

Memorandum

To: Commissioners Julie Fedorchak, Randy Christmann, Sheri Haugen-Hoffart

From: Adam Renfandt

Date: February 14, 2022

Re: Northern States Power Company, Transmission Facility Cost Recovery (2022), Rates, Case No. PU-21-396

On October 4, 2021, Northern States Power Company (NSP) filed its 2022 update to its Transmission Cost Recovery (TCR) rate. Upon review, Staff discovered two projects that were both recovered in base rates and in the rider. Therefore, NSP agreed to make corrections and refile.

On January 6, 2022, NSP filed a revised 2022 TCR rate. The 2022 revised revenue required is approximately \$1,382,297, which represents a reduction of \$82,471 from the original filing. The TCR rate proposed is \$.000764 per kWh if effective March 1, 2022, or approximately \$0.57 per month for the average residential customer.

The filing significantly reduced the number of projects recovered in TCR rates as part of the prior rate case. The 2022 revenue requirement includes 23 previously approved projects and eleven new projects. The new and previously approved projects have a 2022 revenue requirement of \$224,996 and \$1,474,285, respectively. Therefore, the total 2022 revenue requirement across all projects is \$1,699,281.

Reducing this total is a \$637,617 credit relating to MISO revenue and expenses involving regionally-cost shared projects, and increasing this total is the true-up balance of \$320,632. Adding up all the rider components results in a total 2022 revenue requirement of \$1,382,297. NSP notes in the filing several previously approved projects, which are still being recovered in 2022 TCR rates and that came in under budget when compared to the prior filing.

Staff notes that NSP intends to include in its next TCR rate an approximately \$18,000 ND revenue requirement to comply with Minnesota's "Buy the Farm" program, as codified in Minnesota Statute section 216E.12. This statute gives Minnesota landowners the option to sell their entire property to the utility over which a transmission line with a capacity of 200 kilovolts or more will pass through. Whether ND ratepayers should be responsible for the cost of such a program should be up for discussion in NSP's 2023 TCR rate filing. Staff notes that no dollars are associated with such spending in NSP's 2022 TCR revenue requirement.

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 TCR. Based on this and the details contained within the filing, Staff recommends approval of NSP's 2022 TCR rates filed on January 6, 2022.

c: Dave Sederquist – Xcel Energy