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Renewable Energy Rider (RER) Proposed 2020 Rate

Informal Hearing (Case No. PU-19-329)

Jan. 22, 2020

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The RER Tariff

- Allows timely recovery of new or modified renewable generation that is:
  - ✓ Not yet included in base rates
  - ✓ Ineligible for Fuel Cost Rider recovery
  - ✓ Previously granted an ADP
- RER recovery for a project stops when it is transferred into base rates in a rate proceeding

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Informal Hearing handout

Northern States Power Company

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2020 RER Rate Overview

- 5th year the RER will be in effect
- Includes 2 new wind generation projects, for a total of 8 wind resources
- 2020 revenue requirement of $4.8 million
- Reflects 9.85% ROE (per TCJA Settlement)
- Proposed rate is 0.2165 ¢/kWh
- Recovers $1.62 per month from typical residential customer

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RER Rate History

Test Yr	Case No.	Rev Req	MWh Sales	Rate/kWh	Res'l Bill Imp.
2016	PU-15-683	$2,161,014	2,309,683	0.0936¢	$0.70
2017	PU-16-687	$2,026,203	2,255,537	0.0898¢	$0.67
2018	PU-17-364	$643,655	2,261,208	0.0285¢	$0.21
2019	PU-18-368	$2,104,840	2,233,684	0.1191¢*	$0.89
2020	PU-19-329	$4,834,476	2,233,428	0.2165¢	$1.62

Note: Residential bill impact reflects 750 kWh use. * 2019 rates reflect 9 mo. recovery period

Resources Included In 2020 RER

	Site	Capacity	In-Srvce	RR (000's)
1. Border Winds	ND	150 mw	12-2015	$240
2. Courtenay	ND	200 mw	12-2016	$488
3. Foxtail	ND	150 mw	10-2019	$897
4. Lake Benton	MN	100 mw	10-2019	$574
5. Blazing Star I	MN	200 mw	12-2019	$1,263
6. Crowned Ridge	SD	200 mw	10-2020	$713
7. Blazing Star II	MN	200 mw	12-2020	$336
8. Freeborn	MN/IA	200 mw	12-2020	$305
		1,400 MW		$4,816

Note: Total 2020 project revenue requirements shown above excludes RER true-up adjustment

2020 Rev Reqs Compared to 2019 (000's)

	2019	2020	Change
Border Winds, Courtenay	$3,563	$3,419	($144)
2019 Projects (4)	$1,743	$7,191	$5,449
New 2020 Projects (2)	$0	$711	$711
Total	$5,306	$11,321	$6,015
Prod. Tax Credits	($2,925)	($6,505)	($3,580)
True – Up Adj.	($276)	$18	$294
Net Rev Req's	$2,105	$4,834	$2,729

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Potential Implementation Date Scenarios

	Jan. 1	Mar. 1	Apr. 1
Rev Reqs	$4,834,476	$4,834,476	$4,834,476
MWh Sales	2,233,428	1,819,332	1,623,765
Per kWh Rate:	0.2165¢	0.2657¢	0.2977¢
Typ. Mo. Usage	750 kWh	750 kWh	750 kWh
Est. Bill Impact	$1.62	$1.99	$2.23

Assumes use of existing RER rate of 0.1191¢ until implementation date

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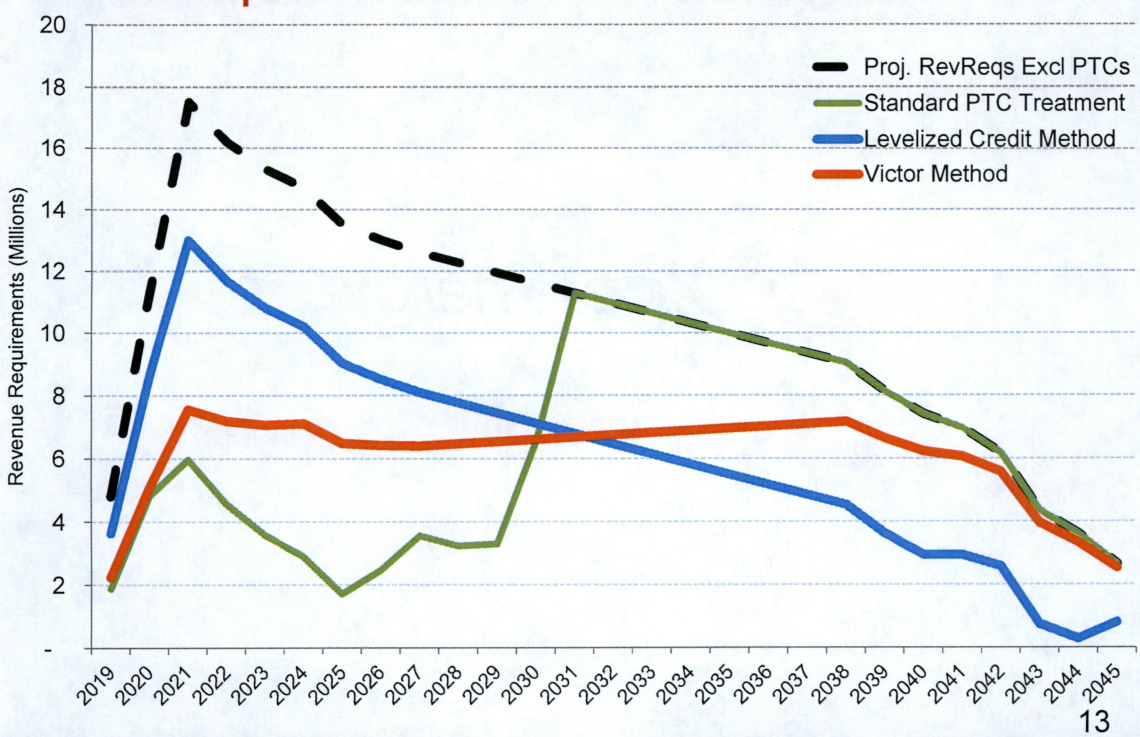
Treatment of Production Tax Credits

- Standard PTC treatment is to pass benefits to customers during first 10 years of project operation
- Two proposals for 'normalizing' PTCs in rates
  - Levelize Credits: spread a project's total PTCs equally to each year of the expected service life
  - Victor Method: distribute a project's total PTCs over the expected service life based on the annual returns on rate base

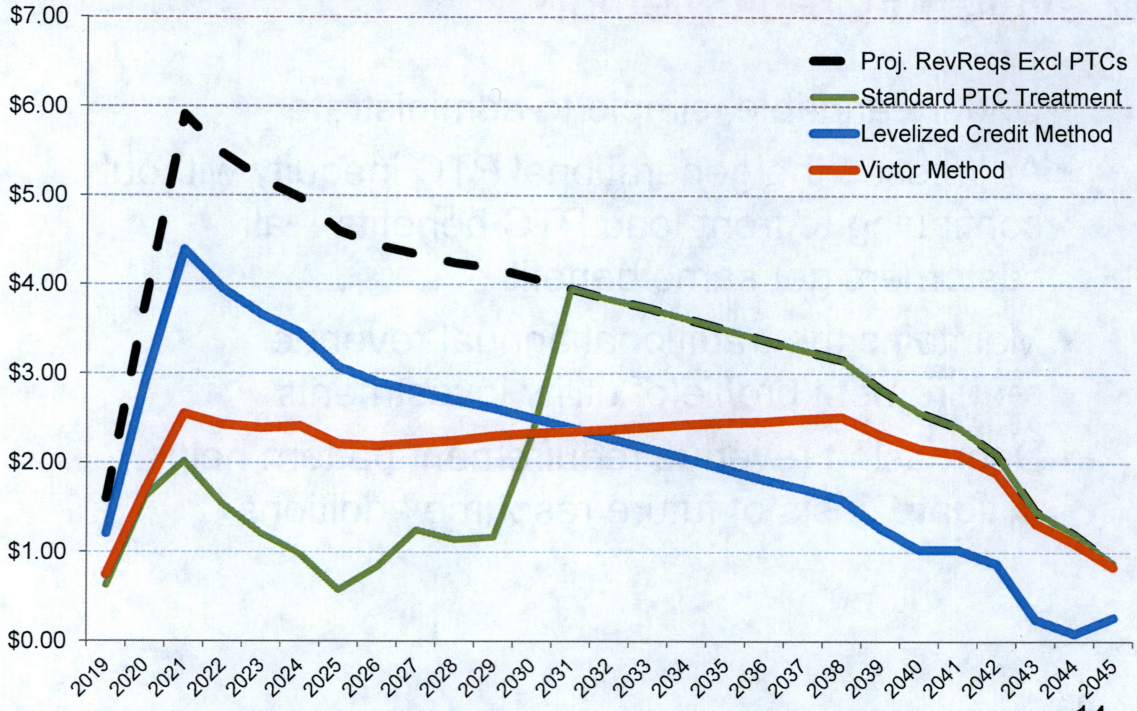
Levelized Credit Method

- Understandable, simple to administrate
- Addresses the generational PTC inequity without continuing to front-load PTC benefits – all customers get same benefit
- Maintains the traditional annual revenue requirement profile of utility investments
- Decreasing revenue requirement pattern helps mitigate costs of future resource additions

Rev Reqs of Various PTC Treatments



Bill Impacts of Various PTC Treatments



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