

# Memorandum

To: Commissioners Christmann, Fedorchak and Kroshus

From: Victor Schock Public Utility Analyst

VC

Date: October 14, 2021

Re: Northern States Power Company, Renewable Resource Cost Recovery (2022),  
Rates,  
Case No. PU-21-389

On September 21, 2021 Northern States Power Company (NSP) filed a request for approval of its 2022 Renewable Energy Rider (RER). The purpose of this rider is to recover, from NSP North Dakota electric customers, costs of renewable energy generation not presently reflected in base retail rates. In this filing, NSP would recover costs of two previously approved projects.

The 2020 RER rate would be applied to all energy billed to each customer effective January 1, 2022. The RER rate would increase from \$0.000797 to kWh to \$0.001856 per kWh. As a result of the RER rate change, a residential electric customer consuming 750 kWh per month would experience a bill increase of \$0.79 per month.

The filing proposes a 2022 revenue requirement of \$3,971,059, a decrease of \$9,355,571 from 2021's filing. However, since the revenue requirement was reduced in 2021 due to most of the renewable projects moving from the rider to base rates, the proposed revenue requirement is actually an increase to the present revenue requirement in the amount of \$2,270,000. The revenue requirement categories changed from 2021 to 2022 as follows:

- **Project Costs:** The revenue requirement includes the cost of the Freeborn Wind and Dakota Range I & II wind facilities. Due to the projects being placed fully into service during 2022 increasing the net plant balance, this portion of the revenue requirement was an increase of approximately \$2,228,625 from 2021 to 2022. It is worth noting that the plant balance has been reduced from the total actually spent by NSP to reflect the amount in excess of the cap established in case PU-17-120. This is required per the terms of both the settlement agreement and the tariff language for the RER.

- **PTC Levelization:** Due to the Commission's Order in Case PU-19-329, the PTCs earned by the Freeborn, Dakota Range I & II, Border Winds, Courtenay, Blazing Star I & II, Foxtail, Crowned Ridge and Lake Benton wind facilities must be levelized over the life of the project. The levelization was intended to smooth out the cost of the wind facility to customers over the life of the project. The method used to calculate the levelization requires recalculation on an annual basis to account for changes in the amount of PTCs actually earned versus the estimates that have been used.

- RRCR True-up: The true-up represents the over or under collection for the previous year. NSP is projecting an over-collection of \$433,180 for the prior year, which results in a net decrease to this line of approximately \$812,432 from 2021 to 2022.

Staff believes the incurred costs detailed in NSP's filing are reasonable and prudent, comply with NSP's tariff, and are eligible for recovery through the RER. Based on this and the details contained within the filing, Staff recommends approval of NSP's 2022 RER rates.

c. Dave Sederquist