



414 Nicollet Mall  
Minneapolis, Minnesota 55401

June 30, 2023

—Via Electronic Filing—

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57501

**RE: JULY 2023 FUEL CLAUSE CHARGES**

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy and operating in South Dakota, hereby submits its electric fuel clause charges (FCC) for July 2023.

Pursuant to the Commission authorization of the final compliance tariffs in the Company's 2022 rate proceeding (Docket No. EL22-017), the new rates become effective on July 1, 2023. Correspondingly the new Fuel Adjustment Factor (FAF) Ratios listed below also become effective:

<b>FAF Ratio</b>	<b>Current</b>	<b>Effective July 1, 2023</b>
<b>Residential</b>	1.0124	1.0151
<b>C &amp; I Non-Demand</b>	1.0199	0.9924
<b>C &amp; I Demand</b>	1.0033	1.0056
<b>C &amp; I Demand TOD On-Peak</b>	1.2090	1.1928
<b>C &amp; I Demand TOD Off-Peak</b>	0.8304	0.8438
<b>Outdoor Lighting</b>	0.7621	0.8029

The table below shows the Fuel Clause Charge by service category:

<b>July 2023</b>	<b>Fuel Cost Charge (\$/kWh)</b>
<b>Residential</b>	0.02748
<b>C &amp; I Non-Demand</b>	0.02730
<b>C &amp; I Demand</b>	0.02723
<b>C &amp; I Demand Time of Day On-Peak</b>	0.03257
<b>C &amp; I Demand Time of Day Off-Peak</b>	0.02268
<b>Outdoor Lighting</b>	0.02117

Since July 2020 the Company has been including an estimate of the true-up recovery to be billed after the prior month's billing took place. This adjustment was implemented to reduce month to month volatility. However, we have seen increase volatility in the FCC over the last several months. As discussed in the January 2023 FCC, the true-up from November 2022 that was normally credited in the January 2023 FCC was unusually large and would have completely offset the January fuel costs resulting in a negative factor. As a result, the Company had withheld the entire true-up balance for the January FCC and applied that balance in February. We expected this adjustment would help reduce volatility, at least in the short-term, but after further analysis, we determined further actions was necessary. After discussion with Commission Staff, the Company has changed the February FCA calculation by removing the adjustment for unbilled sales (See Attachment 1, Page 3, Line 18 b). While this adjustment served to reduce volatility initially, it now appears to be contributing to increase volatility. The Company will continue to evaluate additional changes to the methodology.

## **MISO CHARGES IMPLEMENTATION**

### MISO Day 2 Charges

This filing includes our reporting of the Midcontinent Independent System Operator, Inc. (MISO) charges under the Day 2 Market. Pursuant to the Commission's April 7, 2005 Order in Docket No. EL05-008, Xcel Energy is authorized to recover the MISO Day 2 costs through the Fuel Clause Rider (FCR). On February 12, 2009, the Commission approved the FCR tariff revisions (Docket No. EL08-035), which allowed the new MISO Day 2 charge types (Schedule 24, Auction Revenue Rights, and Financial Transmission Rights) to be reflected in the FCR. In compliance with this Order and the required "net" accounting of Day 2 costs and revenues, we have included in the July 2023 FCC the net MISO Day 2 costs for May 2023 as recorded in Account 555. The MISO Day 2 cost recovery included in the FCC is \$13,979,497 which is the net of many items. Pursuant to the above mentioned Orders, the Company also provides more detailed records in Attachment 2, page 1 to support the calculation of the MISO Day 2 costs.

### MISO ASM Charges

Pursuant to the Commission's February 12, 2009 Order in Docket No. EL08-035, the MISO Ancillary Services Market (ASM) charges and the ASM-related costs and revenues are approved to be included in rates through the Fuel Clause Rider. In compliance with this Order and the required "net" accounting of ASM costs and revenues, we include in the July 2023 FCC the net MISO ASM costs for May 2023 as recorded in Account 555. The MISO ASM cost recovery included in the FCC is - \$33,598 which is the net of many items. The detailed records are contained in Attachment 2, page 2.

## **PROPERTY TAX**

Pursuant to the Commission's June 16, 2015 Order in Docket No. EL14-058, the Company has modified the Fuel Clause Rider (FCR) tariff to allow collection of property taxes. As permitted by SDCL 49-34A-25, a property tax adjustment will be determined annually and is defined as the difference between the South Dakota state jurisdictional share of property tax forecasted for the calendar year and the amount reflected in South Dakota base rates, plus a true-up for the prior year actual property tax recorded compared to that year's forecast. The resultant adjustment amount is recovered from customers. An annual adjustment amount equal to or less than \$100,000 is recovered in one month, and an amount greater than \$100,000 is

recovered over a 12-month period beginning in April.

The 2023 incremental property tax adjustment amount is a credit of \$1,099,490, including the 2022 true-up, and an equal monthly amount of \$91,624 is credited to customers from April 2022 through March 2023 FCR. The amount reflected in the July 2023 FCC is -\$99,623, or -0.059 cent per kWh, which includes the prior months true up. Attachment 3, page 5 contains the tracker of the property tax recovery.

## **MARGINS SHARING PROGRAM**

Pursuant to Commission authorization of the final compliance tariffs in the Company's 2011 rate proceeding (Docket No. EL11-019), South Dakota customers will be credited 100 percent of the jurisdictional portion of actual asset based margins and 30 percent of the jurisdictional share of non-asset based margins from intersystem sales as described in the Company's South Dakota FCR. Attachment 3, pages 1 and 2 contain the trackers of these sharing refunds.

### Asset Based Margins Sharing

Attachment 3, page 1 is the asset based margins sharing tracker showing the monthly amount credited to South Dakota customers. Asset-Based margins of \$106,404, plus the prior month's true-up of -\$1,412 (a total of \$107,816 or 0.064 cent per kWh) is included in the July 2023 FCC calculation.

### Non-Asset Based Margins Sharing

The realized South Dakota retail share of calendar year 2022 Non-Asset Based Margin is \$107,448. Pursuant to the terms described in the tariff, this margin credit is over \$100,000 the credit will be refunded over the 12 months period (March 2023 through February 2024 FCR). As such for July 2023 FCC the applicable charge is -\$9,760, or 0.006 cent per kWh, which included prior months true up. Attachment 3, page 2 contains the tracker of the Non-Asset Based Margin refund.

## **PRODUCTION TAX CREDIT**

Pursuant to Commission authorization of the final compliance tariffs in the Company's 2022 rate proceeding (Docket No. EL22-017), effective with the July 2023 FCA the South Dakota jurisdictional share of Production Tax Credits (PTCs) will be credited to customers through the Infrastructure Rider. As a result, Attachment 3, page 3 contains only the prior month true up amount of -\$87,502, or -0.052 cent per kWh for the July 2023 FCC.

## **OTHER REFUNDS**

The share of revenue generated by the sale of emission allowances refunds will be included in Attachment 1, page 3 when applicable refund exceeded \$1,000.

Beginning with the 2023-2024 planning year, the Company will credit to customers the South Dakota jurisdictional share of all gains from the sale of capacity in the Planning Resource Auction (PRA) conducted by MISO.<sup>1</sup>

The South Dakota jurisdictional share of any nuclear production tax credits established by the Inflation Reduction Act of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (2022), and earned by the Company will be allocated to South Dakota jurisdiction and returned to customers within 90 days of the Company receiving the credits.<sup>2</sup>

There are no credits for these items included in the July FCC.

## **WIND CURTAILMENT**

The system amount paid for wind curtailment in May 2023 is \$8,308,832, for 206,873 MWh of curtailed energy. The South Dakota jurisdictional portion is \$415,442. Pursuant to the Settlement Stipulation as amended and approved by the Commission in Docket No. EL09-009, the Company includes as Attachment 4 the wind curtailment summary report for Minnesota showing actual total payments made for wind curtailment events separated into the following reason codes:

1. Lack of firm transmission as described in Attachment C of the MISO Open Access Transmission Tariff (ATC Constraint)
2. Low load
3. Transmission loading relief or MISO directive for reasons other than ATC Constraint
4. Other

Currently all wind curtailment events are under reason code 3.

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<sup>1</sup> Joint Motion for Approval of Settlement Stipulation (Docket No. EL22-017)

<sup>2</sup> Joint Motion for Approval of Settlement Stipulation (Docket No. EL22-017)

## **EXCESS RENEWABLE ENERGY CREDITS**

Pursuant to the Commission's February 12, 2010 Order in Docket No. EL09-029, 90 percent of our South Dakota jurisdictional share of the net revenue generated by the sale of Renewable Energy Credits (RECs) shall be refunded to customers. (See Attachment 3, page 4). The \$12 or 0.000 cent per kWh REC sales sharing true-up is included in the July 2023 FCC calculation.

## **BIOMASS PURCHASED POWER AGREEMENTS (PPAs) TERMINATION**

The July FCC reflects lower purchased power costs because of termination of the Benson and Laurentian biomass PPAs. Pursuant to Commission's June 28, 2018 Order in Docket No. EL18-27, the recovery of the termination costs is deferred to a separate proceeding outside of the Fuel Clause. Pursuant to the Settlement Stipulation approved by the Commission's July 18, 2018 Order in Docket No. GE17-003 and Commission's June 28, 2018 Order in Docket No. EL18-027, these costs are recovered in the Company's Infrastructure Rider.

## **INCLUSION OF NEW PPA and RESOLUTION OF THE FUEL CLAUSE SUSPENSION (DOCKET NOS. EL16-037 AND EL16-038)**

The settlement stipulation approved by the Commission in Docket No. EL16-037 requires the Company to provide information on any new PPA included for cost recovery. On March 23, 2020, the Commission issued Order under Docket No. EL18-004 accepting the Joint Motion of the Company and Commission Staff settlement that established proxy capacity and energy prices on the disputed resources in South Dakota. This settlement establishes proxy prices to be used for the recovery of costs for the Marshall and Northstar solar PPAs, the C-BED PPAs, and RDF PPAs. This proxy pricing began on Fuel Cost Factors effective in June 2020.

The Company completed the closing process for the acquisition of the Jeffers and Community Wind North projects from Longroad Energy effective December 31, 2020. The PPAs with Jeffers Wind 20 LLC, North Community Turbines LLC, and North Wind Turbines LLC terminated effective December 31, 2020.

Attachment 1, pages 2 to 3 and Attachment 6 contain the computation of the July 2023 FCC consistent with the Commission's March 23, 2020 Order under Docket No. EL18-004. In addition, Attachment 5, page 1, is the report on new Purchased

Power Agreements (PPAs) with a term of one year or more where costs are included in the FCC.

**MWH SALES**

The South Dakota jurisdiction MWh sales for the month of May 2023 are shown on Line 13 in Attachment 1, page 2.

If you have any questions regarding the information contained in this filing, please contact John Chow at [john.chow@xcelenergy.com](mailto:john.chow@xcelenergy.com).

Sincerely,

/s/

LISA PETERSON  
DIRECTOR, REGULATORY PRICING & ANALYSIS

cc: Christopher J. Shaw

Enclosures