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October 30, 2020

Ms. Patty Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

–Via Electronic Filing–

Re: QUARTERLY REPORT
DEFERRED TREATMENT OF THE FINANCIAL EFFECTS OF COVID-19
AND THE CREATION OF REGULATORY ASSETS
DOCKET NO. GE20-002

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy, submits this report for third quarter 2020 providing information regarding the Company's tracking of related expenses and cost offsets as well as disconnection activity and bill payment arrearages resulting from the effects of COVID-19, pursuant to the South Dakota Public Utilities Commission's August 19, 2020 ORDER GRANTING JOINT REQUEST FOR DEFERRED ACCOUNTING TREATMENT OF THE FINANCIAL EFFECTS OF COVID-19 AND CREATION OF REGULATORY ASSETS (Order) in the above-noted docket.

Ordering Paragraph 4 requires that:

The Petitioners will provide, on a quarterly basis, updates regarding all known and estimated cost increases and decreases and revenue increases and decreases it plans to include in its regulatory asset. These updates are required until there are no changes to report regarding the balance of the regulatory asset.

Ordering Paragraph 5 requires that:

The Petitioners will provide, on a quarterly basis, status updates regarding, at a minimum, the number of customers that have been disconnected, number of customers that are in arrears at the time the quarterly report is submitted, the total amount of arrears associated to the

number of customers reported, and payment arrangements that have been made with its customers, including number of payment arrangements made, average length of payment arrangements, and total dollar amounts associated with such payment arrangements. The updates shall include both quarterly and cumulative information, if available, and be required until utilities are no longer tracking bad debt associated with COVID-19.

We understand that for the duration of this proceeding, reports will be due 30 days after the end of each respective quarter. We address the various Order requirements below.

A. COVID-19 Related Costs and Offsets

Through the third quarter of 2020, incremental costs related to COVID-19 have included various categories of operating costs, including recognition of additional bad debt expense for expected uncollectible accounts of approximately \$310,000 for the South Dakota jurisdiction, and incremental non-labor expenses primarily related to cleaning/sanitizing, physically distancing, safety materials, and costs to support remote work for a total year-to-date impact of approximately \$143,000 for the South Dakota jurisdiction. These amounts are preliminary and may be revised pending additional review. Finally, the Company may see additional categories of cost increases as the pandemic progresses.

Preliminarily, the Company has also noted certain categories of reduced costs to date that can be directly attributed to actions taken in response to COVID-19. This includes reduced company travel and other employee expenses during periods of state stay-at-home restrictions and remote work requirements for non-essential employees. The Company estimates the South Dakota jurisdictional share of these savings to be approximately \$380,000, which are included as offsets to the incremental costs in Table 1 below.

At a future date, we intend to provide information regarding sales variations determined to be resulting from the effects of the pandemic. However, we believe it would be most appropriate to first work with Commission Staff to determine the methodology for analyzing the COVID-19 related impacts on sales.

A summary of the incremental costs incurred as well as any offsetting impacts is provided in Table 1 below.

Table 1
South Dakota Electric Jurisdiction
COVID-19 Related Costs and Offsets as of September 30, 2020

	Actual Expense	Baseline Amount	Regulatory Asset/ (Liability)	Short Description and Methodology Used
Incremental Costs				
Uncollectible Accounts Expenses	\$648,036	\$338,493	\$309,543	Actual bad debt compared with 2013 Test Year in Docket No. EL-14-058
Non Labor: Materials	51,633	0	51,633	Purchases in support of sequester in place, personal protection equipment and other costs related to operational pandemic response; tracked via Internal Orders (I/O)
Non-Labor: Outside Services	25,015	0	25,015	Additional labor to help with extra cleaning, facility changes and pandemic driven personnel issues, cancellation fees for projects unable to be performed due to pandemic; tracked via I/O
Non-Labor: Business Systems (I/T) Costs	20,382	0	20,382	Additional costs to support work from home, including expanded conference line capacity, increased network bandwidth, webcams, headsets, and other tools; tracked via I/O
Non-Labor: Employee Expenses	32,429	0	32,429	Personal protection equipment, mileage reimbursement, vehicle rental, hotel, meals and other costs to facilitate social distancing; tracked via I/O
Non-Labor: Rents	1,997	0	1,997	Equipment rental in support of sequester in place; tracked via I/O
Interchange Agreement (I/A) from NSPW	3,048	0	3,048	Incremental costs incurred by NSPW in support of pandemic response for production and transmission functions multiplied by I/A demand allocator, ¹ tracked via I/O
Non-Labor: Other/Miscellaneous	8,685	0	8,685	Additional postage, and office personnel safety equipment and cleaning supplies related to pandemic response; tracked via I/O
Total Incremental Costs			\$452,732	

¹ Through September 30, 2020, NSPM has billed NSPW approximately \$119,000 of incremental costs incurred in support of the pandemic response for the production and transmission functions. Amounts in Table 1 for materials, outside services, employee expenses, rents, and other/miscellaneous are net of the NSPM Interchange Agreement billings to NSPW.

	Actual Expense	Baseline Amount	Regulatory Asset/ (Liability)	Short Description and Methodology Used
Reduced Costs				
Non-Labor: Employee Expenses	\$204,240	\$584,505	(\$380,265)	Employee expenses, primarily travel-related expenses such as airfare, mileage, hotels, conferences and seminars, and parking; measured as actual costs compared with 2013 Test Year in Docket No. EL-14-058

B. Service Disconnection Activity

For the timeframe of the most recent quarter ending September 30, the Company has performed 265 service disconnections. Of these, 253 were residential meters and 12 were non-residential meters.

C. Customer Payment Arrangement Plans

Table 2 details the payment arrangements that have been made with the Company's customers in South Dakota, including number of payment arrangements, average length of payment arrangements, and total dollar amounts associated with such payment arrangements for the timeframe of the most recent quarter ending September 30.

Table 2
Customer Payment Arrangements

Class	Count	Average Length in months	Arranged Value
Residential	2476	5	\$1,691,507
C&I, Industrial, Government	51	6	\$341,847
Total	2527	5	\$2,033,354

D. Accounts Receivable Aging, By Class (Bad Debt)

In general, we recognize commodity bad debt expense through a combination of: (1) estimating an amount of accounts receivable reserve (or provision) associated with outstanding account receivables by aging bucket that will be unrecoverable; and, (2) writing off uncollectible accounts not previously reflected in this reserve.

We allocate bad debt expense to our natural gas and electric operations consistent with the process by which debt is written off. Total bad debt expense is assigned at

a Total NSPM Operating Company level, because customer payments and write-offs are recorded to the customer's overall account – not separately for electric and gas service. Therefore, because we have combined electric and gas customers who pay for utility service on an integrated basis, the bad debt expense is also integrated at a customer account level. See Table 3 below for Total NSPM Company accounts receivable aging detail as of September 30. Total bad debt expense is allocated to jurisdiction based on revenues, of which approximately 5.2 percent is assigned to the South Dakota jurisdiction.

Table 3
Total NSPM Company (Electric and Gas)
Commodity Accounts Receivable Aging by Customer Class (\$s)
Includes Active and Inactive Accounts as of September 30, 2020

Class	Current	1-30 days past due	31-60 days past due	61-90 days past due	90+ days past due	Total
Residential	104,633,952	21,323,814	12,982,970	7,911,939	38,844,097	185,696,772
Commercial	40,842,778	2,633,979	742,007	437,240	1,791,636	46,447,639
Industrial	62,174,196	7,835,743	1,070,262	213,078	438,082	71,731,362
Others*	2,149,364	97,614	5,153	4,178	81,546	2,337,854
Total	209,800,290	31,891,150	14,800,392	8,566,434	41,155,361	306,213,627

*Includes Non Energy, Gas Transportation, and State/Government

We will serve parties on the attached service list via e-mail concurrent with this submission. If you have any questions, please feel free to contact me at 605-339-8350.

Sincerely,



Steve T. Kolbeck
 Principal Manager
 NSPM South Dakota Jurisdictional Management

Encls
 c: Service List (via e-mail)