

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Chris Hanson Public Utility Analyst
CH

Date: October 26, 2023

Re: Northern States Power Company, Renewable Resource Cost Recovery (2024), Rates, Case No. PU-23-312

On September 20, 2023, Northern States Power Company (NSP) filed a request for approval of its 2024 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 will recover costs of four previously approved projects.

The 2024 RER rate would be applied to all energy billed to each customer effective January 1, 2024. The RER rate for a residential, non-heating customer would decrease from \$0.002557 per kWh to \$0.002062 per kWh. As a result of the RER rate change, a residential electrical customer consuming 750 kWh would experience a bill decrease of \$0.37 resulting in a total of \$1.55 per month.

The proposed revenue requirement for 2024 is \$4,506,236, a decrease of \$730,805 from the filing made for 2023. This decrease is primarily due to the change in the production tax credit (PTC) rate(s) for wind facilities in service prior to 2022.

Previously Approved Project Jurisdictional Costs:

- Freeborn Wind is estimated at \$1,848,658, a decrease of \$61,671 from 2023.
- Dakota Range Wind is estimated at \$1,842,784, a decrease of \$167,464 from 2023.
- Nobles Wind Repower is estimated at \$784,551, a decrease of \$134,372 from 2023.
- Grand Meadows Wind Repower is estimated at \$593,637, an increase of \$63,217.

The Renewable Resource Cost Recovery Rider is trued-up on an annual basis, and NSP is projecting an over-collection of \$677,543 for 2023, which is factored into the 2024 recovery estimate as a reduction.

NSP has noted that the costs of their self-build projects are forecasted to exceed the aggregate costs caps specified in PU-17-120 and PU-17-372. They are not seeking recovery of these overages in the current RER. But they note that they believe these expenditures were prudent and they expect to seek recovery of these costs in a future rate case.

The impact of the Inflation Reduction Act of 2022 (IRA) has been fully incorporated into the RER calculations as noted below.

- In June of 2023, the IRS issued guidance for the 2023 PTC rate of \$28.00 per MWh for project with a placed-in-service date of December 31, 2021, and earlier will increase to \$28.00 compared from \$26.00 previously.
- The rate for projects place in service for 2022 or later remains at \$27.50.
- The IRA also permits the Company to engage in transactions related to the transfer and sale of tax credits beginning in 2023. While the Company anticipates engaging in such transactions going forward, it has not completed any such sales as of the time of this application and has not incorporated them into their forecasts.

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 2024 RER rates.