COMMERCE DEPARTMENT

May 31, 2022

Will Seuffert
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. G002/M-21-765

Dear Mr. Seuffert:

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

> In the Matter of the Petition of Northern States Power Company, doing business as Xcel Energy, for Approval of Gas Utilities Infrastructure Cost Rider (GUIC Rider) True-up Report for 2021, Revenue Requirements for 2022, and Revised Adjustment Factors (Petition).

The Petition was filed on October 29, 2021 by:

> Lisa R. Peterson, Manager, Regulatory Analysis
> Xcel Energy
> 414 Nicollet Mall
> Minneapolis, MN 55401

The Department recommends the Minnesota Public Utilities Commission (Commission) **continue to allow Xcel Energy to recover eligible project costs in its GUIC Rider, with modifications.** The Department also recommends Xcel provide additional information in Reply Comments. The Department is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ HOLLY SODERBECK
Financial Analyst

/s/ DANIELLE WINNER
Rates Analyst

HS&DW/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G002/M-21-765

I. BACKGROUND

Minnesota Statutes § 216B.1635 established the Gas Utility Infrastructure Costs (GUIC) Recovery Rider. It allows natural gas utilities to commence recovery of certain qualifying projects between general rate cases. Eligible projects can constitute either replacement or modification of existing natural gas facilities and can include non-capital expenses such as surveys and assessments. Project expenses must meet the following requirements to be eligible for recovery through the GUIC Rider:

- Project costs must be incremental to costs already recovered in base rates;
- Projects cannot serve to increase revenues by connecting new customers to the system; and
- Projects cannot constitute a "betterment" to the system, unless the betterment is required by a political subdivision or federal or state agency.

On August 1, 2014, Northern States Power Company, d/b/a Xcel Energy (Xcel, Xcel Energy, or the Company), filed its inaugural GUIC recovery petition requesting approval to establish a rider, in Docket No. G002/M-14-336 (2015 GUIC Rider). On January 27, 2015, the Minnesota Public Utilities Commission (Commission) issued an *Order* approving the Rider with modifications, approving Xcel Energy's proposed 2015 GUIC Rider and tariff sheets with certain modifications.[1] The Commission also granted recovery of previously approved deferred costs[2] through the GUIC Rider, authorizing a five-year amortization recovery period for the GUIC-qualifying deferred expenditures.[3]

On October 30, 2015, Xcel Energy filed a petition for approval of a 2016 GUIC Rider, Docket No. G002/M-15-808, which included the 2016 GUIC revenue requirement and a prior period true-up. On August 18, 2016, the Commission issued its *Order* requiring an updated report, approving rider recovery, and requiring metrics to evaluate GUIC expenditures.[4]

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[1] Attachment B of Xcel Energy's February 6, 2015 compliance filing in Docket No. G002/M-14-336 shows a $14.7 million revenue requirement for 2015. The final 2015 recovery rate was designed to recover the revenue requirement over an 11-month period, February 2015 – December 2015.

[2] Docket No. G002/M-10-422 (Minnesota Office of Pipeline Safety's required sewer and gas line conflict remediation project) and Docket No. G002/M12-248 (Xcel Energy's Transmission- and Distribution- Integrity Management Program Initiatives, Commission *Order* dated January 28, 2013).

[3] In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider, Docket No. G002/M-14/336, Order Approving Rider with Modification (January 27, 2015), p. 8.

[4] Attachment B of Xcel Energy's August 29, 2016 compliance filing in Docket No. G002/M-15-808 shows a $15.6 million revenue requirement for 2016. The final recovery rate was designed to recover the revenue requirement over a 15-month period, January 2016 – March 2017.

On November 1, 2016 in Docket No. G002/M-16-891, Xcel Energy filed a petition requesting approval of a 2017 GUIC Rider to recover the 2017 revenue requirements and its prior-year (2016) true-up. On February 8, 2018, the Commission issued its *Order* Approving Rider with Modifications.[5] The Commission authorized a 12-month recovery period effective no sooner than January 1, 2018.

On November 1, 2017, in Docket No. G002/M-17-787, Xcel Energy filed a petition for its 2018 GUIC Rider in which the Company requested approval to recover its revenue requirements for 2018 and its prior (2017) true-up.[6] On August 12, 2019, the Commission issued its *Order* Authorizing Rider Recovery and Setting Reporting Requirements. The Commission authorized a 12-month recovery period effective the month following the *Order's* date.[7]

On November 1, 2018, in Docket No. G002/M-18-692, Xcel Energy requested approval of a 2019 GUIC Rider to recover the 2019 revenue requirement and its prior year (2018) true-up (2019 GUIC Rider). On January 9, 2020, the Commission issued its *Order* Authorizing Rider Recovery with Modifications. The Commission authorized a 12-month recovery period, effective March 1, 2020, as proposed by Xcel Energy.

On October 25, 2019, in Docket No. G002/M-19-664 (Docket 19-664), Xcel Energy requested approval of a 2020 GUIC Rider to recover the 2020 revenue requirement and its prior year (2019) true-up. On May 3, 2021, the Commission issued its *Order* Authorizing Rider Recovery with Modifications. The 2020 GUIC rates, calculated based on 12-months of actual sales data, became effective on June 1, 2021.

On October 23, 2020, in Docket No. G002/M-20-799 (Docket 20-799) Xcel Energy requested approval of a 2021 GUIC Rider to recover the 2021 revenue requirement and its prior year (2020) true-up. At the time of the instant Petition filing, the Commission has not issued an *Order* in Docket 20-799.

For a table summarizing the above history of Xcel's GUC Rider proceedings, see Department Attachment 1 to these Comments.

On October 29, 2021, Xcel Energy filed the instant Petition for approval of its revenue requirement for 2022 and its 2021 true-up report (2022 GUIC Rider). Xcel requested a 12-month recovery period, with rate factors effective beginning March 1, 2023.[8] On November 4, 2021, the Commission granted

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[5] Attachment B of Xcel Energy's February 20, 2018 compliance filing in Docket No. G002/M-16-891 shows a $20.1 million revenue requirement for 2017. The final 2017 recovery rate was designed to recover the revenue requirement over a 12-month period, March 2018 - February 2019.
[6] Because the 2017 GUIC Rider recovery had not yet been approved at the time of Docket No. G002/M-17-787 filing, the prior-year (2017) true-up report was not available.
[7] The 2018 GUIC Rider factors were implemented effective September 1, 2019 as listed in Xcel Energy's August 22, 2019 compliance filing.
[8] Petition, page 4.

the Department's 180-day comment extension request. On December 16, 2021, Xcel filed Corrections to attachments C1(d) and C2 of its Petition. The following is the Department's analysis of the current Petition.

II. PETITION SUMMARY

A. PROPOSED RATE FACTORS

Xcel Energy proposed to assign the 2022 GUIC Rider total revenue requirements to its various customer classes in the same manner as revenue responsibilities were apportioned in its most recent natural gas rate case,[9] consistent with the Commission's 2015-2020 GUIC Rider Orders.[10] Unlike prior GUIC Rider customer class groupings, the Company proposed an apportionment that combines transportation customers with those customers' respective firm or interruptible sales classes, aligning with the Company's rate design goal to remain indifferent to a customer's choice of sales or transportation services.[11]

The 2022 GUIC Rider's approximate bill impact for the average residential customer is $3.51 per month, as proposed in the initial filing.[12]

Table 1 and Chart 1 compare Xcel's proposed billing factors for each customer class for the Company's 2020, 2021, and proposed 2022 classes.

Table 1
Xcel Energy's Prior (2020), Proposed for 2021, and Proposed for 2022 GUIC Rate Factors[13]

GUIC Rider Charge per therm				
	2020 Factors Docket 19-664	2021 Factors Docket 20-799	2022 Proposed Classes	2022 Proposed Factors
Residential	$0.033864	$0.046190	Residential	$0.047752
Commercial Firm	$0.018572	$0.024344	Commercial Firm	$0.026201
Commercial Demand Billed	$0.014666	$0.019707	Demand	$0.003485
Interruptible	$0.010591	$0.014911	Interruptible	$0.011062
Transportation	$0.001602	$0.002299		
Revenue Requirement	$19,600,000	$26,700,000		$27,300,000

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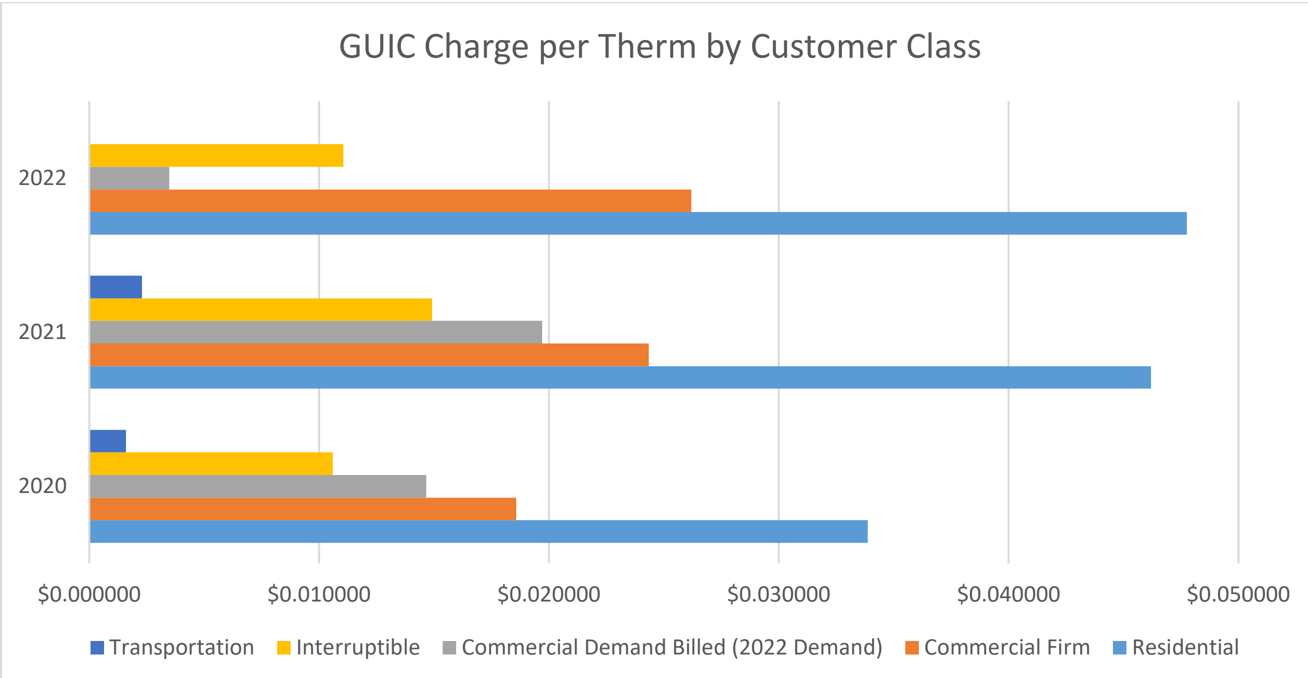
[9] Docket No. G002/GR-09-1153. The Company has an open General Rate Case (Docket No. G002/GR-20-712).
[10] Petition, p. 36.
[11] Petition, p. 36.
[12] Petition, p. 1.
[13] Petition, p. 37, Table 11 for factors. The 2021 GUIC Rider Factors are not yet approved, and the Company and the Department appear to list slightly different factors. The factors in the Department's table are based on preliminary figures beginning March 2022 in Attachment A, Tab "R – Rate Factor," of Xcel Energy's July 6, 2021, Reply Comments in Docket No. G002/M-20-799. The 2020 GUIC Rider factors (Docket No. G002/M-19-664) approved from Xcel Energy's Compliance May 13, 2021 filing.

Chart 1[14]



B. PROPOSED REVENUE REQUIREMENT

Xcel Energy requested recovery of its $27.3 million proposed 2022 GUIC revenue requirement[15] over a 12-month period through a rider rate effective March 1, 2023.[16] Xcel estimates the current GUIC Rider revenues compose approximately 4.3 percent of total bill charges in 2022.[17] The proposed 2022 GUIC Rider revenue requirement equates to approximately 16.5 percent of the $159.1 million total base rate revenues approved in Xcel's last general rate case.[18] By 2026, the GUIC Rider revenue requirement is projected to be $52.9 million, or a 33 percent increase over those same approved base rate revenues.[19]

Xcel Energy's requested GUIC revenue requirement reflects cost recovery of its ongoing Transmission Integrity Management Program (TIMP) and Distribution Integrity Management Program (DIMP) project initiatives. The proposed revenue requirement can be broken down into four broad components: a capital-related revenue requirement, an operations & maintenance (O&M) revenue requirement, adjustments (or offsets), and a true-up carryover from the 2021 GUIC Rider.

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[14] Data from Petition, p. 37.
[15] Petition, p. 32, Table 8.
[16] Petition, p. 38.
[17] Petition, p. 8.
[18] Petition, p. 34.
[19] Petition, Attachment O.

- Xcel's proposed capital-related revenue requirement comprises depreciation, taxes, and a *return on* the Company's GUIC-specific rate base.[20] For this rate of return, the Company proposed to use the short-term and long-term costs of debt approved in Xcel Electric's last rate case and the return on equity (ROE) approved in the 2018,[21] 2019,[22] and 2020[23] GUIC Rider dockets. This revenue requirement includes transmission (TIMP), distribution (DIMP), and mandated relocation programs, which are discussed in further detail below.

- Xcel's proposed O&M-related revenue requirement constitutes a *return of* GUIC-specific transmission and distribution annual operations and maintenance expenses (as opposed to a *return on* GUIC rate base). This revenue requirement includes both transmission (TIMP) and distribution (DIMP) programs, which are discussed in further detail below.

- Xcel's proposed adjustments are: GUIC retirement revenue credits, internal capitalized costs, maximum allowable operating pressure (MAOP) projects at long-term debt rate of return, low-risk infrastructure, recovery in base rates, and prior-year disallowances. Each of these offsets are discussed in further detail below.

- Xcel's proposed carryover true-up from the 2021 GUIC Rider is not currently reflected in the 2022 GUIC Rider revenue requirement. However, in its instant Petition, the Company stated, "If resolution of our 2021 request requires any carryover into our 2022 request, we will update the latter accordingly."[24]

Table 2 provides a high-level composition of Xcel Energy's proposed 2022 GUIC Rider revenue requirement compared to the currently pending 2021 GUIC Rider revenue requirement.

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[20] The GUIC-specific rate base is a representation of the Company's GUIC-specific capital expenditures. It is composed of GUIC-specific plant-in-service adjusted for accumulated depreciation and accumulated deferred taxes.
[21] Docket No. G002/M-17-787, *Order* issued August 12, 2019.
[22] Docket No. G002/M-18-692, *Order* issued January 9, 2020.
[23] Docket No. G002/M-19-664, *Order* issued May 3, 2021.
[24] Petition, p. 3.

Table 2[25]
Xcel Energy's Proposed 2021 and 2022 Gas Utility Infrastructure Revenue Requirements

2021-2022 GUIC Rider Revenue Requirement ($ Millions)		
	2021 Current Forecast*	**2022 Forecast**
Capital-Related Revenue Requirement		
TIMP	13.8	13.9
DIMP and Mandated Relocations	16.5	20.7
Total	30.3	34.6
O&M-Related Revenue Requirement		
TIMP	1.7	0.5
DIMP	0.4	0.3
Total	2.1	0.8
Adjustments		
GUIC Retirement Revenue Credits	(0.7)	(0.8)
Internal Capitalized Costs	(0.4)	(0.4)
MAOP[26] Projects at Long-term Debt Rate of Return	(1.8)	(1.7)
Low-Risk Infrastructure	(0.0)	(0.0)
Recovery in Base Rates	(0.8)	(0.8)
Prior-year Disallowances	(3.1)	(4.2)
Total	(6.8)	(7.9)
True-up Carryover	0.5	-
Total GUIC Rider Revenue Requirement	26.0	27.3
* As filed; does not reflect Commission decision.		

Beginning with the 2021 Petition, the Company requested cost recovery for two new projects: 1) a multi-year campaign to complete casing renewals and 2) a mandated relocations program.[27] The Commission has not yet approved these projects.

In the following subsections, the Department briefly discusses these revenue requirement categories in Xcel Energy's 2022 GUIC recovery request:

- TIMP, including casing renewals
- DIMP, including casing renewals
- Mandated pipeline relocations
- Offsets to revenue requirements
- 2021 GUIC Rider Annual Report and Petition (Docket No. G002/M-20-799)

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[25] Petition, p. 32, Table 8.
[26] Maximum allowable operating pressure (MAOP).
[27] Docket No. 20-799, Petition, pp. 17-18

1. Transmission Integrity Management Program (TIMP)

In 2002, the U.S. Congress passed the Pipeline Safety Improvement Act, which directed the U.S. Department of Transportation (USDOT) to promulgate rules to address gas transmission pipeline integrity management. Xcel Energy established its TIMP to comply with federal regulations.[28] Xcel Energy's TIMP projects identify risks, systematically perform health and condition assessments, and evaluate and prioritize preventative or corrective actions to mitigate identified risks and threats.[29]

In general, Xcel Energy's TIMP project activity involves assessing and improving the safety of its gas transmission system, which consists of approximately 70 miles of transmission pipeline in Minnesota.[30] Xcel Energy's existing designated TIMP project initiatives include:[31]

- **Transmission Pipeline Assessments**, an ongoing program to assess the health and condition of gas transmission lines, including in-line inspections (ILI), pressure tests, and direct assessments.[32]
- **Programmatic Replacement and MAOP Remediation Program**, a capital-intensive program that strives to meet the requirements to have traceable, verifiable, and complete (TVC) records of a pipeline's MAOP and target repairs or replacement efforts needed on transmission pipelines that have been assessed for asset health and condition in prior years. There are two multi-year MAOP replacement projects scheduled for completion in 2022. Xcel Energy expects the engineering work on both projects to commence in 2022, with construction occurring in 2023.[33]
- **Casing Renewals**, a multi-year program started in 2021 to mitigate risks by renewing pipeline or installing equipment that allows ongoing testing to ensure isolation of pipelines from casings.[34]

The Company requested recovery of the following O&M and capital expenditures associated with these three 2022 TIMP Programs:

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[28] 49C.F.R. § 192, Subpart O.
[29] Petition, p. 8.
[30] Petition, p. 8.
[31] Petition, p. 8 notes that the Xcel Energy expects to complete the Automatic Shut-off Valves and Remote-controlled Valves by the end of 2021 and the Company does not have work planned in 2022 and beyond.
[32] Petition, pp. 8-9.
[33] Petition, pp. 11-12.
[34] Petition, pp. 12-13.

Table 3
2022 Estimated TIMP Project Costs ($ Millions)[35]

Program	2022 Capital	2022 O&M
Transmission Pipeline Assessments	$0.60	$0.60
Programmatic Replacement / MAOP Remediation	$1.36	$0.00
Casing Renewal	$2.38	$0.00
Total 2022 TIMP Expenditures	$4.34	$0.60
Total 2022 Minnesota TIMP Revenue Requirement	$13.90[36]	$0.53[37]

2. Distribution Integrity Management Program (DIMP)

The Pipeline and Hazardous Materials Safety Administration (PHMSA) published DIMP rules establishing integrity management requirements for gas distribution pipeline systems in 2009. Xcel established its DIMP to comply with these federal regulations.[38] A DIMP is intended to help gas utilities identify, prioritize, and evaluate risks, implement measures to address risk, and validate the integrity of their gas distribution system.

In general, Xcel Energy's DIMP project activity involves assessing and improving the safety of its distribution system located in the state of Minnesota. Xcel Energy's current designated DIMP project initiatives include:

- **Poor Performing Main and Service Replacement**, an ongoing program to identify high-risk pipeline segments and prioritizes their replacement in concert with city and county road maintenance.[39]
- **Distribution Pipeline Inspection and Replacement**, an ongoing program to conduct regular inspection and replacement of high- and medium-risk segments of pipeline to satisfy the federal pipeline safety regulations.[40]
- **Distribution Valve Replacement Project**, a program to maintain Xcel Energy's ability to isolate sections of the system in case of an emergency. This project includes adding, replacing, or otherwise rehabilitating existing distribution valves. A second aspect of the project is the installation of new valves, which began in 2021.[41]

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[35] Petition, Attachment C, p. 4 of 20.
[36] Petition, Attachment C, p. 4 of 20. Capital costs represent the eligible calculated revenue requirements, which include debt and equity return on rate base, property taxes, current and deferred taxes, and book depreciation.
[37] Petition, Attachment C, p. 4 of 20. $480,000 of O&M amount is recovered through base rates and is removed from GUIC Rider revenue requirement.
[38] 49 C.F.R. § 192, Subpart P.
[39] Petition, p. 15.
[40] Petition, p. 17.
[41] Petition, p. 18.

- **Casing Renewals**, a multi-year program, which the Company started in 2021, to mitigate risks by renewing pipeline or installing equipment that allows ongoing testing to ensure isolation of pipelines from casings.[42]

The Company requested recovery of the following operational and maintenance (O&M) capital expenditures associated with these five 2022 DIMP programs:

Table 4
2022 Estimated DIMP Project Costs ($ Millions)[43]

Program	2022 Capital[44]	2022 O&M
Poor Performing Main Replacements	$14.11	$0.00
Poor Performing Service Replacements	$4.69	$0.00
Intermediate Pressure (IP) Line Assessments / Replacements	$27.56	$0.25
Distribution Valve Replacement Project	$0.44	$0.00
Casing Renewal	$0.59	$0.00
Total 2022 DIMP Capital Expenditures and O&M	$47.39	$0.25
Total 2022 Minnesota DIMP Revenue Requirement	$18.40	$0.25

The Company cancelled one IP Line Assessment/Replacement project (indirect survey work on Rahr Lateral line) and put one project on hold (H005 in Arden Hills and New Brighton) since filing the instant Petition.[45] The Department recommends the Commission disallow recovery associated with these two projects.

3. Mandated Pipeline Relocations

Outside the integrity management plans framework discussed above, Xcel Energy began including mandated relocations as a GUIC project in 2021.[46] Xcel's mandated relocations program is dedicated to moving existing infrastructure to meet federal, state, or local requirements. Per Minnesota Statutes § 216B.1635, subdivision 1(c)(1), one of two definitions of a project allowed in the GUIC is:

> Replacement of natural gas facilities located in the public right-of-way required by the construction or improvement of a highway, road, street, public building, or other public work by or on behalf of the United States, the state of Minnesota, or a political subdivision.

[42] Petition, p. 19.
[43] Petition, Attachment D, p. 4 of 31.
[44] Petition, Attachment D, p. 4 of 31.
[45] Department Attachment 2.
[46] At the time of the instant Petition filing, the Commission has not issued an Order in Docket 20-799.

Xcel's three mandated relocation projects occurring in 2022 are located in Forest Lake, Nisswa, and Stillwater. The Company stated it expects to complete several other mandated relocation projects in 2022, as additional infrastructure work is planned by budgets for routine relocation projects that arise each year.[47]

Table 5
2022 Estimated Mandated Relocation Project Costs ($Millions)[48]

Mandated Relocation Program	2022 Capital	2022 O&M
Total 2022 Expenditures	$4.59	$0.00
Total 2022 Revenue Requirement[49]	$1.94	$0.00

4. Offsets to GUIC Rider Revenue Requirements

Per Minnesota Statutes § 216B.1635, the GUIC Rider is to recover only costs incremental to those reflected in base rates. Therefore, to achieve only incremental cost recovery through the GUIC Rider, base rate revenue requirement offsets (i.e., adjustments) are included to account for costs already being recovered through existing rates. Table 2 lists several offsets to the GUIC, consistent with prior GUIC Rider petitions, including GUIC Retirement Revenue Credits and Recovery in Base Rates. As stated in the instant Petition, on pages 32 and 33:

> The Company plans to file a natural gas rate case on November 1, 2021. The Company also plans to file a proposal for a rate case alternative on the same day in Docket No. G002/M-21-750. In our rate case filing and interim rate petition, all costs associated with these two line items have been removed to reflect recovery in the GUIC Rider, or the retirements have been reset to the appropriate test year level. The company did not reflect his change in the GUIC Rider petition to prevent double recovery if the rate case alternative is selected. If the rate case proceeds and interim rates are put in place on January 1, 2022, as we are proposing in the rate case application, the GUIC Retirement Revenue Credits and Recovery in Base Rates noted in Table 8 above would need to be removed from our 2022 request and would result in an increase in GUIC Rider Revenue Requirements in 2022. The Company will provide an update on interaction between our GUIC Rider request and rate case in reply comments in this docket. This update will include a modified revenue requirement and updated schedules if necessary.

[47] Petition, p. 19.
[48] Petition, Attachment D, p. 27 of 31.
[49] Petition, Attachment D, p. 27 of 31. 2022 revenue requirements for mandated relocation projects are net of the estimated revenue requirement of $0.37 million collected in base rates.

The estimated $(0.8) million adjustment for GUIC Retirement Revenue Credits accounts for capital-related costs included in base rates for infrastructure that has since been retired due to GUIC projects. The Company stated in its Petition, "For retirements in 2021 and 2022, complete actual data was not yet available."[50] The Company further committed to redoing the analysis when actual retirement information is available.[51]

The estimated $(0.4) million adjustment for internal capitalized costs accounts for overhead, other, and transportation costs already represented in base rates. The Company stated it reserves the ability to reassess the inclusion of these costs in future requests after gas general rates are reset.[52]

The estimated $(1.7) million adjustment for MAOP Projects at Long-Term Debt Rate of Return is related to Commission *Order* dated May 3, 2021 in Docket No. G002/M-19-664, which limited the return on capital costs to remediate the system's MAOP data gaps to the weighted long-term cost of debt over the life of the capital expenditures.

The estimated $(40,000)[53] adjustment for Low-Risk Infrastructure is related to Commission *Order* dated January 9, 2020 in Docket No. G002/M-18-692, which requires the Company to remove and exclude costs related to any low-risk infrastructure replacements performed in conjunction with GUIC work but not specifically mandated by government regulation or public work requirements from the GUIC Rider.

The estimated $(0.8) million adjustment for Recovery in Base Rates is consistent with prior GUIC Rider petitions. The Company's position and interaction with its general rate case fling are explained above.

The estimated $(4.2) million adjustment for Prior-year Disallowances is related to disallowed capitalized costs for overheads for 2018 – 2020 and project overrun disallowance for the Island Lake South Project.[54]

Xcel stated these offset estimates are subject to updates once 2020 and 2021 year-end asset retirements are known.[55] The Department agrees with this approach and recommends the Commission allow Xcel to update the base rate recovery offset inputs to the 2022 rider revenue requirement once actual 2020 and 2021 retirements are known, and direct Xcel to include the corresponding schedules for each cost offset category amount.

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[50] Petition, p. 30.
[51] Petition, p. 30.
[52] Petition, p. 30.
[53] Note, this figure is shown as (0.0) in the table due to rounding.
[54] Department Attachment 3.
[55] Petition, p. 30.

5. Prior Year Carryover Balance

The Company did not request an adjustment for True-up Carryover. The Company will update the 2022 request if the resolution of Xcel Energy's 2021 request in Docket No. G002/M-20-799 requires any carryover into 2022.[56] The Department agrees with this approach and recommends the Commission allow Xcel to update its 2021 GUIC Rider true-up carryover once actual costs are known.

III. DEPARTMENT ANALYSIS OVERVIEW

In this section, the Department provides an overview discussion of the following topics:

- Statutory background and filing requirements
- Project eligibility
- Commission filing requirements
- Timing of 2022 GUIC Rider recovery
- 2021 GUIC Rider docket
- Reconciliation with 2021 General Rate Case

A. STATUTORY BACKGROUND AND FILING REQUIREMENTS

Generally, a public utility may not change its rates without undergoing a general rate case in which the Commission comprehensively reviews the utility's costs and revenues. The Minnesota State Legislature created exceptions to this general policy, allowing a utility to implement specific riders with rate-adjustment mechanisms to expedite recovery of certain costs not reflected in the utility's current base rates.

Minnesota Statutes § 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs, which are costs *not* included in the gas utility's rate base in its most recent general rate case, which the utility incurred from gas infrastructure projects involving: [57]

> (1) the replacement of natural gas facilities required by road construction or other public work by or on behalf of a government agency, and
>
> (2) the replacement or modification of existing facilities required by federal or state agency, including incremental costs of surveys, assessments, reassessments, and other work necessary to determine the need for replacement or modification of existing infrastructure.

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[56] Petition, p. 3.
[57] Minn. Stat. § 216B.1635, subd. 1(b), (c).

The Department notes the Commission interpreted this Statute in its January 27, 2015 *Order* in Docket No. G002/M-14-336. In that *Order*, the Commission determined a gas infrastructure project is eligible for rider recovery under Minnesota Statutes § 216B.1635 if *either* subpart (1) or (2) are satisfied. Projects that constitute a "betterment" do not qualify for rider recovery unless the betterment is "based on" requirements by a political subdivision or a federal or state agency.[58]

A utility seeking approval of a GUIC Rider must file a petition with the Commission detailing the projects and costs proposed for recovery.[59] The petition for rate recovery is for incremental costs only.[60] The utility must file sufficient information to satisfy the Commission regarding the reasonableness of the proposed gas utility infrastructure costs, including, but not limited to:

- Project description, scope, estimated costs, and in-service date;
- The government entity ordering or requiring the project and the purpose of the project;
- A description of the estimated costs and salvage value, if any, associated with the existing infrastructure replaced or modified as a result of the project;
- A comparison of the utility's estimated costs and the actual costs incurred, including a description of the utility's efforts to ensure that the costs of the facilities are reasonable and prudently incurred;
- Calculations to establish that the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest;
- The magnitude and timing of any known future projects the utility may seek to recover under the GUIC statute;
- The magnitude of the costs in relation to the utility's base revenue as approved by the Commission in the utility's most recent general rate case, exclusive of gas-purchase costs and transportation charges;[61]
- The magnitude of the costs in relation to the utility's capital expenditures since its most recent general rate case;[62] and
- The amount of time since the utility last filed a general rate case and the utility's reason for seeking recovery outside a general rate case.[63]

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[58] Minn. Stat. § 216B.1635, subd. 1(b) (3).
[59] Minn. Stat. § 216B.1635, subd. 2-3.
[60] Minn. Stat. § 216B.1635, subd. 2.
[61] Petition, Attachment M provides that Xcel Energy's GUIC Revenue as compared to Base Revenue is forecast at 16.37% for 2021 and 17.15% in 2022.
[62] Petition, Attachment M provides that Xcel Energy's GUIC Capital Expenditures as compared to Rate Base Expenditures (CWIP) is forecasted at 196.25 percent for 2021 and 204.52 percent for 2022.
[63] Minn. Stat. § 216B.1635, subd. 4.

The Commission may approve a GUIC Rider if the costs proposed for recovery through the rider are prudently incurred and achieve gas facility improvements at the lowest reasonable and prudent costs to ratepayers.[64] Costs eligible for rider recovery include a rate of return, income taxes on the rate of return, incremental property taxes, incremental depreciation expense, and any incremental operation and maintenance costs.[65]

Xcel Energy included a compliance matrix in Attachment A of the instant Petition, which lists the filing requirements specified in Minnesota Statutes § 216B.1635 and in prior Commission orders. The compliance matrix identifies specific projects in the Petition attachments.

The Department concludes Xcel Energy's filing reasonably complies with the statutory filing requirements.

B. PROJECT ELIGIBILITY

Gas utility infrastructure projects required by road construction or other public work by or on behalf of a government agency, or that are required by a federal or state agency are eligible for GUIC Rider recovery.[66] By Commission *Order,*[67] Xcel Energy is required to disclose the agency, regulation, or order that requires the Company's proposed projects in its petitions. Xcel Energy provided the required disclosures in Attachment A, p. 7 of its Petition. The Petition includes projects previously approved for recovery in earlier GUIC filings. The Petition also includes projects not yet approved, but currently before the Commission in Docket No. G002/M-20-799.

1. Existing Initiatives

Xcel Energy's existing and ongoing GUIC initiatives include the following:

TIMP	
	Transmission Pipeline Assessments
	Programmatic Replacement and Maximum Allowable Operating Pressure (MAOP) Remediation
DIMP	
	Poor Performing Main and Service Replacement
	Distribution Pipeline Inspection and Replacement

[64] Minn. Stat. § 216B.1635, subd. 5.
[65] Minn. Stat. § 216B.1635, subd. 2, 4.
[66] Minn. Stat. § 216B.1635, subd. 5.
[67] Docket No. G002/M-15-808, *Order* issued August 18, 2016.

The Commission previously reviewed and approved the continuing initiatives included in the instant Petition. Absent new information, the Department generally concludes the existing initiatives remain eligible for GUIC recovery.

In the instant Petition, the Company also requested recovery for projects currently before the Commission in Docket 20-799, and the Department discusses these projects in more detail in the instant Comments.

2. Distribution Valve Replacement – Revisited

Xcel Energy's initial Distribution Valve Replacement program concluded in 2019. This program focused on replacing problematic existing valves; these valves reduce the time to shut down sections of the main pipeline in emergencies. Xcel reopened the program in 2021 due in part to discovering additional inoperable distribution valves needing replacement. Xcel estimated it would replace one distribution valve in 2022 and 14 in 2023 through 2026.[68]

Xcel Energy also began installing new valves as part of this project in 2021. Xcel stated it expects to install 30 new valves in 2022 and install any remaining values in future years.[69]

Xcel Energy estimated the Company would incur capital expenditures of approximately $0.4 million annually for distribution valve replacements in 2023 through 2026.[70]

In Attachment D1(f) to its Petition, Xcel provided 2021 distribution valve replacement project details. The project list includes an estimated cost of $27,500 for "Valve(s) to be identified." The Company stated the planned work is necessary to comply with 49 Code of Federal Regulations (CFR) Part 192.1007(d).[71] The Department concludes this program work is eligible for GUIC Rider recovery.

3. New Initiatives

i. Casing Renewals

Xcel Energy started its casing renewals project in 2021. Xcel anticipates completing two casing renewals in 2022, with expected capital expenditures of $0.6 million. The Company further anticipates annual capital expenditures between $1.8 million and $3.0 million from 2023 through 2026.[72] Xcel introduced its Casing Renewals initiative in its 2021 GUIC Rider petition (Docket 20-799).[73]

[68] Petition, p. 18.
[69] Petition, p. 18.
[70] Petition, p. 18.
[71] Petition, p. 18.
[72] Petition, p. 19.
[73] As the 2021 GUIC Rider Petition is not finalized, the Department is continuing to treat Casing Renewals as a new initiative.

Xcel isolates pipes and casing in contact with one another (or when the Company is unable to take readings), mitigates leakage risk for sites that indicate the presence of corrosion or where testing has not occurred, and replaces pipe where it is not possible to test or isolate the pipe.

Xcel Energy cited 49 CFR § 192.467 as the relevant regulation for this initiative, which reads:

> Except for unprotected copper inserted in ferrous pipe, each pipeline must be electrically isolated from metallic casings that are a part of the underground system. However, if isolation is not achieved because it is impractical, other measures must be taken to minimize corrosion of the pipeline inside the casing.

The Department asked Xcel Energy about the "impractical" clause and "other measures" to minimize corrosion in the 2021 GUIC Rider (Docket 20-799). The Company responded there is "no efficient industry practice for replacing spacers inside of a casing," and in most instances the surest remedy is the "industry standard" to replace the main.[74] In its Petition, Xcel also stated, "improved pipeline design has mostly eliminated the use of casing in modern gas construction."[75] The Department may attempt to understand this issue better in future GUIC Rider filings, but for this proceeding accepts Xcel's assertion.

The Company has only spent approximately $4,000 on capital expenditures associated with the transmission casing renewal project from January 1, 2022 through March 31, 2022. The Company anticipates 2022 capital expenditures of $2.4 million.[76]

The Department concludes Xcel Energy's casing renewal work, incremental to the amount included in base rates, would be eligible for inclusion in the GUIC recovery rider, and recommends approval of Xcel Energy's proposal.

ii. Mandated Relocations

Xcel Energy first requested cost recovery for mandated relocation projects in its 2021 GUIC rider, Docket 20-799. At the time of the instant Petition filing, the Commission has not issued an Order in Docket 20-799.

In its Docket 20-799 petition, Xcel Energy estimated capital expenditures for mandated relocations totaling $19 million and $14 million in 2021 and 2022, respectively.[77] In the instant Petition, Xcel Energy asked to recover approximately $4.6 million in capital expenditures and operations &

[74] Department Attachment 4, DOC IR No. 20 from Docket 20-799.
[75] Petition, p. 12.
[76] Department Attachment 5.
[77] Docket No. G002/M-20-799, Petition, p. 18. The requested amount included approximately $12.4 million of mandated relocation work over and above the amount in base rates.

maintenance expenses for mandated relocation projects.[78] The Company's proposed 2022 Revenue Requirement of $1.94 million is net of the Company's estimated revenue requirement of $0.3 million collected through base rates.[79]

The Company stated, "the capital-related cost estimates for 2022 exclude internal labor and include materials, outside services, transportation, and a portion of construction overheads."[80] However, the Department notes the Commission disallowed recovery of overhead, other, and transportation costs in previous GUIC dockets for Xcel Energy.[81] As a result, the Department followed up with the Company regarding Order Points 3, 4, and 5 of the Commission's *Order* dated May 3, 2021 in Docket No. G002/M-19-664. The Company stated the impact of Order Points 3, 4, and 5 are included in the 2022 revenue requirement request.[82] The Department recommends the Company remove overhead, other, and transportation costs from the 2022 revenue requirement request as the Commission required in previous GUIC rider filings.

Xcel Energy estimates capital expenditures for mandatory relocations will be $4 to $5 million annually from 2023 through 2026.[83]

In the instant Petition, Xcel Energy stated the amounts included for mandated relocations are based on historical data and anticipated costs. The Company also stated current base rates include approximately $6.7 million of mandated relocation costs, and the 2022 request only includes amounts incremental to those included in base rates.[84]

The Department recommends approval of Xcel Energy's cost recovery proposal for this program, excluding capital-related costs for internal labor, materials, outside services, transportation, and construction overheads. The Department recommends Xcel Energy provide updated revenue requirement and capital cost for Mandated Relocations not including overhead, other, and transportation costs.

4. Work Done in Conjunction with GUIC Projects

Commission *Order* dated January 9, 2020 in Docket No. G002/M-18-692 required Xcel Energy to remove actual cost amounts for any additional low-risk work done along with its GUIC-eligible projects from its final revenue requirement. In other words, the Commission determined this work is

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[78] Petition, p. 20.
[79] Petition, Attachment D, p. 27 of 31.
[80] Petition, Attachment D, p. 27 of 31.
[81] Order Point 12 in the Commission's *Order* dated August 12, 2019 in Docket No. G002/M-17-787; Order Point 9 in the Commission's *Order* January 9, 2020 in Docket No. G002/M-18-692; Order Point 5 in the Commission's *Order* dated May 3, 2021 in Docket No. G002/M-19-664.
[82] Department Attachment 6.
[83] Petition, p. 20.
[84] Petition, p. 20.

ineligible for GUIC Rider recovery. The Company stated it removed these costs in its GUIC Rider revenue requirements from 2018 through 2022.[85]

C. COMMISSION FILING REQUIREMENTS

In various prior GUIC filings, the Commission directed Xcel Energy to include or refine certain information in subsequent filings. Xcel Energy summarized the cumulative petitions' requirements in a compliance matrix, Attachment A of its Petition. The Department agrees Xcel's Petition appears to have met most requirements listed in the compliance matrix.

As discussed further below, however, Xcel does not appear to have applied the Commission's past treatment of certain GUIC Rider costs to 2022 GUIC Rider costs. Specifically, Order Point 9 from Docket No. G002/M-18-692 and Order Point 5 from Docket No. G002/M-19-664 require the Company to remove internal capitalized costs due to overhead, other, and transportation from the GUIC revenue requirement. Xcel stated it made a $10.2 million adjustment to its 2022 GUIC revenue requirement to comply with this regulatory treatment; however, the Company further stated the $10.2 million adjustment only reflects internal capitalized costs from the 2018-2021 GUIC Rider revenue requirements. Since Xcel did not remove 2022 internal capitalized costs of overhead, other, and transportation from its revenue requirement, the Department concludes Xcel has not fully complied with past Commission directives.

D. TIMING OF 2022 GUIC RIDER RECOVERY

Xcel Energy proposed to implement the 2022 GUIC Rider Rate effective March 1, 2023.[86] The proposed implementation date and recovery period is consistent with the timing of the 2021[87] GUIC rate, which may allow for more stable factors and eliminate the need for the proration of accumulated deferred income tax (ADIT).[88] The Department supports Xcel Energy's proposed timing.

Xcel Energy filed a general rate case petition on October 25, 2021 (Docket No. G002/M-21-630). As stated in the Petition:[89]

> The Company is planning to file a natural gas general rate case on November 1, 2021. As part of that case, we intend to roll all GUIC costs incurred prior to December 31, 2021 into base rates at the time final rates are implemented. Overall, we expected that roll-in revenue requirement to be about $25 million.

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[85] Petition, Attachment A, p. 9 of 12.
[86] Xcel's proposed factors are calculated based on effective dates of March 1, 2023.
[87] The proposed timing for the 2021 GUIC rate is March 1, 2022. However, the Commission has not yet heard the 2021 docket (Docket No. G002/M-02-799).
[88] Petition, p. 38 noted the benefit of eliminating the need to prorate the ADIT calculation as well as the Commission in its *Order dated* January 9, 2020 in Docket No. G002/M-18-692
[89] Petition, p. 2.

E. 2021 GUIC RIDER DOCKET

On October 23, 2020, in Docket No. G002/M-20-799 (Docket 20-799) Xcel Energy requested approval of a 2021 GUIC Rider to recover the 2021 revenue requirement and its prior year (2020) true-up. On June 23, 2021, the Department filed Comments, recommending Xcel Energy provide additional information in Reply Comments. Xcel Energy filed Reply Comments on July 6, 2021 and the Department filed Response to Reply Comments on July 14, 2021. Xcel Energy filed Supplemental Reply Comments on July 29, 2021. At the time of the instant Petition filing, the Commission has not issued an order in Docket 20-799.

As stated in the instant Petition, the Company will carryover any needed adjustments from the resolution of its 2021 request (Docket No. G002/M-20-799) in its 2022 request.[90]

F. RECONCILIATION WITH 2021 GENERAL RATE CASE

The Department anticipates certain costs within the GUIC Rider will get "rolled into" base rates through the course of Xcel's General Rate Case (Docket No. G002/M-21-630). To correctly roll rider costs into base rates, a utility can either perform a reconciliation of accounts on the front end or on the back end of the rate case analysis; since Xcel did not account for GUIC costs on the front end of its rate case, the Department expects GUIC costs to be trued up on the back end. This will require a corrective adjustment in Xcel's interim rate refund calculation to ensure the Company does not double collect its revenue requirements – once in the rider and again in the interim rate refund calculation.

The Department expects after specific GUIC costs are correctly rolled into the Company's base rates, the Company will discontinue collecting these costs in their GUIC Rider effective with the implementation of final rates.

IV. DEPARTMENT CONCERNS

The Department conducted its review of Xcel Energy's Petition and prior Commission Orders. The Department discusses the following concerns with the Company's proposal:

- Intermediate Pressure Line Assessments
- TIMP – Programmatic Replacement and MAOP Remediation
- Revenue Apportionment
- Sales Forecast

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[90] Petition, p. 3.

- Internal Capitalized Costs
- Risk Assessment and Performance Metrics

A. INTERMEDIATE PRESSURE (IP) LINE ASSESSMENTS

Xcel Energy stated the status of two projects in its IP Line Assessment program have changed since the Company's initial filing.[91] Specifically, the project to replace the H005 pipeline located in Arden Hills and New Brighton is on hold as the Company performs additional analysis to evaluate the pipeline's condition. Xcel also stated indirect survey work on the Rahr Lateral has been canceled.[92]

The Department requests Xcel Energy provide updated financial schedules in its Reply Comments with the costs from the H005 and Rahr Lateral IP Line projects removed.

B. TIMP – PROGRAMMATIC REPLACEMENT AND MAOP REMEDIATION

Xcel Energy's MAOP (maximum allowable operating pressure) project initiative focuses on remediating data gap findings to ensure the pipeline's records support its MAOP. For various reasons argued in prior GUIC filings, the Department recommended recovery limitation, which the Company opposed. In Xcel Energy's three most recent GUIC rider petitions (Docket Nos. G002/M-17-787, M-18-692, and M-19-664), the Commission limited the return on the TIMP capital project to the Company's weighted cost of debt.

In its 2021 GUIC docket (Docket No G002/M-20-799), Xcel Energy stated it has no additional MAOP work planned for 2021, pausing this initiative while it evaluates recent federal transmission rules published on October 1, 2019. Xcel Energy continues to reflect the Commission-ordered recovery limitations for prior years' project work in its 2021 GUIC revenue requirement calculations.[93]

In the instant Petition, the Company stated there are two multi-year MAOP replacement projects scheduled for completion in 2022, with engineering work commencing in 2022 and construction occurring in 2023.[94] In Attachment G of its Petition, Xcel calculates TIMP Capital Requirements for 2022.[95] The calculation includes a return on average rate base for TIMP projects.

The Department requests Xcel Energy provide updated financials in its Reply Comments removing the equity return on TIMP Programmatic Replacement/MAOP Remediation projects.

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[91] Petition, Attachment D.
[92] Department Attachment 2.
[93] Docket No, G002/M-20-799, Department Comments, p. 15.
[94] Petition, p. 12.
[95] Petition, p. 1.

C. REVENUE APPORTIONMENT

Xcel Energy's GUIC revenue requirement has been consistently apportioned across classes based on its most recent rate case (Docket No. G002/GR-09-1153). As noted in the Petition, the transportation class is apportioned less GUIC Rider revenue requirement than the corresponding demand or interruptible class on a per-therm basis. In the instant Petition, the Company proposes an apportionment combining transportation customers with their respective firm or interruptible sales class, aligning with the Company's rate design goal to remain indifferent to a customer's choice of sales or transportation service.[96] The following table compares the current and proposed revenue apportionment (also shown in Table 1).

Table 6
Current Revenue Requirement Apportionment across Classes[97]

Class	Current Allocator	Class	Proposed Allocator
Residential	67.2244%	Residential	67.2244%
Commercial Firm	21.2597%	Commercial	21.2597%
Commercial Demand-Billed	2.1010%	Demand (including Firm Transport)	5.7172%
Interruptible	5.6521%	Interruptible (including Interruptible Transportation)	5.7987%
Transport	3.7628%	N/A	N/A
Total	100%	Total	100%

The Company calculated the apportionment across classes using 12 months of weather-normalized actual sales data. In the past few Xcel GUIC dockets, the Department recommended using actual rather than forecasted sales data because the Department disagreed with elements of the Company's forecast.[98] This is the first GUIC Rider Petition in which the Company used actual sales data rather than forecasted sales data in its initial request.[99]

Xcel Energy stated the apportionment proposed in the instant Petition is consistent with the apportionment proposed in the Company's open General Rate Case (Docket No. G002/GR-21-678).[100] However, the Company also stated the difference between the instant Petition and the rate case proposal is that the instant Petition continues to use the revenue apportionment from the last

[96] Petition, p. 36.
[97] Petition, p. 36.
[98] For further discussion on this topic, see the Department's July 10, 2019 Response to Reply Comments, p. 2 in Docket No. G002/M-18-692.
[99] Petition, p. 37.
[100] Department Attachment 7, p. 1.

approved rate case (Docket No. G002/GR-09-1153).[101] These two assertions appear to be contradictory.

The Department supports a revenue requirement apportionment using the apportionment established in a rate case. This practice helps minimize rate fluctuations when rider-recovered costs are rolled into base rates, to the extent apportionment reflects the class cost of service from which it was informed. The Department recommends the Commission utilize the current allocator and deny the Company's proposed apportionment.

D. SALES FORECAST

Xcel Energy calculated final rate factors using actual sales data in the instant Petition.[102] In previous petitions, the Company proposed using forecasted sales as opposed to actual sales when calculating final rate factors. Commission decisions in prior dockets supported using actual sales data.

The Department continues to support using actual sales data, aligning with previous Commission decisions. Therefore, the Department concludes no specified action is necessary in this docket.

E. INTERNAL CAPITALIZED COSTS

The Commission has generally not allowed recovery of internal capitalized costs outside of rate cases in order to avoid double-recovery of costs. This includes Xcel Energy's GUIC Rider; the Commission denied recovery of certain internal capitalized costs in the 2018, 2019, and 2020 GUIC Riders.

The Department's primary concern is that a utility will expense employee internal labor in a rate case, then later capitalize that same labor in a rider. This treatment would charge ratepayers twice for the same internal labor costs.[103] The Department continues to conclude it is inappropriate for Xcel Energy to recover internal capitalized costs, including overheads, other, and transportation internal capitalized costs, outside a rate case. Xcel Energy's 2022 GUIC recovery request *again* included these disputed internal capitalized costs.

In its Petition, the Company stated: [104]

> …[W]e modified our current proposal based on comments regarding our 2021 GUIC Rider request and additional Commission ruling made since we initially submitted our 2021 petition. For example, our 2022 GUIC Rider

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[101] Department Attachment 7, p. 1.
[102] Petition, p. 37.
[103] The Department discussed this issue at length in prior GUIC dockets. See Department's March 4, 2019 Comments in Docket No. G002/M-18-692, pp. 24-28, and Department's December 3, 2018 Reply Comments in Docket No. G002/M-17-787, pp. 22-26.
[104] Petition, p. 3.

> request excludes internal capitalized costs*… [*Petition footnote: "Includes overheads, transportation, and other costs."]

The Company asserted it modified its current proposal based on Commission rulings. However, Commission rulings, including the most recent *Order,* denied the Company's proposal to recover GUIC internal capital costs for overheads, other, and transportation.[105]

The Department again recommends removal of overheads, other, and transportation internal capitalized costs from the proposed 2022 revenue requirement. The Department requests Xcel Energy submit updated financials in its Reply Comments removing these costs.

F. RISK ASSESSMENT AND PERFORMANC METRICS

The risk assessment and performance metrics tools help determine the reasonableness of GUIC investments. Risk assessment is prospective, and these tools help the Commission evaluate specific projects utilities expect to undertake in the upcoming year. Performance metrics are retrospective evaluations and help the Commission determine the reasonableness of Xcel Energy's achievements once projects are completed.

1. Risk Assessment

In Xcel Energy's instant filing, the Company applies the risk assessment tool to projected 2022 projects.[106] Risk assessment tools in the instant Petition are similar to the petition in Docket No. G002/M-20-799 with the exception of DIMP Replacements Risk Assessment Scores in Attachment D2(b) and TIMP MAOP project risk assessment categories.

The J-DIMP Mitigated Risk/Foot scores decreased as shown in Table 7.

Table 7: J-DIMP Mitigated Risk/Foot

Priority	Project Risk Scores Range (mitigated Risk/Foot) Docket 20-799[107]	Project Risk Scores Range (mitigated Risk/Foot) Docket 21-765[108]
High	Score > 10	Score > 1.18
Medium	7 ≤ Score ≤ 10	0.6695 ≤ Score ≤ 1.18
Low	Score < 7	Score < 0.6695

[105] Order Point 5 in Commission's May 3, 2021 *Order*, Docket No. G002/M-19-664.
[106] Petition, Attachments C2, D2(a), and D2(b).
[107] Docket No. G002/M-20-799, Petition Attachment D2(a), p. 3 of 14.
[108] Petition, Attachment D2(a), p. 3 of 14.

TIMP MAOP project risk assessment categories also changed from high, medium, low, and no risk in Docket No. G002/M-20-799[109] to high, low, and no risk categories in the instant Petition.[110]

The Department requests the Company provide an explanation for the J-DIMP Mitigated Risk/Foot priority scores in Attachment D2(b) and removal of medium risk category for TIMP MAOP project risk assessment in its Reply Comments.

2. Performance Metrics

Xcel Energy outlined its GUIC Performance Metrics in Table 1 of Attachment U, which is replicated in the following table:

Table 8
Recommended Performance Metrics

Program	Project	Cost Performance Metric	Effectiveness Performance Metric
TIMP	Transmission Pipeline Integrity Assessments	Estimated versus actual costs per project	Anomalies repaired by type
	ASVs and RCVs	Estimated versus actual costs per project	Reduction in response time per project
	Programmatic Replacement and MAOP Remediation	Estimated versus actual costs per project	Percentage of high/ medium risk projects system-wide
	Casing Renewal	Estimated versus actual costs per project	Percentage of planned casings remediated
DIMP	Poor Performing Main Replacement	Poor performing main replacement unit cost (per foot)	Leak rate by vintage
	Poor Performing Service Replacement	Poor performing service replacement unit cost (per foot)	Leak rate by vintage
	Distribution Pipeline Integrity Assessment	Estimated versus actual costs per project	Anomalies repaired by type
	Distribution Valve Replacement	Estimated versus actual costs per project	Percentage of inoperable valves replaced
			Reduction in potential customer outage
	Casing Renewal	Estimated versus actual costs per project	Percentage of planned casings remediated
Mandated Relocations		Estimated versus actual costs per project	Number of planned vs. actual relocations

[109] Docket No. G002/M-20-799 Petition, Attachment C2, p. 15 of 18.
[110] Petition, Attachment C2, p. 15 of 18.

Xcel Energy added new metrics for its casing renewal program and mandated relocations program. Xcel Energy also included an additional metric to its Distribution Valve Replacement program.[111]

The Department reviewed the performance metric outcomes of Xcel Energy's prior years' project work, included in Attachment U, and concludes Xcel Energy's reported performance results appear reasonable.

V. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

Based on our review, the Department concludes Xcel's Petition is generally reasonable, but certain costs proposed for inclusion in the 2022 GUIC Rider are not justified.

Therefore, the Department recommends the Commission approve the Company's proposed 2022 GUIC Rider factor with the following modifications:

- Allow Xcel to update the base rate recovery offset inputs to the 2022 rider revenue requirement once actual 2020 and 2021 retirements are known, and direct Xcel to include the corresponding schedules for each cost offset category amount;
- Allow Xcel to update its 2021 GUIC Rider true-up carryover once actual costs are known;
- Direct Xcel to use the currently approved allocator from the Company's most recent rate case (Docket No. G002/GR-09-1153);
- Require removal of GUIC internal capital costs for overheads, other, and transportation from the GUIC rider revenue requirement calculation;
- Require removal of costs from the H005 and Rahr Lateral IP Line projects;
- Require removal of the equity return on TIMP Programmatic Replacement/MAOP Remediation projects;
- Require the Company to provide an explanation for the J-DIMP Mitigated Risk/Foot priority scores in Attachment D2(b) and removal of medium risk category for TIMP MAOP project risk assessment; and
- Direct Xcel Energy to provide electronic files with all formulae intact, of the revenue requirement and corresponding rate factor schedules, based on Commission decisions, in any preliminary rate, within 10 days of Commission Order and in its final rate calculation compliance filings.

[111] Department recommended the additional metrics in its Comments in Docket No. G002/M-20-799.

Table 1: Xcel Energy's GUIC Petitions

Docket No.	Petition	Petition Date	Commission Order	Commission Order Date	GUIC Rider effective dates
G002/M-14-336	Inaugural GUIC recovery petition. Requesting approval to establish Rider for 2015.	8/1/2014	Approved Rider, with modifications. Granted recovery of previously approved deferred costs through the Rider. Authorized a five-year amortization recovery period for the GUIC-qualifying deferred expenditures.	1/27/2015	February 2015 – August 2016
G002/M-15-808	Petition for approval of 2016 GUIC revenue requirement and prior year true-up.	10/30/2015	Approved rider recovery. Required metrics to evaluate GUIC expenditures. Required an updated report.	8/18/2016	September 2016 – February 2018
G002/M-16-891	Petition for approval of 2017 GUIC revenue requirement and prior year true-up.	11/1/2016	Approved Rider with modifications.	2/8/2018	March 2018 – August 2019
G002/M-17-787	Petition for 2018 GUIC revenue requirement and prior year true-up.	11/1/2017	Authorized Rider recovery and set reporting requirements.	8/12/2019	September 2019 - February 2020
G002/M-18-692	Petition for 2019 GUIC revenue requirement and prior year true-up.	11/1/2018	Authorized Rider recovery with modifications	1/9/2020	March 2020 - May 2021
G002/M-19-664	Petition for 2020 revenue requirement and prior year true-up.	10/25/2019	Approved Rider with modifications.	5/3/2021	June 2021 - tbd
G002/M-20-799	Petition for 2021 revenue requirement and prior year true-up	10/23/2020	Pending	Pending	Pending

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Xcel Energy		Information Request No. 9
Docket No.:	G002/M-21-765	
Response To:	Minnesota Department of Commerce	
Requestor:	Danielle Winner, Holly Soderbeck	
Date Received:	May 2, 2022	

Question:

Topic: Projects
Reference(s): Petition

A. Has Xcel Energy canceled any of the projects listed in the Petition since the Petition was filed on October 2, 2021?

Response:

As described below, one project has been put on hold, and one has been canceled.

IP Line Assessments (pages 7-10 of Petition Attachment D):

- H005 – As noted in the Company's response to DOC IR No. 004 in this docket, the project to replace the H005 pipeline located in Arden Hills and New Brighton is currently on hold as the Company performs additional analysis to evaluate the condition of the pipeline.

- Rahr Lateral – Indirect survey work on the Rahr Lateral has been canceled.

Preparer:	Daniel J. Connoy
Title:	Manager
Department:	Gas Engineering
Telephone:	(651) 229-2211
Date:	May 12, 2022

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☐ **Public Document – Not Public Data Has Been Excised**
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Xcel Energy　　Information Request No. 7

Docket No.: G002/M-21-765
Response To: Minnesota Department of Commerce
Requestor: Danielle Winner, Holly Soderbeck
Date Received: May 2, 2022

Question:

Topic: Petition
Reference(s): Table 8, p. 32

A. Please provide an itemization of the Prior-year disallowances listed in Table 8 on p. 32 of the Petition.

Response:

The prior-year disallowances totaling $3.1 million in Table 8, page 32 of the Petition include the accumulated disallowed capitalized costs from 2018, 2019, and 2020, and the accumulated disallowed costs overrun from the Island Lake South project.

An itemization of the prior year disallowances can be found in the live revenue requirement model file provided with the Company's response to DOC IR No. 001 in this docket (worksheet "RIS – Reg Treatment"), and in the following table:

	2021 ($ mil)
Disallowed Capitalized Costs - 2018	$ (1.0)
Disallowed Capitalized Costs - 2019	(0.9)
Disallowed Capitalized Costs - 2020	(1.1)
Project Overrun Disallowance	(0.2)
	$ (3.1)

Preparer: Mary Pope
Title: Senior Rate Analyst
Department: Revenue Requirements – North
Telephone: (612) 330-6574
Date: May 12, 2022

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Xcel Energy		Information Request No. 20
Docket No.:	G002/M-20-799	
Response To:	Minnesota Department of Commerce	
Requestor:	Dorothy Morrissey	
Date Received:	April 4, 2021	

Question:

Topic: TIMP – Casing Renewals
Reference(s): Petition, p. 11

Xcel states on page 11 of the Petition, "If testing shows the pipe and casing are isolated, the casing is added to the annual test leak survey and will be monitored and maintained over time. If testing shows no isolation, the casing will be renewed under this project."

49 CFR § 192.467 (c) states "if isolation is not achieved because it is impractical, other measures must be taken to minimize corrosion of the pipeline inside the casing."

A. Please explain what resource requirements to achieve isolation Xcel believes would meet the allowances for "impractical" reasoning, and how the "impractical" threshold is determined.

B. Please identify and explain what the *other measures* are that can be taken to minimize corrosion.

Response:

A. Isolation between casings and main are separated by insolated spacers that keep the two facilities separated. These spacers are usually installed about 10 feet apart from each other. Therefore a 200-foot casing would have about 20 internal locations that had the ability to fail and cause the short. There is no efficient industry practice for replacing spacers inside of a casing. The industry standard for mitigating these situations is to replace the main.

B. In most instances, there are no other means for minimizing corrosion on a shorted casing at this time. In scenarios where the only contact is at the end of the casing, a casing short can potentially be mitigated by removing the end of the casing. However, there are two issues: 1) the Company doesn't know if this mitigation measure will work until after repair and re-testing of the pipe; and 2) due to the location of the casings (railroads and major highways), this approach is commonly very difficult and expensive. Currently the industry standard is to remove the shorted casing and renew the main with a new main.

Preparer: Daniel Connoy
Title: Manager, Gas Systems Engineering and Corrosion
Department: Gas Engineering NSP
Telephone: (651) 229-2356
Date: May 12, 2021

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☐ **Public Document – Not Public Data Has Been Excised**
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Xcel Energy		Information Request No. 8
Docket No.:	G002/M-21-765	
Response To:	Minnesota Department of Commerce	
Requestor:	Danielle Winner, Holly Soderbeck	
Date Received:	May 2, 2022	

<u>Question:</u>

Topic: Casing Renewal
Reference(s): Petition, p. 12

Petition, p. 12 states, "The casing renewal project is a multi-year program which started in 2021. . . . We anticipate completing one casing renewal in 2022, with associated capital expenditures of $2.4 million."

A. As of April 1, 2022, what has Xcel Energy spent on capital expenditures associated with the casing renewal project?

<u>Response:</u>

From January 1, 2022 through March 31, 2022, the Company has spent approximately $4,000 on capital expenditures associated with the transmission casing renewal project. Due to the climate in the state of Minnesota, construction for gas projects typically begins in late spring/early summer to allow time for the ground to thaw. Therefore, the majority of capital expenditures will be incurred in the second and third quarters of 2022. At this point in time, we still anticipate 2022 capital expenditures of $2.4 million.

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Date: May 12, 2022

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Xcel Energy		Information Request No. 11
Docket No.:	G002/M-21-765	
Response To:	Minnesota Department of Commerce	
Requestor:	Danielle Winner, Holly Soderbeck	
Date Received:	May 2, 2022	

Question:

Topic: Commission decisions
Reference(s): Commission's May 3, 2021 Order in Docket No. G002/M-19-664

Refer to Order Points 3 through 5 of the Commission's May 3, 2021 Order in Docket No. G002/M-19-664, p. 5.

A. Please identify each of the Order Points that are not reflected in this Petition for the 2022 revenue requirement. State whether the Company intends to modify its proposal in the record to reflect the decision/directive in this current petition

Response:

The impact of Order Points 3, 4, and 5 have all been included in our 2022 revenue requirement request. How those order points have been incorporated into our filing is discussed in greater detail in Attachment A (Compliance Matrix) included with our Petition.

Preparer:	Brandon Kirschner
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Xcel Energy		Information Request No.	14
Docket No.:	G002/M-21-765		
Response To:	Minnesota Department of Commerce		
Requestor:	Danielle Winner, Holly Soderbeck		
Date Received:	May 2, 2022		

Question:

Topic: Revenue Apportionment
Reference(s): Petition, p. 36

Petition, p. 36 states, "The Company is proposing apportionment that combines transportation customers with their respective firm or interruptible sales classes. This aligns with our rate design goal to remain indifferent to customer's choice of sales or transportation service."

A. Please explain if the proposed apportionment in the Petition is also proposed in the Company's open rate case in Docket No. G002/GR-21-678.

B. Please explain how the proposed apportionment better aligns with the Company's rate design goal.

Response:

A. The approach to apportionment proposed in the Company's open natural gas rate case (Docket No. G002/GR-21-678) is consistent with the apportionment proposed in our GUIC Rider Petition. In the open rate case, Company witness Ms. Michelle Terwilliger proposes class revenue apportionment such that the overall increase in rates is higher for the Transportation service class than Sales service classes. Ms. Terwilliger notes that this was necessary in order to make rates consistent between transportation and sales services when incorporating a portion of the GUIC Rider investment into proposed base rates. The difference between the apportionment proposed in the rate case and this rider is that for this rider filing we continue to use the revenue apportionment from the last approved rate case (Docket No. G002/GR-09-1153).

B. One of the Company's rate design goals is to remain indifferent to a customer's choice regarding gas supplier. The underlying cost to serve a similarly sized customer is the same whether the customer procures system gas or uses their own gas supplier. Currently, customers on our transportation services pay a lower rate for the GUIC Rider than they would under the corresponding Demand and Interruptible classes' GUIC Rider rates. The Company's proposal of combining Transportation customers with their respective firm or Interruptible sales classes would allow customers to pay the same GUIC Rider rate whether they are a Sales or Transportation customer, thus making us indifferent to the type of service they take. Further, whether a customer takes transportation service or sales service has no bearing on cost assignment of the GUIC investments, and a customer of a given size and service type should not pay a different amount for GUIC investments based on whether their gas supplier is Xcel Energy or another entity. Finally, the impact of combining the Transportation customers with the corresponding sales services is that it lowers the GUIC Rider rates for the Demand and Interruptible classes.

Preparer:	Christopher Barthol
Title:	Principal Pricing Analyst
Department:	NSPM Regulatory
Telephone:	(612) 321-3237
Date:	May 12, 2022

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. G002/M-21-765

Dated this **31st** day of **May 2022**

/s/Sharon Ferguson

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