

November 12, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/GR-19-564

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Application by Northern States Power Company for Authority to Increase Electric Rates in Minnesota.

The Application was filed on November 1, 2019 by:

Greg P. Chamberlain
Regional VP, Regulatory & Government Affairs
Northern States Power Company
414 Nicollet Mall
Minneapolis, MN 55401
(612) 337-2158

Ryan J. Long
Lead Assistant General Counsel
Xcel Energy Services Inc.
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(612) 215-4659

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The Department recommends that the Minnesota Public Utilities Commission (Commission) accept Northern States Power Company's filing as complete and refer this matter to the Office of Administrative Hearings. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ NANCY CAMPBELL
Financial Analyst Coordinator

/s/ ANGELA BYRNE
Financial Analyst, CPA

NC/AB/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/GR-19-564

I. INTRODUCTION

On November 1, 2019, Northern States Power Company (the Company) filed a general rate case, seeking to increase rates by \$201.4 million or approximately 6.5 percent effective January 1, 2020. The Company also requested an incremental increase of \$146.4 million or approximately 4.8 percent effective January 1, 2021 and an incremental increase of \$118.3 million or approximately 3.9 percent effective January 1, 2022, for a total net incremental increase for 2020 to 2022 of \$466 million or approximately 15.1 percent.¹

On November 6, 2019, the Minnesota Public Utilities Commission (Commission) issued a notice in the instant docket, requesting that potentially interested parties submit comment on whether Northern States Power Company's general rate case application (Application) complies with the filing requirements in Minnesota Statutes §216B.16, Minnesota Rules, Parts 7825.3100 to 7825.4400, and the relevant Commission orders. The Commission also asked parties to address whether this matter should be sent to the Office of Administrative Hearings for a contested case hearing and, if so, what the scope of the hearing should be.

The Minnesota Department of Commerce, Division of Energy Resources (Department) submits the following comments, pursuant to the Commission's November 6, 2019 notice.

II. DEPARTMENT ANALYSIS

The Department reviewed the contents of the Application to verify Northern States Power Company's compliance with:

- Statutory requirements (Minnesota Statutes §216B.16);
- Commission's rules governing filing requirements for rate changes (Minnesota Rules, parts 7829.2400 and 7825.3100 through 7825.4400);
- Commission policy statements,² with the caveat that a full analysis of compliance with certain Policy Statements will require factual analysis in the rate case;

¹ The Total Base Increase Request with Rider Roll-In is \$565 million or approximately 18.2 percent – as shown on Table 1 on page 3 of Chamberlain Direct Testimony in Volume 2A.

² On June 14, 1982, the Commission issued policy statements on rate cases to assist utilities by providing advanced guidance on the likely treatment of specific issues.

- Commission orders pursuant to Northern States Power Company's most recent general rate case in Docket No. E002/GR-15-826; and
- Commission orders in various dockets prior to or subsequent to Northern States Power Company's most recent general rate case.

Northern States Power Company provided a list of regulatory requirements for the Company's Application in Volume 2A, Direct Testimony and Schedules of Greg P. Chamberlain, Policy and Multi-Year Rate Plan, which identified where in the Application the Company addressed the relevant statutes and rules, Commission policy statements, and prior Commission orders. Through its review, the Department noted that Northern States Power Company provided some information only by paper copies but did not provide this information in eDockets. As a result, the Department informed the Company that the following items were not filed in eDockets: Schrubbe Direct Schedules, Peppin Direct Trade Secret Testimony and Attachments,³ and Supplemental Budget Information. The Department informed the Company that its Application may be considered incomplete without having this information filed in eDockets.

Specifically, the Department notes that Minnesota Statute 216.17, subd. 3 states the following:

As of January 1, 2008, any telephone company or telecommunications carrier subject to chapter 237; any public utility, cooperative association, or municipal utility subject to chapter 216B; and state agencies, shall file documents with the commission via the commission's electronic filing system. The executive secretary may approve an exemption from this requirement if an affected company or agency is unable to submit filings via the commission's electronic filing system. All parties, participants, or other interested persons shall submit filings to the commission via the commission's electronic filing system whenever practicable, but may also file by personal delivery or by mail.

In response, Northern States Power Company explained that the Peppin Direct Trade Secret Testimony and Attachments was information that was considered and marked as Highly Confidential Information and as a result was filed in a separate docket in E002/M-19-658. The Department confirmed that this information was filed in eDockets and as a result this aspect of the issue is resolved.

Also in response, Northern States Power Company filed in eDockets the Schrubbe Direct Testimony Schedules on November 7, 2019 and the Supplemental Budget Information on November 8, 2019. As a result, the Department concludes that Northern States Power Company's filings complies with the filing requirements and is complete, as of Northern States Power Company's filing on November 8, 2019.

³ Xcel filed a public version of Mr. Peppin's Direct Testimony in E002/GR-19-564.

The Department emphasizes that its review at this stage of the proceeding pertains only to whether the Company's Application discussed the issues in the list noted above, not as to whether Northern States Power Company met its burden of proof to show that its proposals are reasonable. Such analysis is the focus of the investigatory period in the initial stage of the proceeding, based on the merits of the Application. Therefore, issues can be and will be further developed through information requests. The quality of the record that will be developed for the Commission's decisions depend in large part on the Company providing timely and complete responses to information requests. To be clear, Northern States Power Company, like all utilities, always has the burden of proof to show that its rate proposals are reasonable.⁴ The Department appreciates the efforts by Northern States Power Company to date in keeping the Department informed and responding to questions.

Based on our review, the Department recommends that the Commission accept the Application as being complete as of November 8, 2019 when Northern States Power Company filed the Schrubbe Direct Testimony Schedules and the Supplemental Budget Information, and refer this matter to the Office of Administrative Hearings for a contested case proceeding.

Regarding scope, the Department recommends that the Commission request that the following issues to be addressed, along with any particular issues the Commission would like to see developed in this proceeding:

- Is the test year revenue increase sought by the Company reasonable, or will it result in unreasonable and excessive earnings?
- Is the rate design proposed by the Company reasonable?
- Are the Company's proposed capital structure, cost of capital, and return on equity reasonable?
- Did the Company demonstrate that its proposed base rates appropriately exclude Fuel Clause Adjustment-related costs as required by the Commission's Order dated November 5, 2019 in Docket No. E999/CI-03-802?

III. CONCLUSION AND RECOMMENDATIONS

The Department recommends that the Commission:

- Accept Northern States Power Company's rate case filing in the present docket as complete as of November 8, 2019; and
- Refer this matter to the Office of Administrative Hearings.

⁴ In his February 2, 2015 Findings of Fact, Conclusions of Law and Order in Docket E002/CI-13-754, Administrative Law Judge Steve Mihalchick stated in part that:

A utility is not protected by any presumption of recovery simply by filing a request to increase rates. In order to recover any costs, the utility must produce sufficient evidence to prove that the rates it has requested are reasonable. If the utility fails to do so, then the costs must be disallowed; equally, if a public agency or other intervenor demonstrates that costs are unreasonable or imprudent, then they must be disallowed as well.

The Department also recommends that the Commission request that the following issues to be addressed, along with any particular issues the Commission would like to see developed in this proceeding:

- Is the test year revenue increase sought by the Company reasonable, or will it result in unreasonable and excessive earnings?
- Is the rate design proposed by the Company reasonable?
- Are the Company's proposed capital structure, cost of capital, and return on equity reasonable?
- Did the Company demonstrate that its proposed base rates appropriately exclude Fuel Clause Adjustment-related costs as required by the Commission's Order dated November 5, 2019 in Docket No. E999/CI-03-802?

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E002/GR-19-564

Dated this **12th** day of **November 2019**

/s/Sharon Ferguson

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