process, effective with the fuel cost charge implemented on November 1, 2026,
- Implementation of an annual process to true-up the fuel cost factor, and

- A modification to South Dakota Electric Rate Book Section 5, Sheet 64.1.

Attachment A, which shows the proposed tariff modifications, is included with this Petition in clean and redline formats.

I. REQUIRED INFORMATION

We provide the following information in accordance with South Dakota Administration Rule 20:10:13:26, the tariff schedule change notification requirements.

(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 provide our proposed tariff updates as Attachment A to this filing in both redlined and clean formats, as follows:

Section 5, Sheet 64.1, revision 2 – Fuel Cost True-Up Factor

(3) Description of the Tariff Change

The Company proposes to modify language related to the fuel cost true-up factor calculation in South Dakota Electric Rate Book Section 5, Sheet 64.1, to change the process from a monthly to annual true-up. The Company proposes the modifications set forth below from our Tariff: red underline for additions, strikethroughs for removals.

FUEL COST TRUE-UP FACTOR

The Fuel Cost True-up Factor is the cumulative balance of unrecovered or over recovered qualifying system energy and MISO costs from prior months incurred during the previous calendar year, together with the projected true-up activity for January and February of the current calendar year, divided by the South Dakota retail kWh sales for the ~~most recent two month period~~ previous calendar year. A carrying charge or credit will be included in the determination of the Fuel Cost True-Up Factor. Said charge or credit will be determined by applying one-twelfth of the overall rate of return granted by the South Dakota Public Utilities Commission in the most recent rate decision to the recorded balance of deferred

fuel costs. ~~as of the end of the month immediately preceding the fuel adjustment factor determination.~~

(4) Reason for the Requested Change

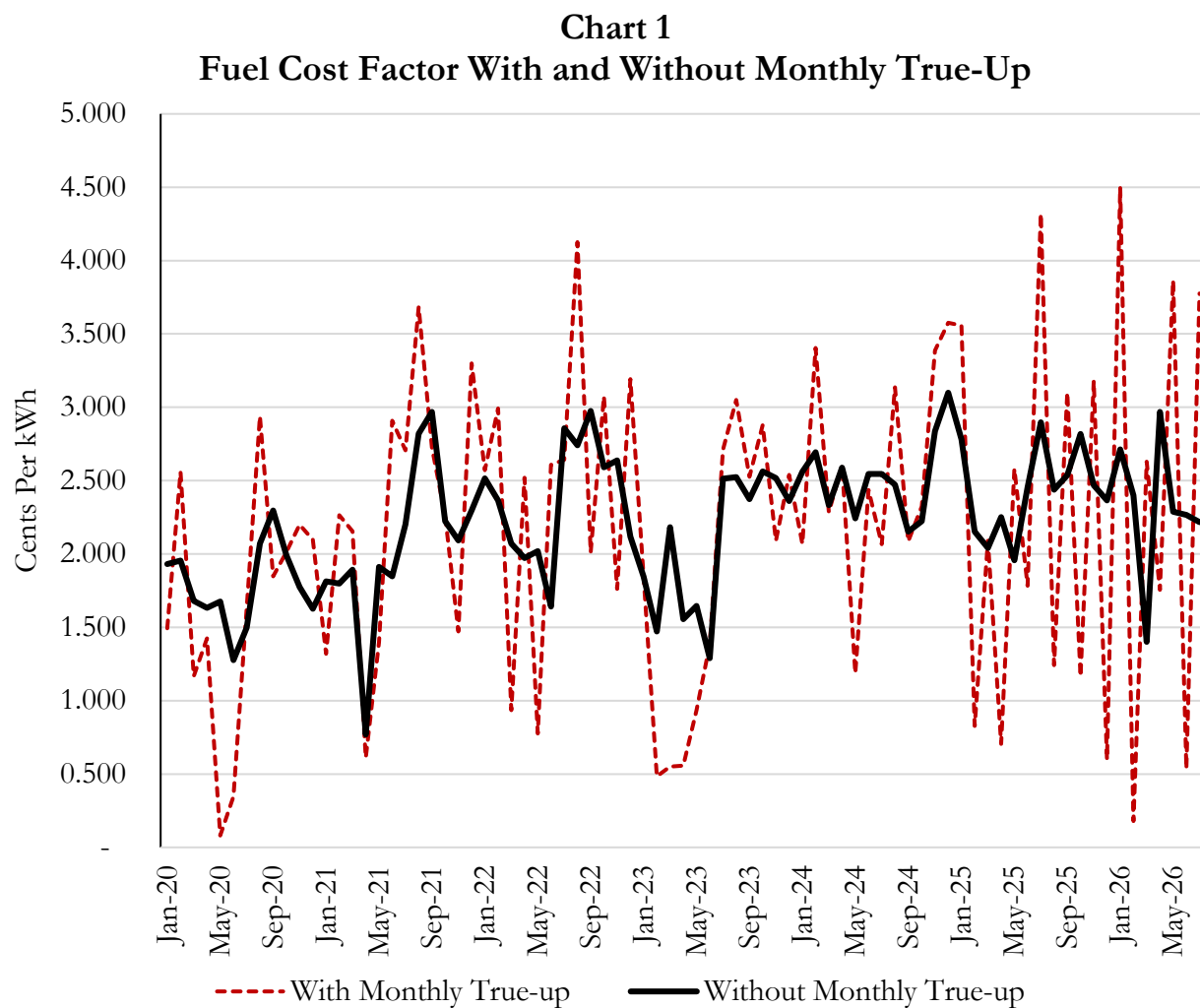
The Company recovers the cost of fuel from customers through a monthly fuel cost factor. The fuel cost factor is made up of three components:

- Current month fuel cost forecast,
- Over- or under-recovery true-up (i.e. fuel cost true-up factor), and
- Fuel cost credits and tax true-up amounts.¹

Because the fuel cost factor uses a forecast for the monthly fuel costs, as well as a forecast of expected retail kWh sales, actual revenues collected can vary from the actual fuel costs incurred, which necessitates the need for a true-up process. The Company currently uses a monthly process to true-up the collection of fuel costs.

Under the monthly true-up process, the fuel cost true-up factor varies from month to month based on the deferred fuel cost balance and fluctuations in retail kWh sales. While the monthly fuel cost forecast does introduce some variability, over the past several years, the fuel cost true-up factor has been the primary cause of volatility. Chart 1 below shows both the total fuel cost factors since 2020 and the fuel cost factor with the monthly true-up factor removed.

¹ Includes components such as asset based margin credits, non-asset based margin credits, and property tax true-up amounts.



As can be seen above, the factor without the monthly true-up is significantly less volatile than the actual fuel cost factor.

To address this volatility, the Company requests Commission approval to shift from a monthly fuel cost true-up factor process to an annual process. To begin this shift, the Company proposes to suspend the monthly fuel cost true-up factor on a provisional basis, subject to the outcome of this proceeding, effective with the fuel cost factor implemented on November 1, 2026. We believe doing so allows time for a fulsome review of our proposal by the Commission while giving customers immediate relief from the volatility caused by the current process.

In place of the current monthly true-up process, the Company proposes using an annual process to determine the annual fuel cost true-up factor. Under this process, the annual true-up factor would be calculated by dividing the deferred fuel cost

balance at the end of the previous calendar year (plus any remaining true-up balance from the prior year and projected true-up activity for January and February of the subsequent year) by total South Dakota kWh sales for that same calendar year.

As noted above, the annual calculation will also reconcile any difference between the amount approved for collection or credit, inclusive of carrying charge impacts, and the amount ultimately collected or credited. For example, assume the Company has a \$500,000 under-recovery as of December 31, 2026. The Company would collect that amount through rates in effect from March 1, 2027 through February 29, 2028. When the next annual true-up is calculated for rates effective March 1, 2028, it would include two components: (1) the 2027 deferred fuel balance and (2) any remaining balance from the 2026 true-up. If the 2027 deferred fuel balance is a \$200,000 under-recovery and the Company expects to collect \$485,000 of the approved \$500,000 2026 true-up—based on ten months of actual collections and two months of forecasted collections—the remaining 2026 under-recovery would be \$15,000. Accordingly, the annual true-up effective March 1, 2028, would include \$215,000: the \$200,000 under-recovery for 2027 plus the remaining \$15,000 under-recovery from the 2026 true-up.

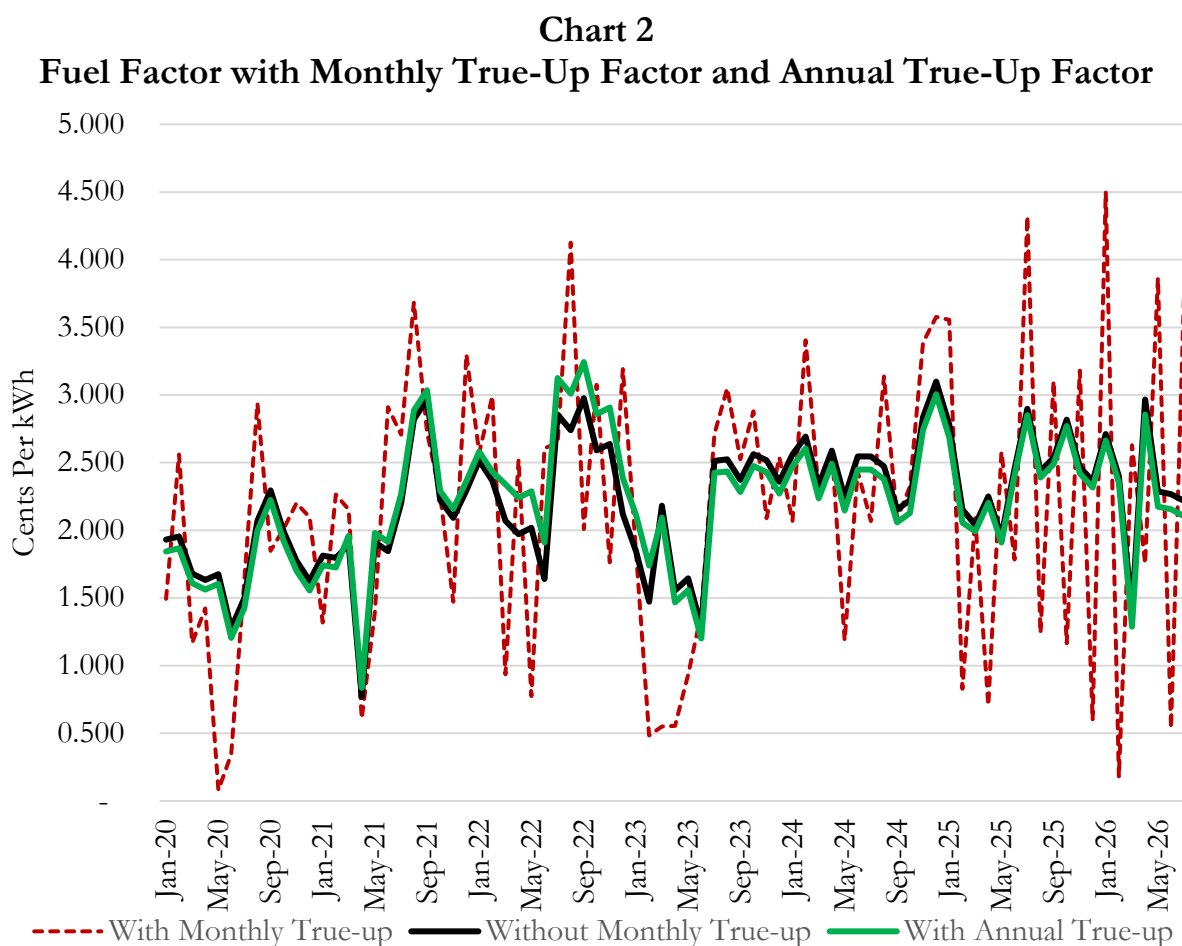
The resulting annual fuel cost true-up factor would be incorporated into the monthly fuel cost factor and remain in effect for a 12-month period, until the next annual true-up factor becomes effective. We anticipate filing the annual fuel cost true-up factor as part of our monthly Fuel Clause Charge filing for rates effective March 1 of each year. The annual true-up factor would become effective March 1 and remain in effect through the last day of February of the following year, subject to Commission review.

Depending on the timing of the Commission's consideration of this proposal, we anticipate implementing the annual true-up process beginning March 1, 2027. The first annual true-up factor would include the deferred balance existing at the time the monthly true-up factor is suspended, as well as any additional over- or under-recovery that accumulates during the suspension period.

If implementation occurs after March 1, 2027, the Company proposes to implement the annual true-up factor as soon as practicable. In that event, the initial annual true-up factor would remain in effect through February 29, 2028, and the annual true-up factor based on calendar year 2027 results would become effective March 1, 2028.

By netting the monthly true-up impacts and spreading out the balance of over- or under-recovery of costs, the annual calculation will lessen the volatility in the fuel cost caused by variability in sales from expectations as well as variability between

forecasted and actual fuel costs. Chart 2 below shows a comparison of the monthly fuel cost factors under monthly and annual true-up factor processes.



As shown above, replacing the monthly true-up with an annual true-up significantly reduces volatility in the fuel cost factor. The resulting fuel cost factor more closely resembles the fuel cost factor without a true-up component, which consists only of the monthly fuel cost forecast and fuel cost credits.

The Company believes the proposed modification is consistent with SDCL § 49-34A-25. That statute authorizes public utilities to implement automatic adjustment mechanisms for fuel costs but does not prescribe the frequency with which over- or under-recoveries must be reconciled. The proposed annual true-up process preserves the existing Fuel Cost Adjustment mechanism authorized by statute, continues to reconcile actual fuel costs, and ensures that customers ultimately pay no more and no less than the fuel costs recovered through that mechanism. At the same time, the proposed annual reconciliation process reduces the volatility associated with the current monthly true-up process.

(5) Present Rate

The current fuel cost true-up factor is updated monthly.

(6) Proposed Rate

The proposed Fuel Cost True-Up Factor would be calculated annually based on the deferred fuel cost balance and retail kWh sales from the preceding calendar year. The resulting factor would become effective on March 1 and remain in effect through the last day of February of the following year, at which time a new annual Fuel Cost True-Up Factor would be calculated and implemented.

(7) Proposed Effective Date of Modified Rate

The Company proposes that the revised tariff provisions become effective upon Commission approval. The Company anticipates implementing the annual Fuel Cost True-Up Factor beginning with fuel rates effective March 1, 2027, or as soon thereafter as practicable, depending on the timing of the Commission's Order. Company proposes to suspend the monthly fuel cost true-up factor on a provisional basis, subject to the outcome of this proceeding, effective with the fuel cost factor implemented on November 1, 2026.

(8) Approximation of Annual Increase in Revenue

Not applicable. The proposed annual fuel cost true-up factor is intended to reduce volatility in monthly fuel charges but is not expected to increase annual revenues. The proposal changes only the timing of fuel cost recovery and reconciliation, not the amount of fuel costs recovered from customers.

(9) Points Affected

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

Not applicable. The proposed tariff modification is not expected to result in any annual increase or decrease in customer cost of service. The proposal changes only

the timing of fuel cost recovery and reconciliation and would apply to all customers subject to the Fuel Cost Adjustment.

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

Please see the Company's response to Section 4, Reason for the Requested Change.

II. CONTACT INFORMATION

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

Victor Barreiro
Regulatory Administrator
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401
Regulatory.Records@xcelenergy.com

CONCLUSION

To reduce volatility in fuel cost true-up charges, the Company respectfully requests approval to suspend the current monthly Fuel Cost True-Up Factor as soon as practicable, and, after Commission approval, replace it with an annual Fuel Cost True-Up Factor. The proposed annual true-up process would continue to reconcile over- and under-recovered fuel costs while providing greater rate stability for customers. The requested tariff modifications are consistent with the authority granted under SDCL § 49-34A-25 and will continue to provide for the automatic recovery and reconciliation of fuel costs.

The Company also respectfully requests approval of the proposed revisions to South Dakota Electric Rate Book Section 5, Sheet 64.1, necessary to implement this change.

Dated: September 30, 2026

Northern States Power Company