Direct Testimony and Schedules
Nicholas N. Paluck

Before the South Dakota Public Utilities Commission
State of South Dakota

In the Matter of the Application of Northern States Power Company
for Authority to Increase Rates for Electric Service in South Dakota

Docket No. EL22-___
Exhibit___(NNP-1)

Rate Design

June 30, 2022

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Nicholas N. Paluck. I am a Rate Consultant in Regulatory Administration for Northern States Power Company Minnesota (NSPM or the Company).

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have 15 years of natural gas and electric pricing experience with Northern States Power Company and Xcel Energy Inc., which includes rate design, revenue determinations, and cost allocations for the utility operating subsidiaries of Xcel Energy Inc. My qualifications and experience are further described in Exhibit___(NNP-1), Schedule 1.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I present the Company's proposed rate-revenue analysis and class-revenue responsibility. The Company's proposed rate design also includes specific proposals that are addressed by Company witness Mr. Christopher Barthol. Finally, I am sponsoring the Company's proposed rate schedules and tariffs. Redlined and non-redlined versions of the tariff sheets are provided in Schedule 10. I am also sponsoring Statement I and the following schedules included within my testimony:

Schedule 2 – Sales and Revenue by Rate Schedule

Schedule 3 – Revenue by Rate Class

Schedule 4 – Comparison of Present and Proposed Rates

Schedule 5 – Comparison of Monthly Bills at Present and Proposed Rates

Q. WHAT IS THE BASIS FOR YOUR PROPOSED CLASS REVENUE RESPONSIBILITY AND RATE DESIGN?

A. The Company bases its electric pricing proposals on the following objectives:

- Produce total revenue equal to test-year revenue requirements, thereby providing the Company a reasonable opportunity to earn its authorized return on investment;
- Accurately reflect the resource costs of providing service and, where appropriate, the market value of the service;
- Provide sufficient flexibility in pricing levels and provisions for our electric service to remain competitive in the broader energy market; and
- Provide reasonable pricing by considering the importance of rate continuity, customer understanding, revenue stability, and administrative practicality.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. I present my testimony in the following sections:

- Rate Revenue Determination;
- Class Revenue Responsibility;
- Tariff Modifications;
- Rate Design Proposals; and
- Conclusion.

II. RATE REVENUE DETERMINATION

Q. WHAT ARE THE 2021 TEST YEAR ELECTRIC REVENUES FROM SALES AT PRESENT AND PROPOSED RATE LEVELS?

A. Table 1 below shows 2021 test year revenues at present and proposed rates for the Electric Utility-South Dakota retail jurisdiction. Revenues are separated into two categories: retail rate revenues and other increases. The "other increases" category is the increase in winter construction and excess footage revenue from the proposed rate level that is an offset to the proposed retail increase.

Table 1

Test-Year Revenue ($1,000s)

	Present	Proposed	Proposed Increase	Percent Increase
Retail Rate Revenue	$247,154	$291,118	$43,964	17.79%
+ Other Increases	0	$160	$160	
Total	$247,154	$291,277	$44,124	17.85%

Company witness Mr. Benjamin C. Halama presents the 2021 test year total revenue deficiency in his Direct Testimony. Present and proposed 2021 test year revenues are based on the application of present and proposed rates to the test-year budgeted sales and customers that are also supported by Mr. Halama.

Q. HAVE YOU PROVIDED MORE DETAILED COMPARISONS OF TEST-YEAR REVENUES?

A. Yes. I prepared the following summary and detailed comparisons of present and proposed rate revenues:

- **Sales and Revenue by Rate Schedule**
  - Filed as Exhibit___(NNP-1), Schedule 2;
- **Revenue by Rate Class**
  - Filed as Exhibit___(NNP-1), Schedule 3; and
- **Sales and Revenue by Rate Schedule and Component Detail**
  - Filed as Statement I in Volume I of the Application.

Q. PLEASE DESCRIBE THE COMPARISONS FILED AS EXHIBIT___(NNP-1), SCHEDULE 4 AND EXHIBIT___(NNP-1), SCHEDULE 5.

A. Schedule 4 is a comparison by rate schedule of present and proposed base rates, including energy charges both with and without fuel costs. Schedule 5 is a monthly bill comparison by rate schedule of the present and proposed rates at different usage levels.

Q. WERE ANY ADJUSTMENTS TO SALES MADE TO ARRIVE AT THE REVENUE IN SCHEDULE 2, SCHEDULE 3, AND STATEMENT I?

A. Yes. Actual sales were weather-normalized. The impact of this adjustment was a 46,409 MWh reduction in sales, from 2,189,309 MWh on an actual basis to 2,142,900 MWh on a weather-normalized basis. In addition, I made a 31,504 MWh addition to sales to account for sales growth within 2021 as a part of the Company's adjustments for the proposed pro forma year ending December 31, 2021, as discussed further by Mr. Benjamin C. Halama. Therefore, the revenue presented in Schedule 2, Schedule 3, and Statement I are based on 2,174,404 MWh.

III. CLASS REVENUE RESPONSIBILITY

Q. WHAT PROCESS WAS USED TO DEVELOP THE PROPOSED CLASS REVENUE APPORTIONMENT?

A. Consistent with our pricing objectives, the starting point for proposed class revenue apportionment is the cost responsibility for each customer class. Class cost responsibility is determined by the Class Cost of Service Studies (CCOSS) sponsored by Mr. Barthol. The resulting cost increases by class are then considered individually, and relative to the total retail increase, to consider whether a full movement to the cost of service should be moderated.

Q. WHAT ARE THE CLASS COST RESPONSIBILITIES AND PROPOSED CLASS INCREASES IN THIS CASE?

A. Table 2 shows the CCOSS class cost responsibilities and the proposed class apportionment for the 2021 test year.

Table 2

Rate Revenue and Cost by CCOSS Class ($1,000s)

Class	Present Revenue	Cost of Service	Cost Increase %	Proposed Revenue	Proposed Increase %
Residential	$103,403	$127,369	23.18%	$123,731	19.66%
Non-Demand	10,690	12,061	12.82%	12,426	16.24%
C&I Demand	130,839	149,594	14.33%	152,740	16.74%
Lighting	2,221	2,095	-5.68%	2,221	0.00%
Total Retail	**$247,154**	**$291,118**	**17.79%**	**$291,118**	**17.79%**
Total	**$247,154**	**$291,277**	**17.85%**	**$291,277**	**17.85%**

Q. WHAT IS THE BASIS FOR THE PROPOSED CLASS APPORTIONMENTS IN TABLE 2?

A. The basis was a one-third movement to cost for all customer classes. This is a balanced proposal that provides both significant rate impact moderation and a significant movement to cost.

Q. HOW DO YOU MEASURE CLASS MOVEMENT TO COST?

A. This measurement defines the relative position between a class increase set at the average retail increase (no movement to cost) and a class increase set directly at a class cost from the CCOSS (full movement to cost). Using a hypothetical example of a 10 percent average retail increase and a 16 percent class cost increase, the potential cost movement range is 6 percent (16 percent less 10 percent). In this example, a proposed 13 percent class increase represents a 50 percent cost movement, calculated as 3 percent (13 percent less 10 percent) divided by the full 6 percent range.

Q. CAN A PROPOSED REVENUE APPORTIONMENT BE ADJUSTED IF A DIFFERENT FINAL REVENUE REQUIREMENT IS APPROVED BY THE COMMISSION?

A. Yes. The proportional class revenue responsibilities that are represented by a proposed class revenue apportionment, at a certain total retail increase amount, can be applied to another total retail revenue requirement. This proportional factoring approach is reasonable and has been previously used for the Company's compliance filings in prior rate cases to accurately maintain a Commission-approved class revenue apportionment at a different rate level. This approach can also accommodate revisions to class cost allocations or changes to the percent movements to cost, as well as updated sales and revenue levels.

Q. IS THE RECOMMENDED REVENUE APPORTIONMENT CONSISTENT WITH THE COMPANY'S PRICING OBJECTIVES?

A. Yes, the revenue apportionment balances the pricing objective of moving customer classes to cost with the pricing objective of rate continuity.

IV. RATE DESIGN PROPOSALS

Q. IS THE COMPANY PROPOSING ANY STRUCTURAL CHANGES TO ITS BASIC RATE STRUCTURE?

A. No.

A. Residential and C&I Non-Demand Customer Charges

Q. WHAT IS THE PRIMARY FUNCTION OF A CUSTOMER CHARGE?

A. The primary function of a customer charge is to recover the fixed cost of serving customers. Customer-related costs include metering, service lines, meter reading, and billing. These costs are not variable with usage. Other industries include similar customer charges, including cable television, streaming services, and internet service. When fixed costs are recovered through a fixed customer charge, costs are more equitably recovered from customers at all usage levels.

Q. WHAT IS THE FIXED COST OF SERVING CUSTOMERS THAT IS NOT RELATED TO ENERGY USAGE IN THIS CASE?

A. According to the CCOSS, the fixed monthly cost of serving residential customers is $23.07.

Q. WHAT LEVEL OF CUSTOMER CHARGES IS THE COMPANY PROPOSING IN THIS CASE FOR RESIDENTIAL SERVICE AND SMALL GENERAL SERVICE CUSTOMERS?

A. We are proposing an increase of $1.50 that is in line with the magnitude of increase we are seeking in this rate case and will move Residential customer charges closer to cost. Our present and proposed customer charges for Residential Service customers are shown in Table 3 below.

Table 3

Residential Service Customer Charges

Service Category	Present	Proposed
Residential Overhead	$8.25	$9.75
Residential Time-of-Day or Underground	$10.25	$11.75
Residential Electric Heating - Overhead	$8.25	$9.75
Residential Electric Heating - Underground	$10.25	$11.75
Residential Time-of-Day and Underground	$12.25	$13.75

Q. WHY IS IT IMPORTANT TO MOVE FIXED CUSTOMER CHARGES CLOSER TO COST?

A. When fixed customer charges are set below cost, the difference is recovered in variable energy charges. This results in customers with above-average usage subsidizing the cost of serving those customers with below-average usage.

Q. ARE THERE OTHER CUSTOMER BENEFITS FROM MOVING CLOSER TO COST-BASED CUSTOMER CHARGES?

A. Yes. Customers will benefit from our proposed customer charges because their monthly bills will be less sensitive to weather variations. Also, customers with electric water heating or clothes dryers, for example, will pay lower subsidies as a result of the above average usage related to those appliances.

B. Residential Service

Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGN FOR RESIDENTIAL SERVICE OTHER THAN CUSTOMER CHARGES.

A. The proposed Residential Service tariff retains the present design structure, including the distinction for electric space heating. After crediting the proposed customer charge revenue against the class revenue allocation, Residential energy charges are calculated by considering a seasonal differential and the Residential cost of service distinction for electric space heating. Based on cost of service distinctions and customer charges that are closer to cost, customers with electric space heating have lower energy charges during the non-summer months of October through May.

C. C&I Demand Class Rate Design

Q. HOW DID YOU DEVELOP THE PROPOSED RATE DESIGN FOR THE C&I DEMAND CLASS?

A. I started by calculating the proposed base energy charge, which is not time-differentiated and is the same for all non-time-of-day tariffs in the C&I Demand class. The base energy charge is calculated using C&I Demand class energy costs and energy-related capacity costs at the secondary voltage level, which is consistent with the Company's stratification approach supported by Mr. Barthol for allocating production plant to customer classes. Next, the cost of fuel was subtracted from the base energy charge, because fuel and purchased energy costs are recovered separately, and the resulting net cost was increased by an additional amount to recover the average cost of the Energy Charge Credit (ECC). The ECC cost is equal to the proposed ECC per kWh times the 18.0 percent of sales that qualify for the ECC. Finally, the resulting base energy

charge was increased by 0.986 cents per kWh to moderate the increases otherwise required in the demand charge.

Q. ARE GENERAL TIME OF DAY (TOD) SERVICE ENERGY CHARGES DERIVED FROM THE GENERAL SERVICE ENERGY CHARGE?

A. Yes. The General TOD Service base energy charges are the result of separating the General Service base energy charge into on-peak and off-peak components by using a TOD ratio. The level of the General TOD Service base energy charges is set equivalent to the non-TOD charge then weighted by the on-peak and off-peak kWh sales percentages for the C&I Demand class.

Q. WHAT TOD RATIO DID YOU USE TO SEPARATE THE GENERAL SERVICE BASE ENERGY CHARGE INTO THE GENERAL TOD SERVICE BASE ENERGY CHARGES?

A. In this case, I used a TOD ratio of on-peak to off-peak base energy charges (Energy Ratio) of 1.80 to 1.

One of the goals in designing rates for General TOD Service is to maintain reasonable continuity in the relationship between on-peak and off-peak charges, as measured by the TOD Combined Ratio. The TOD Combined Ratio results from combining the Energy Ratio and TOD fuel cost charges (Fuel Ratio), as shown in Table 4 below. The Fuel Ratio is prescribed as the marginal energy cost ratio for the full test year, which for the 2021 test year is a historically low ratio of 1.41 on-peak to 1 off-peak. Despite the lower Fuel Ratio, the Energy Ratio of 1.80 to 1 was required to balance the impact of a higher base rate share of total price to produce a Combined Ratio of 1.69 to 1.

Table 4

Comparison of On-Peak Ratios

Test Year	Energy Ratio	Fuel Ratio	Total Ratio
2011	1.63	1.58	1.60
2013	1.90	1.46	1.71
2021	1.80	1.41	1.69

Q. WHAT IS THE ECC?

A. The ECC, or Energy Charge Credit, which has also been referred to as a high load factor credit, is a component of demand-metered rates that applies a credit to kWh energy usage above the 400 hours-use (55 percent load factor) level. The ECC was originally developed in 1993 to mitigate the effect of our stratification-based CCOSS driven demand and energy charges on customers with very high load factors. The ECC is a mathematical device that has the effect of determining the monthly bills of customers at both standard rates and an equivalent rate design with higher demand and lower energy charges, and automatically applies the lower cost option.

Q. DOES THE ECC PROVIDE OTHER BENEFITS?

A. Yes. The ECC adds precision to two-part TOD energy charges by recognizing that as a customer's load factor increases, a larger portion of energy use occurs when system loads and energy costs are at the lowest levels. The ECC essentially provides much of the benefit of a three-part TOD rate without its substantially greater complexity.

Q. ARE YOU PROPOSING TO CHANGE THE AMOUNT OF THE ECC?

A. Yes. The proposed ECC of 1.255¢ per kWh is a 0.302¢ per kWh increase from

the current ECC of 0.953¢ per kWh. This increase is designed to help maintain the relationship of the ECC to the combination of base energy and fuel rates.

Q. HOW DID YOU DEVELOP THE PROPOSED DEMAND CHARGES FOR THE C&I DEMAND CLASS?

A. Proposed demand charges were designed to recover the proposed C&I Demand class revenue requirement that is not recovered through the energy and customer charges. This approach also recovers the cost of all interruptible demand charge discounts through demand charges.

Q. DO THE COMPANY'S PROPOSED DEMAND CHARGES INCLUDE ADDITIONAL INTERRUPTIBLE DISCOUNTS?

A. Yes. Proposed interruptible demand charge discounts were increased to maintain greater consistency with the Company's rates in its other jurisdictions. The individual proposed increases for the two currently available interruptible service categories are 6.2 percent to 7.1 percent.

Table 5

Present and Proposed Interruptible Discounts

NSPM-South Dakota Electric Jurisdiction

(Average Monthly Discount per kW)

Rate Code	E20-21	E22
Present	$3.57	$4.07
Proposed	$3.79	$4.36
Increase	$0.22	$0.29
Increase %	6.2%	7.1%

Q. DOES THE PROPOSED C&I DEMAND RATE DESIGN PRODUCE CUSTOMER BILL INCREASES THAT VARY BY LOAD FACTOR?

A. Yes. There is a lower percentage increase in customer bills for customers with higher load factors than for customers with lower load factors. These differentials for General Service and General Time of Day Service are shown in Exhibit___(NNP-1), Schedule 5, with the different percent increases for customer load factors at 200, 400 and 600 hours of use per month. For a customer with a demand of 100 kW, the percent increase at the 600 hours use level is approximately three percentage points less than at the 200 hours use level.

Q. HOW WERE THE VOLTAGE DISCOUNTS DERIVED?

A. The energy charge voltage discounts were monetized by multiplying the net decrease in losses at primary, transmission transformed and transmission levels by the General Service energy charge and fuel costs. The demand voltage discounts were calculated by deriving the distribution cost per kW of avoided distribution costs. For example, a customer at a primary voltage level causes no secondary distribution cost, therefore the primary voltage discount removes the impact of secondary distribution cost from the base demand charges calculated at the secondary voltage level. Exhibit___(NNP-1), Schedule 7 contains the voltage discount analysis.

D. Lighting Services

Q. DO THE PROPOSED LIGHTING RATES RECOGNIZE COST DIFFERENTIALS BY SUB-CATEGORY WITHIN THE LIGHTING CLASS?

A. Yes. The proposed revenue levels were determined by moderately applying the CCOSS-indicating adjustments for the lighting sub-categories. Street lighting

for municipal customers includes the System and Energy service cost categories. System service is full service lighting that includes the lighting system, energy, maintenance, and repairs. The Energy category includes flat-rate Purchased Equipment services and metered energy-only service. Protective service is full service security lighting that is available for residential and commercial customers. The cost decrease indicated by the CCOSS across all lighting categories was moderated to a keep lighting revenue flat to present revenues.

E. Fuel Clause Rider

Q. HAS THE PROPOSED FUEL CLAUSE RIDER BEEN UPDATED FOR THE 2021 TEST YEAR?

A. Yes. The Service Category Ratio section of the Fuel Cost Rider was updated to be consistent with test year 2021 information. This update was determined using the method approved by the Commission in previous rate cases. The development of these updates is shown in Exhibit___(NNP-1), Schedule 6. Consistent with Mr. Halama's testimony, present revenues incorporate the fuel amount detailed in Statement P. However, property taxes that have historically been recovered via the Fuel Clause Rider have been removed from proposed fuel revenues and are proposed to be recovered via proposed base rates. The impact of the $1.8M adjustment is shown in the Fuel section of Schedule 3.

F. Other Rate Design Proposals

1. Residential Controlled Air Conditioning and Water Heating Rider

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED REVISIONS TO THE RESIDENTIAL CONTROLLED AIR CONDITIONING AND WATER HEATING RIDER, A DIRECT LOAD CONTROL PROGRAM KNOWN AS SAVER'S SWITCH.

A. Residential Service customers with central air conditioning have the option of participating in our Saver's Switch program, which provides a discount for control of their air conditioner, through the Residential Controlled Air Conditioning and Water Heating Rider. An additional discount is available to customers with an electric water heater that can also be controlled.

The current rate design provides a 15 percent discount on energy and fuel cost charges during the four summer-season months for controlled air-conditioning. If participating air-conditioning customers also have an electric water heater, an additional 2 percent discount during every month is available for controlled water heating. This design was established when the base cost of fuel was included in energy rates. When all fuel costs were moved from base energy rates into a separate fuel cost charge in 2007, it became necessary to apply the percent discounts to both energy and fuel charges to retain the same discount amounts, increasing administrative complexity.

The discount levels were created when energy rates were lower than today and the cost of new peaking generation was much higher than it is today. As result, the discount amount for program participation is no longer consistent with the benefits provided by this long-standing demand response option.

The Company proposes to adjust the Residential Controlled Air Conditioning and Water Heating Rider to more closely align program incentives with customer and utility benefits. We propose to revise the air-conditioning incentive structure to a flat monthly bill credit of $10 for the months of June-September ($40 per year). For controlled electric water heating, the additional incentive is proposed as $2 every billing month ($24 per year).

Q. HOW DO CURRENT INCENTIVES FOR THE SAVER'S SWITCH PROGRAM COMPARE TO PROPOSED CREDITS?

A. In 2019, Active Saver's Switch program participants received an average annual credit of approximately $53. Although the proposed $40 annual credit is lower than the current credit, it is commonly used for comparable direct load control programs across the country and has been successfully used for years in our Colorado jurisdiction. Our higher energy use customers will see a steeper drop in their incentive, but these customers may be better served under a different demand response program.

Q. WHAT IS THE VALUE OF THE SAVER'S SWITCH PROGRAM?

A. Our recent analysis of the Saver's Switch program, including avoided generation capacity and energy costs on the system, and the costs of the program, including the cost of switches, advertising costs to recruit new participants and administration costs to operate the system, show an annual net benefit of approximately $30 per customer switch.

Although this analysis indicates that the appropriate credit could be less than the proposed $40 annual credit, we are continuing efforts to make the program more cost-effective by performing annual tests on the equipment to maximize effectiveness and to pursue cost savings in the switch equipment. The ability of the residential Saver's Switch program to control 400 MW of load may also prove more valuable over time as a hedge against possible future spikes in capacity prices. The Company is also looking at other control strategies across all of its demand response programs to integrate renewables, provide load relief at the distribution level, and to minimize energy costs. Work to appropriately

assess these emerging value streams is still in the early stages, but these value streams may be significant in the future. For these reasons, the Company believes a $40 annual credit per customer switch is appropriate.

Q. WHAT IS THE EXPECTED IMPACT OF THE PROPOSED CHANGE TO THE INCENTIVE AMOUNT AND STRUCTURE FOR THE SAVER'S SWITCH PROGRAM?

A. Although we do not anticipate a loss of Saver's Switch customers as a result of this incentive change, the final result is difficult to predict.[1] Some customers may find it helpful to have a defined fixed credit amount rather than a percentage discount, which may encourage customers who have resisted participation in the past. Customers with lower energy usage will also benefit from the proposed incentive design.

[1] Florida Power and Light completed a transition to a lower incentive for direct load control (similar to Saver's Switch) in 2015. They found approximately 20 percent of customers did move off the rate; however, the program today is the only program in the nation larger than Xcel Energy's program. See Florida Power and Light's filings at: http://www.floridapsc.com/library/filings/2015/05165-2015/05165-2015.pdf#search=Docket%20No.%20150085-EG).

V. TARIFF MODIFICATIONS

Q. ARE YOU SPONSORING SCHEDULES OF THE PROPOSED TARIFFS AND PROPOSED TARIFF CHANGES?

A. Yes. I sponsor several schedules that provide the proposed tariffs and that identify proposed tariff changes. Those schedules are located in Volume 2 of the Application and are attached to my testimony as follows:

- Schedule 8: List of Proposed Tariff Sheets
- Schedule 9: Summary List of Tariff Changes
- Schedule 10: Rate Schedules and Tariffs (Redlined and non-Redlined)

Q. IS THE COMPANY PROPOSING ANY NON-RATE REVISIONS TO THE SOUTH DAKOTA ELECTRIC TARIFF?

A. Yes. The Company is proposing several wording changes to the South Dakota Electric Rate Book. In general, these proposed revisions are intended to bring the rate book up to date and increase consistency with the Company's approved tariffs in other jurisdictions. Consistency across the Company's different rate books benefits customers, particularly those customers who operate in multiple jurisdictions, by simplifying their compliance burden and providing consistent treatment across jurisdictions. Cross-jurisdictional consistency among our tariffs also enhances the Company's administrative efficiency, which ultimately benefits all customers by allowing the Company to better focus on providing reliable, cost-effective electric service. The remainder of this section supports the Company's proposed wording revisions to the rate book, which are provided in redline and non-redline format in Volume 2 of the Application.

1. Peak Controlled Service Rules

Q. ARE ANY CLARIFYING RULE ADDITIONS PROPOSED FOR THE RULES FOR APPLICATION OF PEAK CONTROLLED SERVICES TARIFF?

A. Yes. Two additions are proposed in Section 5 of the Rate Book related to the Peak Controlled Services Tariff. The first addition is proposed rule no. 4, requiring that customers provide reliable contact information for the purpose of receiving control period notifications. This is an essential requirement that has largely been followed by customers without a formal rule because it is also in their best interest to avoid control failure charges. However, some recent difficulty with reliably contacting all customers indicates a formal rule may be a helpful addition.

The second clarification is the addition of proposed rule no. 9 regarding new Company testing requirements that are required by the Midcontinent Independent System Operator (MISO). In their FERC filing in Docket ER19-651, MISO stated the following about testing requirements:

> This proposal, along with the concomitant LMR (Load Modifying Resources) availability filing (Docket ER19-650), is expected to provide MISO's operators with greater certainty regarding the ability of DR (Demand Response) to curtail load during an emergency, by requiring an annual demonstration that may be satisfied by meeting a curtailment instruction or submitting the results of a real power test for such resources prior to qualification in the Planning Resource Auction. MISO believes these enhancements are critical given the increasing operational dependence on LMRs to maintain system reliability and resilience.

Real power tests will provide more certainty regarding the level of load relief that will be available during MISO emergency events, and the proposed rule will document this requirement.

2. Proposed Revisions to the General Rules and Regulations

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED WORDING CHANGES TO THE GENERAL RULES AND REGULATIONS IN SECTION 6 OF THE SOUTH DAKOTA ELECTRIC RATE BOOK.

A. The Company's specific proposed wording changes to Section 6 of the Rate Book are presented in Volume 2 of the Application. A summary of the proposed changes are as follows:

- On Sheet 4, the Company proposes to amend the General Rule in the Optional Metering Service rule to improve readability, understandability, and consistency across our service territories.
- On Sheets 27, 27.1, and 27.2, the Company proposes to replace the Special Facilities rule with new language and definitions which are designed to clarify: the circumstances under which the Company will install special facilities (including a limitation that such facilities will only be installed when doing so will not adversely affect the reliability, structural integrity, ability to efficiently expand capacity or operational integrity of the Company's distribution or transmission facilities); the ownership of such facilities; the costs customers will incur as a result of such installation; and how payments may and shall be made. These changes are intended to improve grid reliability, improve the rule's understandability for customers, and reduce administrative burden for cross-jurisdictional entities by improving consistency across our service territories.
- On Sheets 29 and 29.1, the Company proposes to amend its rule pertaining to the replacement of overhead facilities with underground facilities. Specifically, the Company proposes to add a subsection on special facilities in public right-of-ways that clarifies: the circumstances under which the Company will pay for replacement, modification, or relocation of facilities on public right-of-

ways; the circumstances under which a municipality would incur excess expenditure charges; when the Company would begin the replacement, modification, or relocation process; and the circumstances under which the Company reserves the right to require an order from a municipality and challenge the lawfulness of such an order. These changes are proposed to improve consistency across our service territories and to improve certainty for customers and the Company about the processes, timing, and costs associated with modifying, relocating, or replacing facilities on public right-of-ways.

- On Sheet 30, the Company proposes additional amendments to its rule pertaining to the replacement of overhead facilities with underground facilities, specifically here pertaining to easements. The Company proposes to require that the customer must engage and pay for an electrician to adapt the customer's electrical facilities to accept services from the Company's underground facilities. This change is proposed to improve consistency across our service territories and for safety and quality control purposes.

3. Proposed Revisions to Customer Bill Forms

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED REVISIONS TO THE STANDARD CUSTOMER BILL FORMS INCLUDED IN SECTION 8 OF THE ELECTRIC RATE BOOK

A. As described in the Direct Testimony of Company witness Mr. Marty Mensen, the transition to smart meters as part of the Company's Meter Replacement program will result in a shift to interval billing, which will change the appearance of customer bills. As a result, the Company is submitting proposed revisions to the standard customer forms on Sheets 2.1, 2.2, 3.1, and 4.1 of the South Dakota Electric Rate Book.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Company's proposed class revenue allocation and rate design is consistent with our pricing objectives and our cost of providing service. The cost-based focus of our overall recommendations will result in fair and reasonable electric pricing that provides an economically sound distribution of cost responsibility.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.