

May 7, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/M-20-403

Dear Mr. Seuffert:

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

A *Petition* submitted by Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), requesting approval of the following:

- a proposed 2019 natural gas Shared Savings Demand Side Management financial incentive;
- the conservation cost recovery contained in its Conservation Improvement Program (CIP) Tracker Account for its 2018 natural gas CIP; and
- a proposed 2020/2021 natural gas CIP Adjustment Factor.

The *Petition* was filed on April 1, 2020 by:

Shawn White
Manager, Program Policy & Strategy
Northern States Power Company, a Minnesota Corporation
414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

As discussed in greater detail in the attached *Comments*, the Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** the Company's *Petition*. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

MNZ/ja
Attachment



Before the Minnesota Public Utilities Commission
Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G002/M-20-403

I. A SUMMARY OF THE UTILITY'S PROPOSAL

On April 1, 2020, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), submitted a filing in the present docket entitled *In the Matter of the Petition of Northern States Power Company for Approval of a Natural Gas Conservation Improvement Program (CIP) Adjustment Factor (Petition)*. Xcel's *Petition* requested that the Minnesota Public Utilities Commission (Commission) approve the following:

- a proposed natural gas (gas) Shared Savings Demand Side Management (DSM) financial incentive of \$1,790,002 for 2019;
- a report of proposed recoveries and expenditures in Xcel's gas Conservation Improvement Program (CIP) tracker account in 2019; and
- a proposed 2020/2021 CIP Adjustment Factor (CAF) of \$0.019478 per therm.

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides its analysis and recommendations below. The Department will not comment here on information related to the Xcel's electric CAF; instead see Docket No. G002/M-20-402.

II. THE COMMISSION'S 2019 ORDER

On July 19, 2019, the Commission issued its Order in Docket No. G002/M-19-259 approving Xcel's 2018 DSM financial incentive, CAF, and CIP tracker account as follows:

1. Approved Xcel's proposed 2018 gas DSM financial incentive of \$4,391,216 and allowed Xcel to include the incentive in the Company's gas CIP tracker account no sooner than the issue date of this Order;
2. Approved Xcel's 2018 gas CIP tracker account activity, as provided in the Company's *Petition* and summarized in Table 1 of the Department's comments, resulting in a December 31, 2018 tracker balance of \$(3,660,890);
3. Approved Xcel's proposed bill message language; and
4. Allowed Xcel to implement its proposed gas CIP Adjustment Factor of \$0.022357 per therm beginning October 1, 2019, conditional on the Company submitting, within 10 days of the issue date of this Order, a compliance filing with tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.

On July 29, 2019, Xcel filed its compliance filing pursuant to Order Point 4, which included an update for the October 1, 2019 implementation date recalculating the CAF and proposing to implement the resultant new factor of \$0.19618 per dekatherm on October 1, 2019. The Department filed a compliance sign-off form on August 1, 2019. Xcel's proposed rate went into effect October 1, 2019.

III. THE DEPARTMENT'S ANALYSIS

The Department's analysis of Xcel's *Petition* is provided below in the following sections.

- in Section II.A, Xcel's proposed 2019 gas DSM financial incentive;
- in Section II.B, Xcel's proposed 2019 gas CIP tracker account;
- in Section II.C, Xcel's proposed change to its currently approved gas CIP Adjustment Factor; and
- in Section II.D, a review of Xcel's gas DSM and CIP activities for the period 2012 through 2019.

A. XCEL'S PROPOSED 2019 GAS DSM FINANCIAL INCENTIVE

1. Background and Summary of Xcel's Proposed 2019 Gas DSM Financial Incentive

The Commission approved a modified Shared Savings DSM financial incentive mechanism in its August 5, 2016, *Order Adopting Modifications to Shared Savings Demand-Side Management Financial Incentive Plan*, Docket No. E,G999/CI-08-133. The revised mechanism, which began January 1, 2017, is triggered when electric utilities achieve energy savings of 1 percent, and gas utilities achieve 0.7 percent, of the utility's most recent three-year average of weather-normalized retail sales.¹ For 2019, the electric and gas incentives are capped at 10 percent of net benefits and 30 percent of Conservation Improvement Program (CIP) expenditures. The Commission's Order included the following:

1. The Commission hereby revises its Shared Savings DSM Financial Incentive Plan with the modifications set forth below.
 - A. For electric utilities, the plan is modified to do the following:
 - 1) Authorize financial incentives for a utility that achieves energy savings of at least 1.0 percent of the utility's retail sales.
 - 2) For a utility that achieves energy savings equal to 1.0 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.

¹ Excluding retail sales to customers who are owners of a large customer facility and have been granted an exemption by the Department's Commissioner under Minnesota Statutes 216B.241, Subd. 1a(b).

- 3) For each additional 0.1 percent of energy savings the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.7 percent of retail sales.
 - 4) For savings levels of 1.7 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
 - B. For gas utilities, the plan is modified to do the following:
 - 1) Authorize financial incentives for a utility that achieves energy savings of at least 0.7 percent of the utility's retail sales.
 - 2) For a utility that achieves energy savings equal to 0.7 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.
 - 3) For each additional 0.1 percent of energy savings the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.2 percent of retail sales.
 - 4) For savings levels of 1.2 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
 - C. For all utilities, set the following Net Benefit Caps:
 - 1) 13.5 percent in 2017,
 - 2) 12.0 percent in 2018, and
 - 3) 10.0 percent in 2019.
 - D. For all utilities, set the following Conservation Improvement Plan (CIP) Expenditure Caps:
 - 1) 40 percent in 2017,
 - 2) 35 percent in 2018, and
 - 3) 30 percent in 2019.
2. The Commission retains certain provisions from the current Shared Savings DSM Financial Incentive Plan, with slight modifications, as follows:
 - A. CIP-exempt customers shall not be allocated costs for the new shared savings incentive. Sales to CIP-exempt customers shall not be included in the calculation of utility energy savings goals.
 - B. If a utility elects not to include a third-party CIP project, the utility cannot change its election until the beginning of subsequent years.

- C. If a utility elects to include a third-party project, the project's net benefits and savings will be included in the calculation of the energy savings and will count toward the 1.5 percent savings goal.
 - D. The energy savings, cost, and benefits of modifications to non-third-party projects will be included in the calculation of a utility's DSM incentive.
 - E. The costs of any mandated, non-third-party projects (e.g., the 2007 Next Generation Energy Act assessments,² University of Minnesota Initiative for Renewable Energy and the Environment costs³) shall be excluded from the calculation of net benefits and energy savings achieved and incentive awarded.
 - F. Costs, energy savings, and energy production related to Electric Utility Infrastructure Costs,⁴ solar installation,⁵ and biomethane purchases⁶ shall not be included in energy savings for DSM financial incentive purposes.
- 3. The new Shared Savings DSM Incentive Plan shall be in effect for 2017-2019.
 - 4. Utilities may discontinue the annual February 1 compliance filing because a scale of net benefits will no longer be required since the Department's proposal sets percentages at certain savings thresholds and calibrates the mechanism to dollars per unit of energy.

Under the Shared Savings DSM financial incentive plan approved by the Commission, Xcel may request Commission approval of a performance incentive based on the percent of net benefits that the Company achieves under its approved gas CIP. The plan links the incentive to the Company's performance in achieving cost effective conservation.

According to the Company, its 2019 energy savings achievements resulted in \$25,211,491 of net benefits. Xcel also stated that its gas CIP activities achieved energy savings in 2019 of 584,761 dekatherms (Dth); this savings is equal to 81 percent of the Company's 2019 savings goal and 0.81 percent of retail sales to non-CIP exempt customers. Based on the terms and conditions of its approved DSM incentive plan, Xcel requested recovery of a gas DSM financial incentive of \$1,790,002 for its 2019 CIP achievements.

² See 2007 Laws, art. 2.

³ Id., § 3, subd. 6.

⁴ Minn. Stat. § 216B.1636.

⁵ Minn. Stat. § 216B.241, subd. 5a.

⁶ Id., subd. 5b.

2. *The Department's Review of Xcel's Proposed 2019 Gas Shared Savings DSM Financial Incentive*

The Department's engineering analysis of the demand and energy savings that underpin Xcel's proposed 2019 DSM financial incentive of \$1,790,002 is ongoing and will not be completed before the instant comments are due. The existence of this lag between the Company's request for recovery of the incentive and the completion of the Department's engineering review is a recurring phenomenon.

The Department typically compensates for this lag by simply assuming that Xcel's claimed energy savings for the most recent year are correct as filed, with the intent of making any adjustments approved by the Department's Deputy Commissioner in the utility's next DSM financial incentive request proceeding. The Department notes that in Xcel Gas's 2018 CIP status report, the Deputy Commissioner of the Department approved the Company's proposed energy savings level,⁷ and thus no adjustment needs to be made this year.

As was done last year, the Department's analysis assumes that Xcel's claimed 2019 energy savings are correct as filed. If the Department's Deputy Commissioner subsequently approves changes to Xcel's energy savings claims that impact either recovery of CIP budgets or levels of Shared Savings DSM financial incentives, those changes can be incorporated in the Company's 2020 filing that will be made April 1, 2021.

In the Company's 2019 *Status Report*, Xcel reported gas energy savings of 584,761 Dth. The Department used the 584,761 Dth energy savings in its review in this docket.

Xcel's gas's 2019 energy savings approximated 0.81 percent of the Company's non-CIP-exempt retail sales. At that achievement level, Xcel was eligible to receive 7.0999 percent of net benefits, or \$1,790,002 (7.0999% x \$25,211,491). Xcel's two caps for 2019 are 10.0 percent of net benefits and 30 percent of CIP expenditures. Xcel gas's incentive cap on expenditures for 2019 is \$4,178,856 (\$13,594,188 of CIP expenditures x 30 percent) and the net benefit cap for 2019 is \$2,521,149 (\$25,211,491 of net benefits x 10 percent). Xcel did not hit either cap in 2019. The Department recommends that the Commission approve Xcel's proposed 2019 gas DSM financial incentive of \$1,790,002 to be included in the Company's gas CIP tracker account no sooner than the issue date of the Commission's Order in the present docket.

B. XCEL'S 2019 GAS CIP TRACKER ACCOUNT

In its *Petition*, Xcel requested approval of its report on recoveries and expenditures in the Company's gas CIP tracker account during 2019. Table 1 below provides a summary of activities in Xcel's gas CIP tracker account during 2019.

⁷ Docket No. E,G002/CIP-16-115.07 *In the Matter of Xcel Energy's 2018 Electric and Gas Conservation Improvement Program Status Report*, approved August 29, 2019

Table 1: A Summary of Xcel’s Gas CIP Tracker Account in 2019⁸

Description	Time Period	Amount
Beginning Balance	January 1, 2019	(\$5,295,926)
CIP Expenses	January 1 through December 31, 2019	\$13,929,520
Carrying Charges	January 1 through December 31, 2019	(\$48,780)
CIP Recoveries in base rates	January 1 through December 31, 2019	(\$4,354,051)
CIP Recoveries from CCRA	January 1 through December 31, 2019	(\$13,987,050)
Performance Incentives	2018	\$4,391,216
Other Adjustments	2019	\$1,635,036
Ending Balance	December 31, 2019	(\$3,730,035)

The Department noted that the Commission-approved December 31, 2018 tracker balance of (\$3,660,890) varied significantly from the Company’s January 1, 2019 beginning balance of (\$5,295,926) as indicated in the *Petition*. The amounts should be the same. In response to Department Information Request No. 1, Xcel explained that in April 2019 the Company discovered an error in its internal accounting of the 2018 tracker that incorrectly labeled some CIP exempt customers as non-CIP exempt, and thus overstated the amount recovered through the CIP Adjustment Factor and through base rates (through the Conservation Cost Recovery Charge, or CCRC). However, this error had been identified and corrected for in the 2018 tracker filing, creating a discrepancy between the CIP tracker presented in last year’s petition and the Company’s internal accounting. Xcel stated that its error had no impact on customers’ bills. To account for the discrepancy, the Company made two adjustments in the 2019 tracker. These adjustments appear as “Other Adjustments” on page 11 of 25 of Attachment A to the *Petition*.

The Department confirmed that this adjustment was correctly calculated and reviewed the impact of the adjustment on carrying charges by recalculating them assuming the 2019 beginning balance had been equal to the 2018 ending balance and no other adjustments had been made. The Department concludes that customers are not harmed by the CIP tracker adjustments, as the resulting small carrying charge difference of \$5,287 is in the customers favor.

The Department recommends that the Commission approve Xcel’s 2019 gas CIP tracker account activity, as provided in the Company’s *Petition* and summarized in Table 1 above, resulting in a December 31, 2019 tracker balance of (\$3,730,035).

⁸ See: 2019 Natural Gas CIP Tracker (DSM Cost Recovery) on page 11 of 25 of Attachment A of the *Petition*.

C. XCEL'S PROPOSED GAS CIP ADJUSTMENT FACTOR

Minnesota law states in relevant part that the Commission “may permit a public utility to file rate schedules for annual recovery of the cost of energy conservation improvements.”⁹ Xcel refers to its approved annual gas CIP recovery mechanism as the CIP Adjustment Factor (CAF).

In its *Petition*, Xcel proposed a gas CAF of \$0.19478 per dekatherm for each customer class, effective on October 1, 2020, as calculated below in Table 2.

Table 2: Xcel Gas' Forecasted End of September 2021 CIP Tracker Account

Description	Amount
Forecasted Beginning Balance (October 2020)	(\$1,279,028)
October 2020-September 2021 Budget	\$18,796,102
Forecasted 2020 Incentive	\$1,834,710
Forecasted CCRC Recovery (Oct 2020-Sept 2021)	(\$4,094,939)
Forecasted September 2021 Balance without CAF	\$15,256,846
Forecasted Sales (Oct 2020-Sept 2021)	78,147,683 dth
Xcel's Proposed CIP Adjustment Factor	\$0.19523/dth

Xcel's forecasted balance does not include carrying charges. To get as close as possible to a \$0 balance by Sept 30, 2021, Xcel adjusted the calculated rate of \$0.019523 per therm to account for the effect of carrying charges, which Xcel projects to be negative for several months. This adjustment resulted in a proposed CIP Adjustment factor of \$0.019478. Xcel estimated that this CIP adjustment rate will result in a forecasted September 30, 2021 tracker balance of \$448.¹⁰

Xcel followed the same calculation approach in calculating past CIP Adjustment Factors. The Department concludes that Xcel's calculation of its proposed gas CIP Adjustment Factor of \$0.019478 per therm is reasonable. The proposed factor would allow Xcel to recover CIP costs not recovered through the CCRC and approved financial incentives, and would minimize the projected tracker balance.

Table 3 below compares the Company's proposed gas CIP Adjustment Factor with the Company's currently approved CIP Adjustment Factor of \$0.019618 per therm.

⁹ See Minn. Stat. §216B.16, subd. 6b(c).

¹⁰ See Attachment A, page 16 of 25 of the *Petition*.

Table 3: Xcel’s Current and Department’s Proposed CIP Adjustment Factor

Current Factor (\$/Therm)	Proposed Factor (\$/Therm)	Change (\$/Therm)	Percent Change
\$0.019618	\$0.019478	(\$0.000140)	(0.71%)

In the past, the Company has included a message on customer bills referencing its changed CIP adjustment rate after the change has been approved; Xcel proposed to do so again in this proceeding. Below is Xcel’s proposed bill message language:

Effective Oct. 1, 2020, the Resource Adjustment line item on your bill has decreased due to a change in the Conservation Improvement Program (CIP) factor. The natural gas CIP portion of the Resource Adjustment is \$0.019478 per therm.

The Department recommends approval of the proposed bill message language with the modifications that the October 1, 2020 effective date and the gas CIP Adjustment Factor listed in the bill message be updated in the compliance filing to reflect the Commission’s determinations of the effective date and approved rate. In the event that the timing of Commission approval of the proposed factor suggests that the implementation date of the 2020/2021 CIP Adjustment Factor will occur after October 1, 2020, the Company proposed to continue to apply the current CIP Adjustment Factor up to the first cycle of the first full billing period following Commission approval of a revised factor.

D. A REVIEW OF XCEL’S GAS CIP ACHIEVEMENTS AND FINANCIAL INCENTIVES (2011-2019)

In Attachment A, Table 1, the Department presents a historical comparison of Xcel’s gas DSM and CIP activities during the period 2011 through 2019. Attachment A, Table 1 provides an indication of how the Company’s gas Shared Savings DSM financial incentives, carrying charges, year-end tracker balances, CIP expenditures, and reported energy savings changed during the period.

An analysis of Attachment A, Table 1 indicates that, between 2011 and 2019, the Company’s energy savings decreased by 21.73 percent, the Company’s expenditures grew 6.87 percent, and the Company’s incentives decreased by 36.82 percent. The Company’s 2019 shared savings incentive of \$1,790,002 is 13.2 percent of its 2019 CIP expenditures and 7.1 percent of its net benefits. Xcel’s tracker balance was (\$3,730,035) at the end of 2019. Xcel projected that by the end of September 2020 its tracker balance will be close to zero again. In the last six years Xcel’s carrying charges have ranged from (\$11,880) to (\$692,481), but have been reduced significantly the last three years as the

Commission changed how the carrying charge was calculated.¹¹ Average cost per first-year energy savings are \$23.21 per Dth, \$26.27 per Dth when the cost of incentives are added in for 2019, the highest cost of first-year energy savings since the Department began tracking it in 2007.

The Department notes that energy savings achieved have generally increased since 2008, but sharply fell in 2019 to the lowest level since the Department began tracking energy savings in 2007. Compared to the average savings of 873,770 Dth over the previous 3 years, the 2019 savings of 584,761 is a decrease of 33.1 percent.

IV. THE DEPARTMENT'S RECOMMENDATIONS

The Department recommends that the Commission:

- 1) approve Xcel's proposed 2019 gas DSM financial incentive of \$1,790,002 and allow Xcel to include the incentive in the Company's gas CIP tracker account no sooner than the issue date of the Commission's Order in the present docket;
- 2) approve Xcel's 2019 gas CIP tracker account activity, as provided in the Company's *Petition* and summarized above in Table 1, resulting in a December 31, 2019 tracker balance of (\$3,730,035);
- 3) approve Xcel's proposed bill message language; and
- 4) allow Xcel to implement its proposed gas CIP Adjustment Factor of \$0.019478 per therm beginning October 1, 2020, or the first billing cycle in the month following the Commission's *Order* in this matter, whichever is later, conditional on the Company submitting, within 10 days of the issue date of the Order in the present docket, a compliance filing with tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.

/ja

¹¹ Xcel used to use the Company's weighted cost of capital for its carrying charge rate. In its December 17, 2014 *Order Approving Tracker Account, Approving Financial Incentive, Setting Conservation Cost Recovery Adjustment, and Reducing Carrying Charges* in Docket No. G002/M-14-288, the Commission directed Xcel to use the short-term cost of debt set in the Company's last rate case as the carrying charge rate.

**Attachment A, Table 1. Xcel Gas's Historical CIP Achievements, Incentives, and Tracker Balance
2011-2019**

Line No.	1	2	3	4	5	6	7	8	9	10	11	12	13
Year	Achieved Energy Savings (DTH)	CIP Expenditures	DSM Financial Incentive	Incentive + CIP Expenditures	Net Benefits	Carrying Charges	Year-End Tracker Balance	Average Cost per first year Dth Saved ¹	Average cost per Dth Saved (including incentives)	Incentive as a % of CIP Expenditures	Incentive as a % of Net Benefits	Carrying Charges as a % of Expenditures	Year-End Tracker Balance as a % of Expenditures
2007	888,460	\$5,762,345	\$1,689,752	\$7,452,097	\$84,934,941			\$6.49	\$8.39	29%	2%		
2008	613,134	\$6,423,486	\$1,267,379	\$7,690,865	\$53,103,686			\$10.48	\$12.54	20%	2%		
2009	670,120	\$7,682,999	\$964,758	\$8,647,757	\$54,919,812			\$11.47	\$12.90	13%	2%		
2010	697,322	\$11,374,005	\$2,264,511	\$13,638,516	\$53,710,455			\$16.31	\$19.56	20%	4%		
2011	747,123	\$12,701,823	\$2,833,206	\$15,535,029	\$62,179,293	(\$215,734)	(\$7,631,972)	\$17.00	\$20.79	22.3%	4.56%	-1.70%	-60.1%
2012	767,061	\$13,041,285	\$2,682,879	\$15,724,164	\$69,395,588	(\$411,428)	(\$4,648,913)	\$17.00	\$20.50	20.6%	3.87%	-3.15%	-35.7%
2013	787,918	\$12,780,833	\$5,416,936	\$18,197,769	\$32,085,609	(\$368,277)	(\$4,680,426)	\$16.22	\$23.10	42.4%	16.88%	-2.88%	-36.6%
2014	849,698	\$12,968,939	\$5,781,193	\$18,750,132	\$35,995,257	(\$692,481)	(\$12,398,883) ²	\$15.26	\$22.07	44.6%	16.06%	-5.34%	-95.6%
2015	838,319	\$13,577,149	\$5,763,443	\$19,340,592	\$37,350,638	(\$34,795)	\$488,314	\$16.20	\$23.07	42.4%	15.43%	-0.26%	3.6%
2016	908,472	\$13,805,805	\$6,245,743	\$19,951,548	\$42,565,945	(\$11,880)	\$1,746,885	\$15.20	\$21.96	45.2%	14.44%	-0.09%	12.7%
2017	799,597	\$14,181,339	\$3,753,592	\$17,934,931	\$29,231,281	(\$21,564)	(\$920,889)	\$17.74	\$22.43	26.5%	12.84%	-6.49%	-6.5%
2018	913,240	\$15,132,566	\$4,391,216	\$19,523,782	\$36,593,467	(\$60,944)	(\$3,660,890)	\$16.57	\$21.38	29.0%	12.00%	-0.40%	-24.2%
2019 ³	584,761	\$13,573,925	\$1,790,002	\$15,363,927	\$25,211,491	(\$48,780)	(\$3,730,035)	\$23.21	\$26.27	13.2%	7.10%	-0.36%	-27.5%

¹ The average cost per Dth Saved equals CIP expenditures (\$) divided by achieved energy savings (Dth)

² Note that the Company did not include previous financial incentives in the 2014 actuals.

³ The 2019 DSM Financial Incentive, Carry Charges, and Tracker Balance are shown as proposed by Xcel in its *Petition*.



414 Nicollet Mall
Minneapolis, Minnesota 55401

PUBLIC DOCUMENT

April 24, 2020

Michael Zajicek
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

RE: MINNESOTA DEPARTMENT OF COMMERCE, DIVISION OF ENERGY RESOURCES
INFORMATION REQUEST NOS. 1-2
DOCKET NO. G002/M-20-403

Dear Mr. Zajicek:

Enclosed is the response of Northern States Power Company, doing business as Xcel Energy, to the information request referenced above.

If you have any questions regarding this response, please contact Aaron Tinjum at aaron.j.tinjum@xcelenergy.com or (612) 342-8967.

Sincerely,

/s/

SHAWN WHITE
MANAGER
PROGRAM POLICY & STRATEGY

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 1
Docket No.: G002/M-20-403
Response To: Minnesota Department of Commerce
Requestor: Michael Zajicek
Date Received: April 14, 2020

Question:

Topic: 2019 Gas CIP Tracker
Reference(s): Attachment A, page 11 of 25

On page 11 of Attachment A of the Company's filing line 1b, titled the adjusted balance lists a beginning balance of (\$5,295,926) for January 2019. On July 19 2019, the Commission issued its Order in Docket No. G002/M-19-259 approving the Company's December 31, 2018 tracker balance of \$(3,660,890).

Please explain this discrepancy as, to the Department's knowledge, the Company's January 1, 2019 beginning balance should be very close to, if not equal to, the Company's December 31, 2018 tracker balance. If page 11 of attachment A is incorrect, please provide a corrected Attachment A.

Response:

This discrepancy between the December 31, 2018 tracker balance and beginning balance of our 2019 actual tracker is caused by the reconciliation of an error discovered in the Company's 2018 actual tracker. We included a footnote explanation for the discrepancy, which was inadvertently cut off from the filed version of our 2020/2021 CIP Adjustment Factor filing. That footnote explanation can be found in Attachment A of this response.

In April 2019, the Company discovered an error in the Company's internal tracking. Natural gas sales to multiple CIP exempt customers were incorrectly identified as non-CIP exempt sales which, in turn, overstated the amount recovered through the CIP Adjustment Factor and CCRC. It is important to note that this had no impact on actual customer billing and was simply an internal tracking error.

To reconcile the amount collected, the tracker was adjusted in April 2019 and August 2019. Attachment A includes the tracker used by the Company's Accounting Department and reflects a beginning balance of \$5,295,926 and the actual adjustments made in April and August.

For a clear comparison, the Company provides a second tracker as Attachment B, which forces the beginning balance to match the previous ending balance of \$3,660,890. This tracker results in a CIP Adjustment Factor of \$0.19485/Dth from October 2020 through September 2021, which is slightly higher than the Company's filed CIP Adjustment Factor of \$0.19478/Dth. This difference is attributable to the carrying charge that accrues from January 2019 through September 2021. Both trackers include an over-collection of recovery throughout the year resulting in a negative carrying charge, which means that less recovery is needed. While both trackers work to a zero balance by September 2021, the tracker as filed (Attachment A) includes a higher over-collection earlier in the year and results in a more negative carrying charge.

The Company believes it is important to ensure that CIP exempt sales are correctly accounted for and has since worked to improve our internal accounting processes to ensure a similar situation does not occur in the future. Additionally, we believe it is important to minimize the CIP Adjustment Factor for customers whenever possible. As the tracker included in Attachment A both corrects the CIP exempt customer sales issue and results in a lower CIP Adjustment Factor for customers, the Company believes that this is the best approach for reconciling the issue.

Preparer: Aaron Tinjum
Title: Senior Regulatory Analyst
Department: Program Policy & Strategy
Telephone: (612) 342-8967
Date: April 24, 2020

- Not Public Document – Not For Public Disclosure
 Public Document – Not Public Data Has Been Excised
 Public Document

Xcel Energy Information Request No. 2
Docket No.: G002/M-20-403
Response To: Minnesota Department of Commerce
Requestor: Michael Zajicek
Date Received: April 14, 2020

Question:

Topic: 2019 Gas CIP Tracker
Reference(s): Attachment A, page 11 of 25

On page 11 of Attachment A of the Company's filing line 1a, titled the Other Adjustments lists two adjustments to the Company's CIP tracker, one in April 2019 of \$1,635,006, and one in August 2019 of \$30.

For each of these adjustments, please explain:

- the origin of these adjustments;
- the docket that recovery of these adjustments was approved; and
- when this recovery was approved.

Response:

The adjustments made in April 2019 and August 2019 reflect the corrections made to the Company's CIP tracker discussed in our response to DOC Information Request No. 1. These adjustments are corrections to internal tracking that over-stated recovery. It does not represent actual recovery from customers and did not impact actual customer billing.

Preparer: Aaron Tinjum
Title: Senior Regulatory Analyst
Department: Program Policy & Strategy
Telephone: (612) 342-8967
Date: April 24, 2020

Northern States Power Company, a Minnesota corporation													
State of Minnesota - Gas Utility													
DSM Cost Recovery and Incentive Mechanism													
Tracker and Balance (\$)													
2019 Actual													
<u>EXPENSES</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
1. Balance	(5,295,926)*	(\$7,003,338)	(\$8,786,194)	(\$9,731,859)	(\$8,195,127)	(\$7,742,696)	(\$7,115,818)	(\$1,941,830)	(\$1,471,958)	(\$832,637)	(\$627,509)	(\$2,030,428)	
1a. Other Adjustments				\$1,635,006				\$30					
1b. Adj. Beginning Balance	(5,295,926)	(7,003,338)	(8,786,194)	(8,096,853)	(8,195,127)	(7,742,696)	(7,115,818)	(1,941,800)	(1,471,958)	(832,637)	(627,509)	(2,030,428)	
2. CIP Program Expenditures	1,399,912	931,398	1,063,508	1,186,710	1,238,944	1,081,205	1,208,346	904,487	1,134,315	1,535,097	973,186	1,272,413	13,929,520
3. 2018 Performance Incentive							4,391,216						4,391,216
4. Total Expenses (Line 1b. + 2 + 3)	(3,896,014)	(6,071,941)	(7,722,685)	(6,910,144)	(6,956,183)	(6,661,491)	(1,516,256)	(1,037,313)	(337,643)	702,460	345,677	(758,015)	18,320,736
<u>RECOVERY</u>													
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	
6. CCRC Cost Recovery	783,502	683,850	505,553	322,600	197,108	113,323	107,108	109,494	124,869	280,248	500,534	625,863	4,354,051
7. CIP Adjustment Factor Rate (\$/Dth)	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.19618	0.19618	0.19618	
8. CIP Adjustment Factor Recovery	2,318,208	2,023,360	1,495,819	954,502	583,198	335,298	316,910	323,970	369,459	1,049,218	1,873,944	2,343,166	13,987,050
9. Total Recovery (Line 6 + 8)	3,101,709	2,707,209	2,001,371	1,277,102	780,306	448,622	424,018	433,464	494,327	1,329,465	2,374,478	2,969,029	18,341,101
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9+10)	(6,997,724)	(8,779,150)	(9,724,057)	(8,187,246)	(7,736,489)	(7,110,113)	(1,940,273)	(1,470,778)	(831,970)	(627,006)	(2,028,801)	(3,727,044)	
12. Accum Deferred Tax (Line 11 * 28.742%)	(2,011,286)	(2,523,303)	(2,794,888)	(2,353,178)	(2,223,622)	(2,043,589)	(557,673)	(422,731)	(239,125)	(180,214)	(583,118)	(1,071,227)	(17,003,954)
13. Net Investment (Line 11-12)	(4,986,438)	(6,255,847)	(6,929,168)	(5,834,068)	(5,512,867)	(5,066,524)	(1,382,600)	(1,048,047)	(592,845)	(446,792)	(1,445,683)	(2,655,817)	(42,156,695)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(5,615)	(7,044)	(7,802)	(7,881)	(6,207)	(5,705)	(1,557)	(1,180)	(668)	(503)	(1,628)	(2,990)	(48,780)
15. End of Month Balance (Line 11+14)	(7,003,338)	(8,786,194)	(9,731,859)	(8,195,127)	(7,742,696)	(7,115,818)	(1,941,830)	(1,471,958)	(832,637)	(627,509)	(2,030,428)	(3,730,035)	

Use these values beginning may 1, 2011:
 G002/GR-09-1153
 Carrying Charge Rate =
 ((1 - short term debt) to the 1/12 Power) -1
 Short-Term Debt =
 1.36%
 = (1 + 0.0136) ^0.5 - 1
 0.1126%
 Carrying Charge Rate = 0.1126%

* 2019 BOY balance of \$5,295,926 is \$1,635,036 higher than 2018 EOY balance of \$3,660,890 from Company's July 29, 2019 Compliance Filing in PUC Docket No. G002/M-19-259. This is due to a large CIP Exempt customer not being excluded from the CIP sales in the 2018 tracker resulting in an exaggeration of the over-collection in 2018 of the \$1,635,036. Compliance Filing included this correction resulting in the 2018 EOY balance of \$3,660, 890 in over-collection. However, internal tracker did not correct this in 2018, resulting in the \$5,295,926 over-collection balance. Other Adjustments made in April and August 2019 are used to correct for the over-collection in 2018 that resulted in the \$5,295,926 balance.

Northern States Power Company, a Minnesota corporation													
State of Minnesota - Gas Utility													
DSM Cost Recovery and Incentive Mechanism													
Tracker and Balance (\$)													
2019 Actual													
<u>EXPENSES</u>	<u>Jan</u> Actual	<u>Feb</u> Actual	<u>Mar</u> Actual	<u>Apr</u> Actual	<u>May</u> Actual	<u>Jun</u> Actual	<u>Jul</u> Actual	<u>Aug</u> Actual	<u>Sept</u> Actual	<u>Oct</u> Actual	<u>Nov</u> Actual	<u>Dec</u> Actual	<u>Total</u>
1. Balance	(3,660,890)*	(\$5,366,991)	(\$7,148,534)	(\$8,092,884)	(\$8,189,843)	(\$7,737,409)	(\$7,110,525)	(\$1,936,534)	(\$1,466,687)	(\$827,363)	(\$622,230)	(\$2,025,145)	
1a. Other Adjustments													
1b. Adj. Beginning Balance	(3,660,890)	(5,366,991)	(7,148,534)	(8,092,884)	(8,189,843)	(7,737,409)	(7,110,525)	(1,936,534)	(1,466,687)	(827,363)	(622,230)	(2,025,145)	
2. CIP Program Expenditures	1,399,912	931,398	1,063,508	1,186,710	1,238,944	1,081,205	1,208,346	904,487	1,134,315	1,535,097	973,186	1,272,413	13,929,520
3. 2018 Performance Incentive							4,391,216						4,391,216
4. Total Expenses (Line 1b. + 2 + 3)	(2,260,979)	(4,435,593)	(6,085,025)	(6,906,175)	(6,950,899)	(6,656,203)	(1,510,963)	(1,032,047)	(332,372)	707,734	350,956	(752,732)	18,320,736
<u>RECOVERY</u>													
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	
6. CCRC Cost Recovery	783,502	683,850	505,553	322,600	197,108	113,323	107,108	109,494	124,869	280,248	500,534	625,863	4,354,051
7. CIP Adjustment Factor Rate (\$/Dth)	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.15504	0.19618	0.19618	0.19618	
8. CIP Adjustment Factor Recovery	2,318,208	2,023,360	1,495,819	954,502	583,198	335,298	316,910	323,970	369,459	1,049,218	1,873,944	2,343,166	13,987,050
9. Total Recovery (Line 6 + 8)	3,101,709	2,707,209	2,001,371	1,277,102	780,306	448,622	424,018	433,464	494,327	1,329,465	2,374,478	2,969,029	18,341,101
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9+10)	(5,362,688)	(7,142,802)	(8,086,396)	(8,183,277)	(7,731,205)	(7,104,825)	(1,934,981)	(1,465,512)	(826,699)	(621,731)	(2,023,522)	(3,721,761)	
12. Accum Deferred Tax (Line 11 * 28.742%)	(1,541,344)	(2,052,984)	(2,324,192)	(2,352,038)	(2,222,103)	(2,042,069)	(556,152)	(421,217)	(237,610)	(178,698)	(581,601)	(1,069,709)	(15,579,716)
13. Net Investment (Line 11-12)	(3,821,344)	(5,089,818)	(5,762,204)	(5,831,240)	(5,509,102)	(5,062,756)	(1,378,829)	(1,044,294)	(589,089)	(443,033)	(1,441,921)	(2,652,053)	(38,625,684)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(4,303)	(5,731)	(6,488)	(6,566)	(6,203)	(5,701)	(1,553)	(1,176)	(663)	(499)	(1,624)	(2,986)	(43,493)
15. End of Month Balance (Line 11+14)	(5,366,991)	(7,148,534)	(8,092,884)	(8,189,843)	(7,737,409)	(7,110,525)	(1,936,534)	(1,466,687)	(827,363)	(622,230)	(2,025,145)	(3,724,747)	

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility
DSM Cost Recovery and Incentive Mechanism
Tracker and Balance (\$)
2020

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
<u>EXPENSES</u>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
1. Balance	(\$3,724,747)	(\$5,277,632)	(\$6,943,988)	(\$7,915,392)	(\$7,649,693)	(\$6,750,057)	(\$5,830,728)	(\$4,696,891)	(\$3,992,682)	(\$1,273,702)	(\$350,526)	(\$1,143,674)	
2. CIP Program Expenditures	1,889,001	1,256,802	1,435,068	1,601,312	1,671,796	1,458,948	1,630,508	1,220,489	1,530,613	2,071,417	1,313,189	1,716,958	18,796,102
3. 2019 Performance Incentive									1,790,002				1,790,002
4. Total Expenses (Line 1 + 2 + 3)	(1,835,746)	(4,020,830)	(5,508,920)	(6,314,079)	(5,977,897)	(5,291,109)	(4,200,220)	(3,476,402)	(672,067)	797,715	962,664	573,284	
RECOVERY													
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	
6. CCRC Cost Recovery	724,648	615,020	505,940	280,251	161,628	112,765	103,903	108,156	126,608	243,289	446,204	664,736	4,093,148
7. CIP Adjustment Factor Rate	0.19618	0.19618	0.19618	0.19618	0.19618	0.19618	0.19618	0.19618	0.19618	0.19485	0.19485	0.19485	
8. CIP Adjustment Factor Recovery	2,713,006	2,302,571	1,894,186	1,049,230	605,120	422,180	389,002	404,923	474,006	904,671	1,659,216	2,471,827	15,289,937
9. Total Recovery (Line 6 + 8)	3,437,654	2,917,591	2,400,126	1,329,481	766,748	534,944	492,905	513,079	600,614	1,147,960	2,105,420	3,136,562	
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(5,273,400)	(6,938,421)	(7,909,046)	(7,643,560)	(6,744,645)	(5,826,053)	(4,693,125)	(3,989,481)	(1,272,681)	(350,245)	(1,142,757)	(2,563,278)	
12. Accum Deferred Tax (Line 11 * 28.742%)	(1,515,681)	(1,994,241)	(2,273,218)	(2,196,912)	(1,938,546)	(1,674,524)	(1,348,898)	(1,146,657)	(365,794)	(100,667)	(328,451)	(736,737)	(15,620,326)
13. Net Investment (Line 11-12)	(3,757,720)	(4,944,180)	(5,635,828)	(5,446,648)	(4,806,099)	(4,151,529)	(3,344,227)	(2,842,824)	(906,887)	(249,577)	(814,306)	(1,826,541)	(38,726,366)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(4,231)	(5,567)	(6,346)	(6,133)	(5,412)	(4,675)	(3,766)	(3,201)	(1,021)	(281)	(917)	(2,057)	(43,606)
15. End of Month Balance (Line 11+14)	(5,277,632)	(6,943,988)	(7,915,392)	(7,649,693)	(6,750,057)	(5,830,728)	(4,696,891)	(3,992,682)	(1,273,702)	(350,526)	(1,143,674)	(2,565,335)	

Northern States Power Company, a Minnesota corporation									
State of Minnesota - Gas Utility									
DSM Cost Recovery and Incentive Mechanism									
Tracker and Balance (\$)									
2021 Forecast									
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>
<u>EXPENSES</u>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1. Balance	(\$2,565,335)	(\$4,132,048)	(\$5,709,794)	(\$6,687,695)	(\$6,423,968)	(\$5,524,952)	(\$4,604,902)	(\$3,470,154)	(\$2,764,699)
2. CIP Program Expenditures	\$1,889,001	\$1,256,802	\$1,435,068	\$1,601,312	\$1,671,796	\$1,458,948	\$1,630,508	\$1,220,489	\$1,530,613
3. 2019 Performance Incentive									1,834,710
4. Total Expenses (Line 1 + 2 + 3)	(676,333)	(2,875,246)	(4,274,726)	(5,086,382)	(4,752,172)	(4,066,004)	(2,974,394)	(2,249,665)	600,624
<u>RECOVERY</u>									
5. CCRC Rate (\$/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524
6. CCRC Cost Recovery	731,672	599,759	510,247	282,385	162,837	113,427	104,477	108,682	127,224
7. CIP Adjustment Factor Rate	0.19485	0.19485	0.19485	0.19485	0.19485	0.19485	0.19485	0.19485	0.19485
8. CIP Adjustment Factor Recovery	2,720,730	2,230,211	1,897,360	1,050,051	605,513	421,779	388,501	404,135	473,082
9. Total Recovery (Line 6 + 8)	3,452,402	2,829,970	2,407,608	1,332,435	768,350	535,206	492,978	512,817	600,306
10. Rate Refund	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(4,128,735)	(5,705,216)	(6,682,333)	(6,418,818)	(5,520,522)	(4,601,210)	(3,467,372)	(2,762,482)	319
12. Accum Deferred Tax (Line 11 * 28.742%)	(1,186,681)	(1,639,793)	(1,920,636)	(1,844,897)	(1,586,709)	(1,322,480)	(996,592)	(793,993)	92
13. Net Investment (Line 11-12)	(2,942,054)	(4,065,423)	(4,761,697)	(4,573,921)	(3,933,814)	(3,278,730)	(2,470,780)	(1,968,489)	227
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(3,313)	(4,578)	(5,362)	(5,150)	(4,429)	(3,692)	(2,782)	(2,217)	0
15. End of Month Balance (Line 11+14)	(4,132,048)	(5,709,794)	(6,687,695)	(6,423,968)	(5,524,952)	(4,604,902)	(3,470,154)	(2,764,699)	319