

Memorandum

To: Commissioners Fedorchak, Christmann, and Haugen-Hoffart

From: Robert Frank Public Utility Analyst

Date: December 29th, 2022

Re: Northern States Power Company, Renewable Resource Cost Recovery (2023),
Rates,
Case No. PU-22-368

On September 19, 2022, Northern States Power Company (NSP) filed a request for approval of its 2023 Renewable Energy Rider (RER). The purpose of this rider is to recover from NSP North Dakota electric customers the cost of renewable energy generation not presently reflected in retail rates. In this filing, NSP would recover costs of two new and two previously approved projects.

The 2023 RER rate would be applied to all energy billed to each customer effective January 1, 2023. The RER rate would increase from \$0.001856 per kWh to \$0.002431 per kWh. As a result of the RER rate change, a residential electrical customer consuming 750 kWh per month would experience a bill increase of \$0.43 per month to a total of \$1.82 per month for the typical non-heating residential customer.

The proposed revenue requirement for 2023 is \$5,237,041, an increase of \$1,265,982 from the filing made in 2022. This increase is primarily due to the inclusion of the two new repower projects not previously included in the Renewable Resource Cost Recovery Rider, as well as an increased forecasted capital cost for the Dakota Range I & II.

Previously Approved Project Jurisdictional Costs:

- Freeborn Wind (approved in Case No. PU-19-329) is estimated at \$1,990,870, a decrease of \$148,612 from 2022.
- Dakota Range I&II (approved in Case No. PU-21-389) is estimated at \$2,050,738, an increase of \$77,701 from 2022. The increase is primarily due to higher forecasted capital costs from supply chain related issues.

New Renewable Generation Projects:

- Nobles Wind Repower is estimated at \$1,130,927 and is expected to commence operations in December 2022. The repower will extend Noble's useful life to 23 years from the repowered project's COD.
- Grand Meadows Wind Repower is estimated at \$467,547 and is expected to commence operations in November 2023. The repower will extend Grand Meadow's useful life to 20 years from the repowered project's COD.

The Renewable Resource Cost Recovery Rider is trued-up on an annual basis, and NSP is projecting an over-collection of \$941,464 for 2022, which is factored into the 2023 recovery estimate as a reduction.

NSP is continuing to ascertain the effect the Inflation Reduction Act of 2022 (IRA) will have on the projects being recovered through the RER. NSP expects the IRA will have significant benefits to its customers by lowering the levelized cost of energy for projects being added to the RER.

- The IRA increases the Production Tax Credit (PTC) rate from \$26.00 per MWh to \$27.50 per MWh for projects placed-in-service in 2022 or later. This will affect the Dakota Range I & II project as well as the Nobles and Grand Meadows Repower projects and is incorporated into the current application.
- Projects with a placed-in-service date of December 31, 2021, and earlier will remain at the \$26.00 per MWh amount.
- The IRA also introduces extensions and expansions to the Investment Tax Credits and PTCs for various resources including solar and other emerging clean energy technologies.

Staff believes that the incurred costs detailed in NSP's filing are reasonable and prudent, comply with NSP's tariff, and are eligible for recovery through the Renewable Energy Rider. Based on this and the details contained within the filing, Staff recommends approval of NSP's 2023 RER rates.