

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: **November 19, 2015** **Agenda Item # 8***

Company: Northern States Power Company d/b/a Xcel Energy (Xcel Energy, Xcel or the Company)

Docket Nos. E-002/M-15-522
In the Matter of Northern States Power Company’s Report on the Operation and Performance of its 2014 Incentive Compensation Plan

E-002/GR-92-1185
In the Matter of the Application of Northern States Power Company for Authority to Increase Its Rates for Electric Service in the State of Minnesota

G-002/GR-92-1186
In the Matter of the Application of Northern States Power Company’s Gas Utility for Authority to Change Its Schedule of Gas Rates for Retail Customers Within the State of Minnesota

Issue: Should Xcel Energy continue to provide its annual report on its Incentive Compensation Plan in the current, detailed format to satisfy Commission reporting requirements?

Staff: Dorothy Morrissey 651-201-2232

Relevant Documents

Xcel Energy – 2014 Incentive Compensation Annual Report (TS) May 29, 2015
Department of Commerce – Comments Sep. 28, 2015

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

This document can be made available in alternative formats (i.e., large print or audio) by calling 651-296-0406 (voice). Persons with hearing or speech disabilities may call us through their preferred Telecommunications Relay Service.

November 4, 2015

Statement of the Issue

Should Xcel Energy continue to provide its annual report on its Incentive Compensation Plan in the current, detailed format to satisfy Commission reporting requirements?

Background

In its December 30, 1993 Order in Docket No. G-002/GR-92-1186, and its January 14, 1994 Order in Docket No. E-002/GR-92-1185, the Commission required Xcel Energy to annually file a report on its incentive compensation plan.

Xcel Energy filed its 2014 Incentive Compensation Plan report (“2014 report”) under Docket No. E-002/M-15-522.¹

Party Positions

Xcel

Xcel provided the 2014 Annual Incentive Program scorecard results as Attachment B to its May 29, 2015 report. For corporate and each business area, the scorecard lists each operational segment’s performance goals; the decided threshold, target and maximum payout levels, the actual results achieved and the weight assigned. Xcel noted that this would be the last year it would provide scorecard results in the detailed format, included in Attachment B, because the document is no longer compiled for internal reporting purposes. Xcel stated that going forward, it would provide a higher level summary of scorecard results showing which Key Performance Indicators (KPIs) were met and which were not.

Department

The Department recommended the Commission require Xcel to continue to provide the scorecard results in the same detailed format on an annual basis in May of each year. The Department reasoned that as long as ratepayers are required to pay for a portion of incentive compensation, it is important to assess whether the Company is holding the business units accountable for their performance. For example, the KPI categories should not be manipulated to circumvent the goal of accountability for performance. The Department stated that such information may also be helpful in assessing the effectiveness of performance-based ratemaking.

Staff Analysis

Xcel indicated to staff that it does not intend to reply to the Department’s comments. Therefore, there are no stated objections to the Department’s recommendation. The Department’s comments illustrated how the detailed information currently provided in the Company’s Annual Incentive Compensation reports is referred to and used by the Department in rate cases to

¹ The 2013 Incentive Compensation Plan report was filed under Docket No. E-002/M-14-462. The 2012 Incentive Compensation Plan report was filed under originating general rate case Docket Nos. E-002/GR-92-1185 and G-002/GR-92-1186 (or e-dockets Document ID 52843 and 52844).

analyze the reasonableness of certain costs. Given that the level of detail provided in the current reports is a useful tool for the Department, Staff suggests that the Commission adopt Department's recommendation.

Commission Decision Alternatives

1. Require Xcel Energy to continue to provide the Incentive Compensation Plan scorecard results in the same detailed format, as shown in Attachment B of Xcel's 2014 report, on an annual basis; (DOC) **or**
2. Do not require Xcel Energy to provide the Incentive Compensation Plan scorecard results in the same detailed format, as shown in Attachment B of Xcel's 2014 report, on an annual basis.