



85 7TH PLACE EAST, SUITE 280  
SAINT PAUL, MINNESOTA 55101-2198  
MN.GOV/COMMERCE  
651.539.1600 FAX: 651.539.1574  
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May 17, 2017

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G002/M-17-174

Dear Mr. Wolf:

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

Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Modification to the Natural Gas State Energy Policy (SEP) Rate Rider, 2017 SEP Rate Factor, and 2016 SEP Compliance Filing.

The Petition was filed on March 1, 2017 by:

Lisa R. Peterson  
Manager, Regulatory Analysis  
Xcel Energy Service, Inc.  
414 Nicollet Mall – 401, 7<sup>th</sup> Floor  
Minneapolis, Minnesota 55401

The Department recommends that **the Commission discontinue the natural gas SEP Rider mechanism**. The Department includes additional analysis and alternative recommendations in Attachment A to these response comments should the Commission decide to continue the SEP Rider mechanism. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ DOROTHY E. MORRISSEY  
Financial Analyst

DEM/lt  
Attachments

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

RESPONSE COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. G002/M-17-174

**I. BACKGROUND**

On March 1, 2017, Northern States Power Company, doing business as Xcel Energy (Xcel Gas or the Company) filed its *Petition for Approval of a Modification to the Natural Gas SEP Tariff, 2017 SEP Rate Factor, and 2016 SEP Compliance Filing* (Petition) in the present docket to revise the Company's natural gas State Energy Policy (SEP) Rider rates, with a proposed effective date of July 1, 2017. The Company requested to recover an annual revenue requirement of \$1,832,232 through its SEP Rider; to do so, Xcel Gas proposed to increase the natural gas SEP Rider rate from \$0.001368 per therm to \$0.002103 per therm.

**Table 1 – Xcel Gas' Proposed SEP Costs and Rate Factor**

	<b>2017 Forecast</b>
(GHGI) Cast Iron (net) <sup>1</sup>	\$1,681,941
RA/SBG	\$10,565
Tracker Carryover	\$139,726
<i>Total Revenue Requirement</i>	<b>\$1,832,232</b>
Forecasted Therm Sales: (July 1, 2017 – June 30, 2018)	871,444,973
<i>Proposed SEP Factor (\$/therm)</i>	<b>\$0.002103</b>

On March 31, 2017, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its comments informing the Minnesota Public Utilities Commission (Commission) that the statutes authorizing use of a rider mechanism to recover the Greenhouse Gas Infrastructure (GHGI) costs (*i.e.*, Cast Iron Replacement Project) and Reliability Administrator (RA) costs were repealed.

<sup>1</sup> \$1,681,941 = \$1,754,251 - \$72,310 (O&M credit)

The issues in this proceeding affect only Xcel Gas, since Xcel Electric recovers RA costs in base rates; however, Xcel Gas has not filed a rate case since 2009.

Given that statutory authority for the SEP rider no longer exists, the Department recommended that the Commission:

- Discontinue the natural gas SEP Rider;
- Deny recovery of any tracker carryover under-collection;
- Allow Xcel Gas to establish a regulatory liability if the tracker carryover balance reflects an over-collection, to be returned to ratepayers through future base rates, or other authorized gas rate mechanism;
- In the event a regulatory liability is created, direct Xcel Gas to recalculate the 2016 SEP Tracker balance using non-prorated, actual ADIT amounts for historical months and to make an informational filing to report this information within 60 days after the SEP Rider charge is discontinued.

The Department acknowledged that the Commission may have discretion to continue a rider that was approved at the time statutory authority existed. The Department indicated that, should the Company provide information demonstrating statutory authority for its SEP Rider, the Department would submit responsive supplementary comments.

On April 10, 2017, Xcel Gas filed reply comments disagreeing with the Department's recommendations to eliminate the natural gas SEP Rider and to use non-prorated accumulated deferred income tax for the historical months of the tracker true-up calculation. The Company argued that the legislature intended that costs related to cast iron pipe replacement should continue to be addressed through rider recovery. Xcel Gas also argued that prior Commission approval of the SEP Rider supports its conclusion. Xcel Gas committed that no new costs will be included in the SEP Rider.

## II. DEPARTMENT'S RESPONSE TO XCEL GAS REPLY COMMENTS

### A. RIDER RECOVERY AUTHORIZATION

In its reply comments, Xcel Gas affirmed that the statute, Minn. Stat. § 216B.1637, which permitted use of a rider mechanism to recover Greenhouse Gas Infrastructure Costs, was repealed in the 2013 Omnibus Bill; and that the statute, Minn. Stat. 216C.052, subd. 2, which gave statutory authority to allow recovery of Reliability Administrator costs through an automatic adjustment mechanism, was repealed in May 2011.

Xcel Gas' reply further stated that the repeal of Minn. Stat. § 216B.1637 arose from one of three Commission-requested amendments<sup>2</sup> to 2013 House File 1015 – the standalone Gas Utility Infrastructure Cost (GUIC) Rider bill, which passed unanimously, and was later incorporated into the 2013 Omnibus Bill. Xcel Gas referenced audio of the House Energy Policy Committee meeting on March 11, 2013, wherein the 2013 House File 1015 author

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<sup>2</sup> Included as Attachment A to Xcel Reply Comments, April 10, 2017.

explained, when asked, that the repealer included in the amendment was “repeal[ing] the existing rider, replacing it with the new one [*i.e.*, the GUIC Rider]”.<sup>3</sup> Based upon this statement, the Company believed that the legislature did not intend to disallow rider recovery previously permitted under Minn. Stat. § 216B.1637, but rather to continue rider recovery under a new statutory provision.

The GUIC Rider legislation referred to by Xcel Gas is manifested in Minn. Stat. § 216B.1635. In addition to the SEP Rider, Xcel Gas currently has a GUIC Rider in place.<sup>4</sup> If in fact the Company believes that the legislative actions intended to continue rider recovery under a new statutory provision, then it would seem that Xcel Gas would have submitted a request to transfer the GHGI costs from the SEP Rider to the GUIC Rider, which would be evaluated under that new legislation. The subject of this petition is not Xcel Gas’ GUIC Rider, nor has Xcel Gas requested or provided support for transferring costs from the SEP Rider to its GUIC Rider; therefore, the Department has not evaluated whether the cast iron pipe replacement project qualifies under Minn. Stat. § 216B.1635. However, the audio explanation cited by Xcel Gas to “repeal the existing rider, replacing it with the new one” does not support the continued existence of both the SEP and the GUIC riders.

The Company also offered as support for its proposal to retain the SEP Rider that the Commission’s decisions since the repeal of these statutes<sup>5</sup> gave ongoing approval of Xcel Gas’ SEP Rider filings. Xcel Gas concluded that this fact, when coupled with the 2013 House File 1015 legislative author’s comment that the Commission requested the repeal, suggests that the Commission similarly did not intend to disallow SEP Rider recovery of the Cast Iron Pipe Replacement Project costs.

Given current circumstances, and for the reasons discussed below, the Company’s arguments do not persuade the Department to change its recommendations. Regarding the Commission’s approval of the subsequent SEP Rider petitions filed after the repeal of the statutes, the Department found no record discussion of the rider mechanism repeal in the Company’s subsequent SEP Rider filings, Department comments or in briefing papers – the primary materials in the record from which the Commission is informed or may rely upon in making its decisions. Rather, the Company’s filings continued to reference these statutes in a similar manner after repeal (shown below with emphasis added), up until its 2016 SEP Rider filing (Docket No. G002/M-16-206):

We submit this filing in accordance with the following statutory and rule provisions:

- Minn. Stat. § 16B.325 (Sustainable Building Guidelines)
- Minn. Stat. § 216B.16, Subd. 1 (Rate Change Notice)
- **Minn. Stat. § 216B.1637 (Recovery of Certain Greenhouse Gas Infrastructure Costs)**
- Minn. Stat. § 216B.1645, Subd. 4 (Settlement with Mdwakanton Dakota Tribal

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<sup>3</sup> See Footnote 2 on page 2 of Xcel Reply Comments, April 10, 2017.

<sup>4</sup> Xcel’s most recent GUIC Rider filing is pending Docket G002/M-16-891.

<sup>5</sup> Minn. Stat. § 216B.1637 (in 2013) and Minn. Stat. 216C.052, subd. 2 (in 2011).

- Council at Prairie Island)
- **Minn. Stat. § 216C.052, Subd. 2 (Reliability Administrator) [Footnote]**
- Minn. R. 7829.1300 (Miscellaneous Tariff Filings)
- Minn. R. 7829.0100 (Definitions)

Footnote [began in Docket No. E,G002/M-12-185] reads:

Repealed by 2011 Minn. Laws Ch. 97 § 34.

Minn. Stat. § 216C.052 was repealed pursuant to 2011 Minn. Laws Ch. 97 § 34. On July 2, 2008 in Docket No. E,G002/M-08-261, the Department filed Comments that addressed the then-expiration of **Minn. Stat. § 216C.052 subd. 3** in our 2008 SEP Petition, stating that the Company could continue to charge customers RA/SBG costs, as long as billing continued pursuant to the legislation. Similarly, in the present case, as the Company has continued to receive and pay RA/SBG invoices jointly from the Minnesota Department of Commerce and the Commission, we have included them in our proposed 2015 natural gas SEP Rider rate factor. [emphasis added]

From its review of record information, the Department concludes that the Department's comments did not recognize, and the Commission was not transparently informed, that the authority for use of a rider mechanism for recovery of these costs was repealed. Furthermore, Xcel Gas' reply comments filed in the instant proceeding provided no verifiable support or evidence of the intent of the Commission's requested bill amendment to repeal Minn. Stat. § 216B.1637.

The Company's reply comments cited only a portion the Department's comments (bolded below) issued July 2, 2008 in the 2008 SEP Rider petition (Docket No. E,G002/M-08-261) addressing an expiring assessment expense:

The OES notes that, on page 10 of its filing, Xcel states, regarding the RA/SBG costs that "while the Minnesota Legislature has only extended Minn. Stat. §216C.052, subd. 3 through June 2008, we have not made any adjustment to our proposed RA/SBG costs to reflect the sunset of that provision, because all project costs are below the \$1 million level specified by subd. 2 of Minn. Stat. §216C.052." The OES agrees that Xcel can charge customers for RA/SBG costs, but not for the reason Xcel indicates. It is immaterial whether or not project costs are below \$1 million. **What matters is that Xcel has been billed for RA/SBG costs, and that Xcel may charge its customers only for the costs Xcel is billed for the RA/SBG category. When such billing ceases and Xcel has recovered from its customers the RA/SBG costs billed to Xcel, the Company should no longer charge its customers for RA/SBG costs.**

The above discussion, which predates the repeal of subject statutes, relates to cost-based rates, not cost recovery mechanisms. The issue raised by the Department in this petition is not a dispute on whether or not the costs are being incurred, rather to plainly disclose to the Commission that the statutory authorization of the recovery mechanism has been repealed. Xcel Gas pointed out that the Department had recommended SEP Rider recovery even after the 2011 (and 2013) repeal of relevant statutes. As mentioned earlier, the Department found no discussion in the Company's filings, nor in the Department's corresponding comments, that demonstrate that repeal of the rider mechanism was a factor in the Commission's decisions. As provided in the Department's March 31, 2017 comments filed in this petition, the Department's analysis and recommendations were developed with the acknowledgement and implications of these repealed statutes to Xcel Gas' SEP Rider.

Further, it is the Department's understanding that no other Minnesota-jurisdictional public utility that is assessed and incurs costs for regional and national duties (a.k.a. Reliability Administrator per Xcel Gas) uses a rider mechanism to recover these costs. Moreover, Xcel Electric recovers those costs in base rates, a recovery mechanism that is available to Xcel Gas, should the Company chose to file a rate case.

With respect to the cast iron pipe replacement projects, the Company stated that the SEP Rider is recovering the revenue requirements for projects constructed and costs incurred before the statute was repealed. The Department agrees that Xcel Gas' cast iron replacement infrastructure costs were incurred prior to the repeal of the statute. However, to ensure a more complete understanding, the Department points out that the revenue requirement requested also includes expenditures being incurred since the repeal, specifically annual property taxes in the amount of \$265,460 associated with the project.

In conclusion, the Department recommends that the Commission discontinue the SEP Rider.

***B. ACCUMULATED DEFERRED INCOME TAXES (ADIT) BALANCE TO USE FOR HISTORIC MONTHS***

The Department has discussed the Accumulated Deferred Income Tax (ADIT) prorate issue with respect to development of rate base and revenue requirements in several dockets as outlined in Attachment 1 of the Department's initial comments. Briefly, the ADIT prorate issue pertains to rate development when using future (not historical) test years. The Department recommended that Xcel Gas use actual ADIT balances for historical months when calculating the SEP Rider Tracker and True-up.

In reply comments, Xcel Gas stated it would prefer to reflect the prorated ADIT balances in the SEP tracker until a Private Letter Ruling (PLR) is issued by the Internal Revenue Service (IRS) to prevent an IRS normalization violation. At this point, the Company does not have a ruling stipulating that using actual ADIT balances for historical months to determine actual revenue requirements for those months when conducting a true-up, and to adjust rates going forward, is a violation of IRS tax normalization rules.

The Department continues to disagree with Xcel Gas regarding the proration of ADIT balances in its SEP Rider, especially those ADIT balances that are deemed to be actual and historical for tracker and true-up purposes. In a recent PLR issued by the IRS responding to an investor-owned regulated utility request, the IRS ruled that the utility's Rider True-Up of a now-historical test period, was not subject to the ADIT proration requirement.<sup>6</sup> However, the Department understands that Xcel's forthcoming PLR will address this issue. In the meantime, the Department continues to recommend that the Commission direct Xcel Gas to submit a recalculated SEP tracker balance using actual, non-prorated ADIT balances for historical months. Alternatively, the Department notes that limiting rider recovery to historical amounts would eliminate the issue of prorated ADIT.

### III. PRIMARY CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the statutory authority to support recovery of Xcel Gas' requested SEP costs through a rider mechanism no longer exists. Legislative records offered by Xcel Gas do not support the co-existence of the SEP Rider and the GUIC Rider. The Department found no record evidence that the Commission was transparently informed of the statutory repeal of rider recovery authorization in the subsequent SEP Riders. No other Minnesota-jurisdictional utility recovers their Reliability Administrator costs through a rider mechanism. Similarly, Xcel Gas has other recovery means available to recover such costs.

The Department acknowledges that the Commission may have discretion to continue a rider that was approved at the time statutory authority existed. However, given that the statutes allowing a special cost recovery mechanism for the costs currently included in the SEP Rider no longer exist, the Department concludes that it is reasonable to similarly discontinue the SEP Rider.

The Department recommends that the Commission:

- Discontinue the Xcel Gas SEP Rider;
- Deny recovery of any tracker carryover under-collection;
- Allow Xcel Gas to establish a regulatory liability if the tracker carryover balance reflects an over-collection, to be returned to ratepayers through future base rates, or other authorized gas rate mechanism;
- In the event a regulatory liability is created, direct Xcel Gas to recalculate the 2016 SEP Tracker balance using non-prorated, actual ADIT amounts for historical months and to make an informational filing to report this information within 60 days after the SEP Rider charge is discontinued.

If the Commission decides to allow Xcel to continue using the SEP rider, despite the concerns noted above, the Department provides its alternate recommendations as Attachment A to these comments.

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<sup>6</sup> [Internal Revenue Service PLR 201717008 released April 28, 2017.](#)

## DOC Attachment A

### ALTERNATIVE ANALYSIS OF THE DETAILS WITHIN XCEL GAS' INITIAL PETITION

As stated in our primary conclusions and recommendations, the Department recommends that the SEP Rider be discontinued. In the event that the Commission decides to allow Xcel Gas' SEP Rider to continue, the Department conducted and prepared an analysis of the details within the Company's petition. The Department's discussion is presented as follows:

- Compliance with the Implementation Process Approved in Docket No. E,G002/M-03-1544 (03-1544 Order)
- Compliance with the Commission's Order in Docket No. G002/M-16-206 (Issued May 20, 2016)
- SEP Rider Rate Calculation
- Reasonableness of The Proposed Natural Gas Sep Rider Rate
- Customer Notice
- Alternative Department Recommendations

*A. COMPLIANCE WITH THE IMPLEMENTATION PROCESS APPROVED IN DOCKET NO. E,G002/M-03-1544 (03-1544 ORDER)*

According to the implementation process approved by the Commission in the 03-1544 Order, Xcel Gas is to submit a compliance filing by each March 1 containing the actual and forecasted information needed to determine any true-up amount to be recovered from or returned to ratepayers as a result of the operation of the SEP Rider. The Company is also required to submit a miscellaneous filing to establish new SEP Rider rates for the subsequent fiscal year, incorporating amounts anticipated to be incurred and including any true-up amounts from the operation of the SEP Rider during the current year. The Department reviewed the Petition and concludes that Xcel Gas has submitted the information required by the implementation process approved in the 2003 proceeding.

*B. COMPLIANCE WITH THE COMMISSION'S ORDER IN DOCKET NO. G002/M-16-206 (ISSUED MAY 20, 2016)*

Xcel Gas' Petition included a comparison between actual and budgeted monthly costs in 2016.<sup>1</sup> The Company stated that actual costs for the past twelve months were \$26,401 lower than forecasted and included a monthly breakout of these costs in the initial filing. The variance was primarily caused by lower actual RA assessments than projected.<sup>2</sup> The Department reviewed this data and concludes that Xcel Gas complied with the information requirement from the Commission's May 20, 2016 Order. The Department recommends that the Commission require Xcel Gas to continue this reporting requirement in future SEP Rider filings, if this rider is allowed to continue.

However, in Xcel Gas' last SEP Rider filing, Docket G002/M-16-206, when determining its forecasted revenue requirements, the Company changed how it calculated the ADIT rate base reduction and began to use the prorated ADIT method in accordance with IRS tax regulation Sec. 1.167(l). As discussed more fully below in Part D.3.b in Attachment A to these response comments, the Department recommends that the Xcel Gas use non-prorated, actual ADIT when calculating its actual revenue requirements for historical months

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<sup>1</sup> Petition, Attachment C.

<sup>2</sup> Petition, Table 3, p. 9.



and when calculating tracker true-up and carryover balances for months that are by then historical.

C. SEP RIDER RATE CALCULATION

Table 2 below summarizes Xcel Gas' calculation of its proposed natural gas SEP Rider rate and compares it to the approved 2016 estimates.

**Table 2 - Proposed Natural Gas SEP Rider Rate**

		Col. A	Col. B	Col. C (Col. B - A)	Col. D (Col. C/Col. A)
Line #	Category	Approved 2016	Proposed 2017	\$ Change	% Change
1	RA/SBG Costs	\$31,557	\$10,565	(\$20,992)	(66.52%)
2	Cast Iron Pipe Costs	\$1,821,962	\$1,754,251	(\$67,711)	(3.72%)
3	Cast Iron O&M Credit	(\$72,310)	(\$72,310)	\$0	0.00%
4	Tracker True-up	(\$466,208)	\$139,726	\$605,934	(129.97%)
5	<b>Revenue Requirement</b> (Col. A&B: sum lines 1-4)	\$1,315,002	\$1,832,232	\$517,230	39.33%
6	Therm Sales Forecast	961,310,996	871,444,973	(\$89,866,023)	(9.35%)
7	<b>Factor per therm</b> (Col. A&B: line 5 / line 6)	\$0.001368	\$0.002103	\$0.000735	53.69%

As shown in Table 2, Xcel Gas proposed to increase its natural gas SEP Rider rate by 53.69 percent primarily due to a swing in the tracker balance (See Table 2, line 4, comparison of the 2016 overcollection position to the expected 2017 undercollection position). Xcel Gas explained that the actual 2016 SEP Rider collections were \$111,327 lower than forecasted<sup>3</sup> and that lower actual sales volumes during the 12-month 2016 SEP period contributed to this revenue shortfall.<sup>4</sup>

Table 3 below demonstrates that, with the exception of the low 2015 rate (caused by inadvertent omission of prior year interdepartmental revenue), the proposed 2017 SEP Rider rate is fairly consistent with previous rates.

<sup>3</sup> Petition, p. 9 and Attachment C.

<sup>4</sup> Petition, p. 9.

**Table 3 - Natural Gas SEP Rider Rates and Average Residential Bills**

Year	Rate per Therm	Average Annual Residential Bill Impacts*
<b>Proposed 2017</b>	<b>\$0.002103</b>	<b>\$1.64</b>
2016	\$0.001368	\$1.07
2015	\$0.000724	\$0.56
2014	\$0.002238	\$1.75
2013	\$0.002736	\$2.13
2012	\$0.002535	\$1.98
2011	\$0.001320	\$1.03
<b>Average (without 2015)</b>	<b>\$0.002050</b>	<b>\$1.60</b>

\*Source: Using 780 average annual therms per G,E999/PR-17-4

The Department reviewed Xcel Gas' calculations. However for reasons discussed in the following segments, the Department recommends that Xcel Gas be required to recalculate the 2017 SEP Rider revenue requirements and factor, to incorporate all of the Department's recommendations (to use Commission authorized capital structure, the more recent return on equity, and the actual non-prorated ADIT for historical months). The Department recommends that the Commission require Xcel Gas to submit revised schedules and factor reflecting these modifications, highlighting the values that differ from the initial filing schedules.

**D. REASONABLENESS OF THE PROPOSED NATURAL GAS SEP RIDER RATE**

**1. Energy-Related Assessments**

Xcel Gas proposed to include costs associated with two energy-related assessments:

- Reliability Administrator (RA),<sup>5</sup>
- Sustainable Building Guidelines (SBG).<sup>6</sup>

**a. Reliability Administrator**

As discussed in the Department's March 31, 2017 comments,<sup>7</sup> the statute authorizing recovery of this expense through a rider mechanism has been repealed, and the statute authorizing assessment for this (Minn. Stat. 216B.62, Subd. 3b) cost is set to expire June 30, 2017; however, there is currently a legislative proposal to address the assessment's sunset date. Because legislative attention is being given to this assessment and the SEP Rider is subject to a true-up, the Department does not object to Xcel Gas' inclusion of the proposed RA budget amount of \$10,565. However, should the legislature leave the current sunset of this assessment unchanged, the Department recommends that the Commission require Xcel Gas to remove the proposed RA budget costs of \$10,565 from its rate calculation for the next year.

<sup>5</sup> Minnesota Statute § 216B.62, subd. 3b.

<sup>6</sup> Minnesota Statute § 216B.241, subd. 1f.

<sup>7</sup> Department Comments filed on March 31, 2017, pp. 4 - 6.

*b. Sustainable Building Guidelines*

As discussed in the Department's March 31, 2017 comments,<sup>8</sup> SBG costs currently fall under conservation improvement program (CIP) legislation. Though the petition and its schedule labelling suggests otherwise, Xcel Gas did not include SBG-related costs in the SEP Rider. On March 31, 2017, the Department recommended that Xcel Gas remove reference to SBG from its SEP Rider filing because SBG-related costs are assessed and recoverable under CIP. In Xcel's Reply comments, the Company agreed with the Department's recommendation.

*2. Cast Iron Replacement Project (i.e., Greenhouse Gas Infrastructure(GHGI) Costs)*

As discussed in the Department's March 31, 2017 comments,<sup>9</sup> the statute authorizing GHGI cost recovery through a rider mechanism has been repealed.

In Docket No. E,G002/M-08-261, Xcel requested, under now repealed Minn. Stat. 216B.1637, recovery of its GHGI project costs through the SEP Rider. In its November 25, 2008 *Order Accepting and Modifying Petition Regarding State Energy Policy Rider* (November 25 Order), the Commission approved recovery of costs associated with Xcel Energy's replacement of the remaining cast iron gas pipe on the Company's system through the SEP Rider.

In Attachment D2 of Xcel Energy's March 1, 2017 Petition, the total forecasted revenue requirements of \$1,754,251 (unadjusted) for the Cast Iron Replacement Project are shown. Costs included in calculating the revenue requirement include return on rate base, property taxes, depreciation and income taxes. The Department discusses its recommendations pertaining to the rate base reduction (ADIT component) and return on rate base (capital structure and return on equity components).

*a. Rate Base*

*i. ADIT Rate Base Reduction*

Accumulated Deferred Income Tax (ADIT) refers to the time period difference of when reported income tax obligation is accrued as compared to when the income tax obligation is paid. Here, ADIT is caused by the difference between financial reporting depreciation and accelerated tax depreciation. The favorable accelerated depreciation for tax purposes, as compared to the reported financial depreciation expense amount, postpones tax payment. This postponed tax payment (or ADIT) is recorded as a liability (a payment expected to occur in the future). However, in the ratemaking scenario accelerated depreciation is not used to set rates; therefore a larger amount of income tax expense is being collected from ratepayers currently than the Company is paying. Consequently, ADIT is a reduction to rate

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<sup>8</sup> Ibid, p. 6.

<sup>9</sup> Ibid, p. 4.

base since the ADIT amount has been collected from ratepayers; in other words, ADIT has been financed by ratepayers.

In Attachment G of the petition, Xcel Gas stated that it is using the Internal Revenue tax regulation Sec. 1.167(l) prorate method to determine the amount of ADIT for rate base reduction purposes. The SEP Rider revenue requirement is based upon a forecasted time period and generally, the SEP Rider rate takes effect at the beginning of the forecasted period.

The prorated ADIT issue is discussed more fully in Part D.3.b below wherein the Department disagrees with the historical months' ADIT balances used by Xcel Gas. However, for the forecasted test year in the instant petition, the Department recommends that the Commission approve Xcel Gas' proposed ADIT proration, subject to a true up calculation in the following year using actual non-prorated ADIT amounts.

*b. Return on Rate Base*

*i. Capital Structure*

Capital structure is used to determine the weighted cost of various types of capital in use in order to calculate the Company's return on rate base investments. The Department notes that Xcel Gas is not using a Commission-authorized capital structure. Capital structure is often a disputed element in ratemaking and typically rider mechanisms employ the use of a Commission-authorized capital structure, unless there is a public policy reason to use a different capital structure and rates. The Commission reviews and authorizes capital structures in utilities' general rate case and security filings. In fact, in the Company's response to the Department's information request, included as Attachment 1-R, Xcel Gas uses capital structures that were authorized in its recent rate cases for all riders with the exception of the SEP Rider.

Attachment E to the petition shows that the capital structure Xcel Gas used in the SEP Rider has varied year-to-year.

In recent gas rider docket filings, the Commission has approved use of a capital structure that was not from Xcel Gas' most recent (2009) gas base rate case, but rather the authorized capital structure from the more recent Xcel Electric base rate case.<sup>10</sup> In Xcel Gas' 2015 Gas Utility Infrastructure Cost Rider petition filed in Docket No. G002/M-15-808 (2015 GUIC), the Commission approved use of the capital structure authorized in Xcel's most recently decided electric rate case (Docket No. E002/GR-13-868). The 2015 GUIC Commission Order, issued August 18, 2016, stated,

The Commission is persuaded that on this record the more reasonable approach is to calculate the rate of return using a

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<sup>10</sup> See New Area Surcharge, Docket No. G002/M-14-583 and Xcel Gas Utility Infrastructure Cost Rider in Docket No. G002/M-14-336; the Commission approved use of the capital structure authorized in Xcel Energy's most recent (2013) electric base rate case which resulted in a reduced rate of return.

capital structure that has been determined based on a fully-developed record.

Table 4 below shows the weighted pre-tax rate of returns using the Company’s proposed cost rates under the three different capital structures: (1) as proposed in SEP Rider, (2) the Commission-authorized capital structure in Xcel Gas’ most recent gas base rate case, and (3) the Commission-authorized capital structure in Xcel’s most recent finalized electric base rate case.

**Table 4 – Capital Structure Comparisons Using Proposed SEP Rider ROE of 10.09 Percent**

Capital	Cost Rate	2017 SEP Rider			Gas 09-1153			Electric 13-868		
		Capital Structure	After-Tax	Pre-Tax	Capital Structure	After-Tax	Pre-Tax	Capital Structure	After-Tax	Pre-Tax
Long Term Debt	4.71%	46.05%	2.169%	2.169%	46.74%	2.201%	2.201%	45.61%	2.148%	2.148%
Short Term Debt	1.91%	1.45%	0.028%	0.028%	0.80%	0.015%	0.015%	1.89%	0.036%	0.036%
Preferred Stock	0	0.00%	0.000%	0.000%	0.00%	0.000%	0.000%	0.00%	0.000%	0.000%
Common Equity	10.09%	52.50%	5.297%	9.035%	52.46%	5.293%	9.028%	52.50%	5.297%	9.035%
			7.49%	<b>11.23%</b>		7.51%	<b>11.24%</b>		7.48%	<b>11.22%</b>

As shown, the pre-tax overall rate of return results are very similar. However to avoid dispute, and for administrative efficiency, the Department recommends that Xcel Gas use a Commission-authorized capital structure in determining the SEP rider return on rate base, unless Xcel’s proposal is shown to be in favor of the consumer by producing a lower pre-tax weighted cost of capital. Minnesota Statutes § 216B.03 requires the Commission to set rates in a manner in which “[a]ny doubt as to reasonableness should be resolved in favor of the consumer.” The Department is cognizant that capital structures across various industries may be different due to the nature of the operations. However, since Xcel Gas operations has not had a base rate case since 2009 and because the Commission decided to use more recent electric rate case authorized capital structures in recent Xcel gas riders, for consistency purposes the Department recommends that Xcel use the Commission-authorized capital structure in the most recent finalized electric rate case (Docket 13-868).

*ii. Return On Equity*

The originating Minn. Stat. §216B.1637 (GHGI statute), now repealed, did not have its own guidance on the return on equity to use for GHGI cost recovery; rather, the GHGI statute pointed to Minn. Stat. §216B.16, Subdivision 7b, paragraphs (b) to (d) of the transmission cost adjustment. Minn. Stat. §216B.16, Subdivision 7b, paragraph (b), part (6) states:

(b) Upon filing by a public utility or utilities providing transmission service, the commission may approve, reject, or modify, after notice and comment, a tariff that:

(6) allows a return on investment at the level approved in the utility’s last general rate case, unless a different return is found to be consistent with the public interest;

In this petition, to calculate the overall rate of return for the SEP Rider, Xcel Gas used the return on equity (ROE) of 10.09%, authorized by the Commission Order in its most recent gas rate case (issued December 6, 2010 in Docket No. G002/GR-09-1153).

In riders, use of the ROE authorized in the most recent rate case is typical. However, Xcel Gas recently implemented a Gas Utility Infrastructure Cost recovery rider (Docket G002/M-15-808), for which the Commission had required Xcel Gas to pre-file rate of return information to allow parties the opportunity to fully vet Xcel's proposed rider rate of return. In the 2015 GUIC pre-filing, Xcel Gas stated that its last authorized 10.09 percent ROE was within the range of reasonableness. Both the Department and the Office of Attorney General - Residential Utility and Antitrust Division (OAG) provided analyses and recommended lower ROE's. The Commission reviewed party positions and decided to use a cost of equity (i.e., ROE) of 9.64 percent for purposes of the 2015 GUIC Rider calculations. The 9.64 percent was recommended by the Department, and Xcel Gas did not object in light of declining returns on equity.

In its pending 2016 GUIC petition (Docket No. G002/M-16-891), Xcel Gas proposed a 9.50 percent cost of equity which is lower than the 10.09 percent cost of equity the Company is using in this instant docket for its gas SEP Rider; the Department recommended an overall rate of return of 9.04 percent. The SEP Rider and GUIC Rider dockets cross over similar time periods and were filed within three months of each other. The SEP Rider is using the 2009 ROE value, whereas the GUIC Rider is using current market data for its ROE. Minnesota Statutes § 216B.03 requires the Commission to set rates in a manner in which:

[a]ny doubt as to reasonableness should be resolved in favor of the consumer.

Thus, if the Commission allows Xcel to continue use of the SEP, the Department recommends that the Commission set the ROE at 9.04 percent for the SEP rider, the same ROE that the Department recommended in the GUIC rider; the Department incorporates by reference its ROE analysis in the GUIC case. However, if the Commission sets a different ROE in the 2016 GUIC petition, the Department recommends that the Commission direct Xcel Gas to use the ROE authorized in G002/M-16-891.

The following Table 5 shows the weighted pre-tax rates of return using the Company's proposed debt cost rates and a 9.04 percent cost of equity rate the Department recommended in G002/M-16-891, under the three different capital structures discussed previously: (1) Xcel Gas's proposed SEP Rider capital structure, (2) the Commission-authorized capital structure in Xcel Gas's most recent gas base rate case, and (3) the Commission-authorized capital structure in Xcel Gas's most recent finalized electric base rate case.

**Table 5 – Overall Rate of Return Using GUIC Rider Proposed ROE of 9.04 Percent**

Capital	Cost Rate	2017 SEP Rider			Gas 09-1153			Electric 13-868		
		Capital Structure	After-Tax	Pre-Tax	Capital Structure	After-Tax	Pre-Tax	Capital Structure	After-Tax	Pre-Tax
Long Term Debt	4.71%	46.05%	2.169%	2.169%	46.74%	2.201%	2.201%	45.61%	2.148%	2.148%
Short Term Debt	1.91%	1.45%	0.028%	0.028%	0.80%	0.015%	0.015%	1.89%	0.036%	0.036%
Preferred Stock	0	0.00%	0.000%	0.000%	0.00%	0.000%	0.000%	0.00%	0.000%	0.000%
Common Equity	9.04%	52.50%	4.746%	8.095%	52.46%	4.742%	8.089%	52.50%	4.746%	8.095%
			6.94%	<b>10.29%</b>		6.96%	<b>10.31%</b>		6.93%	<b>10.28%</b>

*c. Cast Iron Replacement Project O&M Credit*

As required by the November 25 Order, Xcel Gas included a corresponding operation and maintenance (O&M) credit for savings associated with the Cast Iron Replacement Project of \$72,310 for the 2017 SEP period. As required by the Commission’s September 23, 2010 Order in Xcel Gas’ 2010 SEP Rider filing,<sup>11</sup> the Company’s Attachment D3 details Xcel Gas’ O&M credit, which reflects the outcome of the Company’s last natural gas rate case (Docket No. G002/GR-09-1153).

*3. SEP Rider Gas Tracker Report, Tracker True-Up & Balance/Carryover Amount*

*a. SEP Tracker Report*

Xcel Gas’ SEP Rider Gas Tracker Report (Attachment B) in the Company’s 2017 petition eliminated two years of historical data without explanation. The Department uses information from prior years to verify Xcel Gas’ tracker balance and to compare among past SEP Rider filings for consistency. For instance, in both the 2015 and 2016 SEP filings, Xcel Gas provided gas tracker actuals for the 6-month period, January 2014 through June 2014, in each of the filings. The Department observed that the tracker balance amounts reported for these same time periods differed between the 2015 and the 2016 SEP petitions’ schedules and had opportunity to inquire with Xcel why there was a discrepancy. The Department recommends that Xcel Gas resume providing the historical data to maintain transparency. The Department recommends that Xcel Gas provide in reply comments a revised 2017 SEP Rider filing Gas Tracker Report (Attachment B) to include the six 12-month periods, stretching from July 2013 to June 2019, and explain any discrepancies of historical actuals reported in the 2017 Gas Tracker report as compared to the 2016 Gas Tracker report (Docket No. G002/M-16-206).

*b. SEP Tracker True-Up and Tracker Balance & Carryover Amounts*

Xcel Gas stated in its petition, and in its 2016 SEP Rider petition, that when calculating the ADIT reduction to rate base, it is using the prorate schedule, in accordance with IRS tax regulation Sec. 1.167(l), when forecast information is used to set rates. Xcel Gas stated that it applies this method to comply with the tax normalization requirements of the IRS code. The Cast Iron Replacement revenue requirement computation includes the ADIT

<sup>11</sup> Docket No. E,G002/M-10-210.

reduction to rate base by month in Attachment D2. However, Xcel's filing does not detail the calculation of the monthly ADIT prorate amount that is used in the schedule.

The Department has raised concerns in several proceedings (summarized in Attachment 1 of the Department's initial comments) of the mismatch and ratepayer harm that occurs with the prorated ADIT rate base reduction because it does not recognize the full tax amounts, which are used in developing base rates, that ratepayers have prepaid.

The prorated ADIT issue stems from recently issued Private Letter Rulings (PLRs) from the IRS. According to these PLRs, based on facts in proceedings that may be different from the facts in the instant case, the IRS is concerned that utilities may be violating tax normalization rules by passing back the benefits of accelerated depreciation (via an ADIT credit to rate base) to ratepayers too soon. IRS Section 1.167(l)(h)(6) defines the procedures a company must use to normalize the impact on rate making in a forward-looking test year if a company elects to use accelerated depreciation. This section stipulates that the monthly changes to the deferred taxes balance, as calculated by the company, must be prorated prior to computing the average of beginning and ending balances for ADIT. Xcel Energy is in the process of drafting a request to the IRS for a PLR and has involved both the Department and Commission staff.

The Department notes that there is a difference in how one can approach prorated ADIT balances in rider rate petitions as opposed to base rate setting. Riders have subsequent true-up calculations based on historical actuals, whereas rate cases do not.

First, because the current petition involves the use of a rider with forecasted figures for the 2017 SEP year (July 1, 2017 – June 30, 2018), the Department recommends that the Commission approve Xcel Gas' proposed ADIT proration for the forecasted test year. Second, for calculating SEP tracker true-up and tracker balance/carryover amounts, the Department recommends that the Commission direct Xcel Gas to use the non-prorated, actual ADIT amounts for months that are, by then, historical in time, and to use this method in this instant petition and in any future SEP Rider filings.

The Company did not use actual ADIT balances in the historical months when calculating the tracker true-up. Consequently, the Department concludes that the amount for the Cast Iron Replacement Project SEP tracker account as proposed by Xcel Gas needs to be revised to incorporate the Department's recommendations. If the Company uses actual 2016 ADIT monthly balances, the SEP Rider revenue requirement is reduced by \$3,581.<sup>12</sup> The Department acknowledges that PLR's are specific to the taxpayer requesting the IRS ruling; However, in a recent PLR issued by the IRS responding to an investor-owned regulated utility request, the IRS ruled that the utility's Rider True-Up of a now-historical test period, was not subject to the ADIT proration requirement.<sup>13</sup> Therefore, the Department recommends that the 2016 SEP Gas Tracker report as initially filed be rejected and be refiled using non-prorated, actual ADIT balances for historic months.

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<sup>12</sup> See the Company's response in DOC Information Request No. 3, included as Attachment 2-R.

<sup>13</sup> [Internal Revenue Service PLR 201717008 released April 28, 2017.](#)



#### 4. *Carbon Offsets*

In Xcel Gas' 2008 SEP Rider proceeding, the Commission required that the Company:

- Report, in all future SEP Rider filings, the sale of any carbon offset or credit for decreased greenhouse gas emissions associated with gas pipe replacement under the Project; and
- Credit the gas SEP tracker account with any proceeds received by the Company from the sale of each carbon offset or credit associated with the Project.

In its Petition, Xcel Gas stated that the Company has not sold any carbon offsets or credits for greenhouse gas emissions associated with natural gas cast iron pipe replacement under the SEP Rider to date; consequently, there are no carbon offsets and/or credits to report, or proceeds to credit to the SEP tracker account.<sup>14</sup> As Xcel Gas noted in its previous SEP Rider filings, the Company began annual reporting to the U.S. Environmental Protection Agency (EPA) of greenhouse gas emissions for all types of natural gas pipe material in September 2012.<sup>15</sup> Attachment H of Xcel Gas' Petition contains the summary of their EPA report. The Department concludes that Xcel Gas' statements regarding carbon offsets and credits comply with the Commission's requirements on this issue as established in the Company's 2008 SEP Rider proceeding.

#### 5. *Relationship to Rate Cases*

Attachment F to Xcel Gas' Petition is the Bridge Schedule, which shows that the Company did not include SEP revenues or expenses in its last natural gas rate case (Docket No. G002/GR-09-1153).

The Department confirmed Xcel Gas' assertion that the Company's proposed SEP rate factor includes only incremental costs not currently recovered elsewhere in rates, with the exception of SBG-related costs as discussed earlier in Part D.1.b of Attachment A.

#### E. *CUSTOMER NOTICE*

Xcel Gas proposed to implement the following bill message, effective the first month the 2017 natural gas SEP rate factor takes effect, to notify customers of the change in their monthly bills:

We have updated the Resource Adjustment line item on your bill to reflect changes in the State Energy Policy (SEP) portion of the Resource Adjustment, which recovers the costs of State energy-related mandates and greenhouse gas emissions reductions associated with the cast iron replacement program. The natural gas SEP portion of the Resource Adjustment increased to \$0.002103 per therm.

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<sup>14</sup> Petition, p. 10.

<sup>15</sup> 40 C.F.R. Part 98, Subparts A and W. See also Petition, Footnote 10.

Xcel Gas stated it would work with Commission Staff regarding this proposed customer notice in advance of implementation.

Although Xcel Gas' proposed message is consistent with the language the Company initially proposed in its last SEP filing, the Department discovered that it is not consistent with the finalized language, as shown in Xcel's most recent natural gas SEP compliance filing.<sup>16</sup> The most recent language used, presumably modified after Xcel worked with Commission Staff, reads:

We have updated the Resource Adjustment line item on your bill to reflect changes in the State Energy Policy (SEP) portion of the Resource Adjustment, which recovers costs for cast iron pipe replacement and to support State energy efficiency and conservation policy. The natural gas SEP portion of the Resource Adjustment increased to \$0.00xxxx per therm.

The Department does not object to either message; rather we point this discrepancy out to the Commission. The Department understands that customer notice language is not necessarily static, and may be modified over time. Even so, the Department recommends that in future annual SEP petitions, Xcel Gas include the most recent billing message language approved by the Commission, along with any proposed modifications. This approach would improve efficiency and transparency of the proposal and would allow for conscientious evolution of bill messages as the Commission determines to be reasonable.

#### *F. ALTERNATIVE DEPARTMENT RECOMMENDATIONS*

The Department's review of the non-statutory requirements of the Company's Petition confirms that it fulfills the Commission's reporting requirements contained in the following Orders:

- *Order Approving State Energy Policy Rider, as Modified* in Docket No. E,G002/M-03-1544, dated April 6, 2004;
- *Order Approving Modification of the Natural Gas State Energy Policy Tariff Rate*, G-002/M-16-206, dated May 20, 2016; and
- *Order Accepting and Modifying Petition Regarding State Energy Policy Rider* in Docket No. E,G002/M-08-261, dated November 25, 2008.

If the Commission decides to continue the SEP Rider, then the Department recommends that the Commission:

- Require Xcel Gas to provide a comparison between actual and budgeted monthly costs in the Company's future SEP Rider filings, including a discussion of reasons for deviations from budgeted amounts (both higher and lower);
- Reject Xcel Gas' 2016 SEP Tracker reports as initially filed;

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<sup>16</sup> Docket No. G002/M-16-206, [Compliance Filing](#) (May 26, 2016).

- Require Xcel Gas to use non-prorated, actual ADIT balances when calculating its actual revenue requirements for historic months and when calculating tracker true-up and carryover balances in this instant petition and in any future SEP Rider filings;
- Permit Xcel Gas to include the proposed Reliability Administrator (RA) budget costs of \$10,565 unless the assessment expires June 30, 2017;
- Require Xcel Gas to remove reference to Sustainable Building Guidelines (SBG) from its SEP Rider filing because SBG-related costs are assessed and recoverable under CIP;
- Approve Xcel Gas' proposed ADIT proration for the forecasted test year in the instant petition, subject to a true up calculation in the following year using actual non-prorated ADIT amounts;
- Require Xcel Gas to use a Commission-authorized capital structure in determining the SEP rider return on rate base, unless Xcel's proposal is shown to be in favor of the consumer by producing a lower pre-tax weighted cost of capital;
- Require Xcel to use the Commission-authorized return on equity (ROE) for Xcel Gas in Docket G002/M-16-891; however, if that docket is not finalized prior to this instant petition's hearing, then require Xcel to use the Company-proposed 9.50 percent cost of equity filed in Docket M- G002/M-16-891 in adherence to Minn. Stat. § 216B.03;
- Require Xcel Gas to recalculate the 2017 SEP Rider revenue requirements incorporating each of the Department's recommendations; and require Xcel to file the revised schedules and factor reflecting these modifications, and to highlight the values within each schedule that changed; and
- Require Xcel Gas to include the most recent billing message language approved by the Commission, along with any proposed modifications, in future SEP Rider petitions.

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 Public Document

Xcel Energy

Docket No.: G002/M-17-174

Response To: MN Department of Commerce Information Request No. 1

Requestor: Dorothy Morrissey

Date Received: March 13, 2017

Question:

Please identify all riders (both electric and gas riders) that use a capital structure different from the capital structure authorized in the Company's most recent respective gas or electric rate case, when determining the overall rate of return used in rider's revenue requirement calculation. For each rider identified, provide the basis for the capital structure used and the authority upon which the Company relies for using that basis.

Response:

The following riders use the capital structure as authorized in the last electric or natural gas rate cases (Docket Nos. E002/GR-13-868 and G002/GR-09-1153, respectively): Transmission Cost Recovery (TCR) Rider, Renewable Energy Standard (RES) Rider, and Conservation Improvement Plan (CIP) Rider – Gas.

Riders that use a different capital structure than what was authorized in the Company's most recent concluded electric or natural gas rate cases are listed below with the authority the Company relied upon for using another basis:

**Natural Gas Riders**

**State Energy Policy (SEP) Rider:** Page 5 of our Petition states, "Our calculations in this filing reflect the rate of return approved by the Commission in our last natural gas rate case." We clarify that our calculations reflect the *return on equity* approved by the Commission in our last natural gas rate case. Other components of the capital structure in the SEP petition—long- and short-term debt ratios—are based upon actuals for historical periods and budget forecast for future looking periods.

The Greenhouse Gas Infrastructure Statute under which we were originally approved to include the cast iron pipe project in the SEP rider<sup>1</sup> stated that it "allows a return on

<sup>1</sup> Minn. Stat. § 216B.1637 (repealed in 2013); Docket No. E,G002/M-08-261

investment at the level approved in the utility's last general rate case, unless a different return is found to be consistent with the public interest." The calculations in each SEP Rider proceeding subsequent to our last natural gas rate case reflected updates to the debt components of the capital structure. (Please see Attachment 1 to Information Request No. 3 for a revised Attachment E which includes the capital structure authorized in Docket No. G002/GR-09-1153.) These components have experienced a downward trend, and therefore using updated forecasts in our calculations has been a benefit to our customers. In the intervening years, the forecasted cost of capital has never exceeded what was authorized by the Commission in the rate case.

We acknowledge that we should have been clearer in our SEP Rider filings to highlight which capital structure components had been updated from what was approved in the last natural gas rate case.

**Gas Utility Infrastructure Cost (GUIC) Rider:** The last completed GUIC rider proceeding was in Docket No. G002/M-15-809. The Commission's August 18, 2016 Order in that docket approved the rider's capital structure as approved the Company's last concluded *electric* rate case (Docket No. E002/GR-13-868) and an ROE as recommended by the Department of Commerce in that GUIC proceeding. In our currently pending GUIC proceeding (Docket No. G002/16-891), we proposed to again use the capital structure as approved in the last concluded electric rate case, with an updated ROE to match current trends.

### Electric Riders

**Conservation Improvement Plan (CIP) Rider – Electric:** The Commission's December 17, 2014 Order in Docket No. E002/CIP-14-287 requires the Company to modify "the carrying charge on the CIP tracker-account balance to the short-term cost of debt set in the Company's last electric rate case, E-002/GR-12-961." Our subsequent Electric CIP Rider petitions have continued to use the short-term cost of debt as approved in the referenced rate case as a result of the specificity of the Order.

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Preparer: Thomas E. Kramer  
Title: Principal Rate Analyst  
Department: Revenue Requirements – North  
Telephone: 612-330-5866  
Date: March 23, 2017

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 Public Document – Not Public (Or Privileged) Data Has Been Excised  
 Public Document

Xcel Energy

Docket No.: G002/M-17-174

Response To: MN Department of Commerce Information Request No. 3

Requestor: Dorothy Morrissey

Date Received: March 13, 2017

Question:

- A. For every month that the Company used a pro-rate schedule, in accordance with IRS tax regulation Sec. 1.167(l), to calculate the accumulated deferred income tax (ADIT) amount, please recalculate the SEP Rider revenue requirement using actual non-prorated ADIT amounts for the months that are now actual/historical, and provide revised schedules including Attachments A2, B, C, D2 and D4.
- B. Please clearly identify the impact of using the pro-rated ADIT and returning to actual non-prorated ADIT for prior SEP riders and current SEP rider (any rider periods impacted).

Response:

- A. See Attachment 1 to this response for the revised schedules requested that reflect SEP Rider revenue requirements using actual non-prorated ADIT amounts for January 1, 2016 through December 31, 2016. The impact of using on-prorated ADIT balances results in a reduction of the 2017-2018 SEP period revenue requirements of \$3,581 (consisting of accumulated carryover tracker balance related to the 2015-2016 SEP period of \$446 and the 2016-2017 SEP period of \$3,135).

The SEP forecasted rate per therm decreases from \$0.002103 to \$0.002098. Please note that for forward looking periods, proration has been applied effective January 1, 2017.

The revised schedules requested above contained in Attachment 1 include three sections. The first section has the revised values excluding the impact of proration on 2016 actuals; the second section includes the original values as filed; and the third section is a calculation of the differences.

- B. The Company first applied the ADIT pro-rate effective January 1, 2016. The impact on prior SEP periods and the current SEP period of excluding the pro-rate on 2016 actual periods as requested in Part A above is identified in the table below.

SEP Period	Revenue Requirement	Tracker Carry-Over	Total Impact
2015-2016	\$(446)		
2016-2017	\$(3,135)	\$(446)	\$(3,581)
2017-2018	\$0	\$(3,581)	\$(3,581)

See “Revised Attachment B” that is included in Attachment 1 to this data request. The cumulative effect of the change in revenue requirements, \$(3,581), is included in the “Carryover from Prev Yr” of the 2017 SEP period rate requested in this docket.

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Preparer: Thomas E. Kramer  
Title: Principal Rate Analyst  
Department: Revenue Requirements – North  
Telephone: 612-330-5866  
Date: March 23, 2017

<b>Gas Rate Factor - No Prorate on 2016 Actuals (A)</b>				
	note	2016 Approved	2017 Forecast	2018 Forecast
Revenue Requirement	1	\$ 1,315,002	\$ 1,828,651	\$ 1,639,350
Forecasted Therms	2	961,310,996	871,444,973	851,291,853
<b>Gas Rate/therm</b>	3	0.001368	0.002098	0.001926
Implemented Rate/therm		0.001368	TBD	TBD
Residential bill impact / Month	4	\$ 0.10	\$ 0.15	\$ 0.14
Residential bill impact / Year	4	\$ 1.21	\$ 1.85	\$ 1.70

<b>Gas Rate Factor - As Filed (B)</b>				
	note	2016 Approved	2017 Forecast	2018 Forecast
Revenue Requirement	1	\$ 1,315,002	\$ 1,832,232	\$ 1,638,574
Forecasted Therms	2	961,310,996	871,444,973	851,291,853
<b>Gas Rate/therm</b>	3	0.001368	0.002103	0.001925
Implemented Rate/therm		0.001368	TBD	TBD
Residential bill impact / Month	4	\$ 0.10	\$ 0.15	\$ 0.14
Residential bill impact / Year	4	\$ 1.21	\$ 1.86	\$ 1.70

<b>Gas Rate Factor - Difference (A) - (B)</b>				
	note	2016 Approved	2017 Forecast	2018 Forecast
Revenue Requirement	1	\$ -	\$ (3,581)	\$ 776
Forecasted Therms	2	-	-	-
<b>Gas Rate/therm</b>	3	-	(0.000005)	0.000001
Implemented Rate/therm		-	TBD	TBD
Residential bill impact / Month	4	\$ -	\$ (0.00)	\$ 0.00
Residential bill impact / Year	4	\$ -	\$ (0.00)	\$ 0.00

## Notes:

- (1) For 2017 and 2018, refer to Gas Tracker (Attachment B) for supporting detail. For 2016, refer to Docket No. G002/M-16-206.
- (2) For 2017 and 2018, refer to Gas Tracker Detail: Revenue Collections (Attachment D4) for supporting detail. For 2016, refer to the Commission Order in Docket No. G002/M-16-206.
- (3) 2016 rate approved in Docket No. G002/M-16-206. For 2017 and 2018, rates are forecasted.
- (4) Assumes 884 therms per year which equates to 73.67 therms per month.



**Gas Tracker - No Prorate on 2016 Actuals (A)**

Reference Attachment	Carryover Balance	Jul-15 Actual	Aug-15 Actual	Sep-15 Actual	Oct-15 Actual	Nov-15 Actual	Dec-15 Actual	Jan-16 Actual	Feb-16 Actual	Mar-16 Actual	Apr-16 Actual	May-16 Actual	Jun-16 Actual	Total - 15/16 Actual
RA/SBG (1) D1		\$ -	\$ -	\$ 12,911	\$ -	\$ -	\$ 1,868	\$ -	\$ -	\$ 6,454	\$ -	\$ -	\$ 10,646	\$ 31,879
Cast Iron D2		\$ 158,756	\$ 158,341	\$ 157,927	\$ 157,513	\$ 157,098	\$ 156,684	\$ 155,484	\$ 155,090	\$ 154,696	\$ 154,302	\$ 153,908	\$ 153,515	\$ 1,873,314
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ (1,245,117)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (1,245,117)
<b>Revenue Requirements (3)</b>		\$ 48,970	\$ 48,556	\$ 61,053	\$ 47,727	\$ 47,313	\$ 48,766	\$ 45,698	\$ 45,304	\$ 51,365	\$ 44,517	\$ 44,123	\$ 54,375	\$ 587,267
Revenue Collections (4) D4		\$ 97,466	\$ 85,412	\$ 88,900	\$ 90,860	\$ 132,683	\$ 161,745	\$ 95,779	\$ 97,468	\$ 90,171	\$ 61,438	\$ 43,498	\$ 33,357	\$ 1,078,726
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ (48,495)	\$ (85,352)	\$ (113,199)	\$ (156,331)	\$ (241,701)	\$ (354,680)	\$ (404,761)	\$ (456,925)	\$ (495,731)	\$ (512,652)	\$ (512,027)	\$ (491,009)	\$ (491,009)

Reference Attachment	Carryover Balance	Jul-16 Actual	Aug-16 Actual	Sep-16 Actual	Oct-16 Actual	Nov-16 Actual	Dec-16 Actual	Jan-17 Forecast	Feb-17 Forecast	Mar-17 Forecast	Apr-17 Forecast	May-17 Forecast	Jun-17 Forecast	Total - 16/17 Act/Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 10,336	\$ -	\$ -	\$ (1,671)	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ -	\$ (1,752)
Cast Iron D2		\$ 153,121	\$ 152,727	\$ 152,333	\$ 151,940	\$ 151,546	\$ 151,152	\$ 150,485	\$ 150,122	\$ 149,766	\$ 149,419	\$ 149,080	\$ 148,750	\$ 1,810,442
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ (491,009)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (40,917)	\$ (491,009)
<b>Revenue Requirements (3)</b>		\$ 106,178	\$ 105,784	\$ 115,726	\$ 104,996	\$ 104,603	\$ 87,338	\$ 103,542	\$ 103,178	\$ 104,628	\$ 102,476	\$ 102,137	\$ 104,785	\$ 1,245,371
Revenue Collections (4) D4		\$ 53,363	\$ 72,224	\$ 46,484	\$ 55,752	\$ 81,501	\$ 81,501	\$ 184,411	\$ 153,554	\$ 138,209	\$ 84,497	\$ 63,303	\$ 49,777	\$ 1,109,227
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 52,815	\$ 86,375	\$ 155,618	\$ 204,862	\$ 227,064	\$ 189,150	\$ 108,282	\$ 57,905	\$ 24,324	\$ 42,303	\$ 81,137	\$ 136,144	\$ 136,144

Reference Attachment	Carryover Balance	Jul-17 Forecast	Aug-17 Forecast	Sep-17 Forecast	Oct-17 Forecast	Nov-17 Forecast	Dec-17 Forecast	Jan-18 Forecast	Feb-18 Forecast	Mar-18 Forecast	Apr-18 Forecast	May-18 Forecast	Jun-18 Forecast	Total - 17/18 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 2,978	\$ 10,565
Cast Iron D2		\$ 148,429	\$ 148,116	\$ 147,812	\$ 147,516	\$ 147,229	\$ 146,950	\$ 145,828	\$ 145,147	\$ 144,803	\$ 144,467	\$ 144,138	\$ 143,816	\$ 1,754,251
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ 136,144	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 11,345	\$ 136,144
<b>Revenue Requirements (3)</b>		\$ 153,748	\$ 153,435	\$ 156,022	\$ 152,835	\$ 152,548	\$ 155,161	\$ 151,148	\$ 150,467	\$ 151,928	\$ 149,786	\$ 149,457	\$ 152,113	\$ 1,828,651
Revenue Collections (4) D4		\$ 87,722	\$ 74,516	\$ 70,838	\$ 114,551	\$ 177,597	\$ 265,825	\$ 282,231	\$ 236,357	\$ 213,772	\$ 132,378	\$ 96,649	\$ 75,854	\$ 1,828,292
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 66,027	\$ 144,946	\$ 230,130	\$ 268,414	\$ 243,365	\$ 132,701	\$ 1,617	\$ (84,273)	\$ (146,117)	\$ (128,708)	\$ (75,900)	\$ 359	\$ 359

Reference Attachment	Carryover Balance	Jul-18 Forecast	Aug-18 Forecast	Sep-18 Forecast	Oct-18 Forecast	Nov-18 Forecast	Dec-18 Forecast	Jan-19 Forecast	Feb-19 Forecast	Mar-19 Forecast	Apr-19 Forecast	May-19 Forecast	Jun-19 Forecast	Total - 18/19 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 2,978	\$ 10,565
Cast Iron D2		\$ 143,502	\$ 143,195	\$ 142,896	\$ 142,605	\$ 142,321	\$ 142,044	\$ 141,783	\$ 141,145	\$ 140,804	\$ 140,471	\$ 140,144	\$ 139,825	\$ 1,700,735
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ 359	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 359
<b>Revenue Requirements (3)</b>		\$ 137,506	\$ 137,199	\$ 139,791	\$ 136,609	\$ 136,325	\$ 138,940	\$ 135,787	\$ 135,149	\$ 136,614	\$ 134,475	\$ 134,148	\$ 136,807	\$ 1,639,350
Revenue Collections (4) D4		\$ 84,834	\$ 67,138	\$ 71,217	\$ 92,391	\$ 160,197	\$ 233,903	\$ 254,554	\$ 213,664	\$ 189,475	\$ 119,486	\$ 85,512	\$ 67,218	\$ 1,639,588
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 52,672	\$ 122,734	\$ 191,308	\$ 235,526	\$ 211,654	\$ 116,691	\$ (2,076)	\$ (80,591)	\$ (133,452)	\$ (118,463)	\$ (69,827)	\$ (238)	\$ (238)

**Gas Tracker - As Filed (B)**

Reference Attachment	Carryover Balance	Jul-15 Actual	Aug-15 Actual	Sep-15 Actual	Oct-15 Actual	Nov-15 Actual	Dec-15 Actual	Jan-16 Actual	Feb-16 Actual	Mar-16 Actual	Apr-16 Actual	May-16 Actual	Jun-16 Actual	Total - 15/16 Actual
RA/SBG (1) D1		\$ -	\$ -	\$ 12,911	\$ -	\$ -	\$ 1,868	\$ -	\$ -	\$ 6,454	\$ -	\$ -	\$ 10,646	\$ 31,879
Cast Iron D2		\$ 158,756	\$ 158,341	\$ 157,927	\$ 157,513	\$ 157,098	\$ 156,684	\$ 155,488	\$ 155,109	\$ 154,740	\$ 154,381	\$ 154,031	\$ 153,691	\$ 1,873,761
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ (1,245,117)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (103,760)	\$ (1,245,117)
<b>Revenue Requirements (3)</b>		\$ 48,970	\$ 48,556	\$ 61,053	\$ 47,727	\$ 47,313	\$ 48,766	\$ 45,703	\$ 45,324	\$ 51,409	\$ 44,595	\$ 44,246	\$ 54,552	\$ 588,213
Revenue Collections (4) D4		\$ 97,466	\$ 85,412	\$ 88,900	\$ 90,860	\$ 132,683	\$ 161,745	\$ 95,779	\$ 97,468	\$ 90,171	\$ 61,438	\$ 43,498	\$ 33,357	\$ 1,078,726
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ (48,495)	\$ (85,352)	\$ (113,199)	\$ (156,331)	\$ (241,701)	\$ (354,680)	\$ (404,756)	\$ (456,900)	\$ (495,662)	\$ (512,505)	\$ (511,757)	\$ (490,563)	\$ (490,563)

Reference Attachment	Carryover Balance	Jul-16 Actual	Aug-16 Actual	Sep-16 Actual	Oct-16 Actual	Nov-16 Actual	Dec-16 Actual	Jan-17 Forecast	Feb-17 Forecast	Mar-17 Forecast	Apr-17 Forecast	May-17 Forecast	Jun-17 Forecast	Total - 16/17 Act/Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 10,336	\$ -	\$ -	\$ (1,671)	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ -	\$ (1,752)
Cast Iron D2		\$ 153,302	\$ 153,042	\$ 152,732	\$ 152,432	\$ 152,142	\$ 151,862	\$ 150,869	\$ 150,122	\$ 149,766	\$ 149,419	\$ 149,080	\$ 148,750	\$ 1,813,577
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ (490,563)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (40,880)	\$ (490,563)
<b>Revenue Requirements (3)</b>		\$ 106,456	\$ 106,136	\$ 116,162	\$ 105,226	\$ 105,236	\$ 88,085	\$ 103,963	\$ 103,216	\$ 104,665	\$ 102,513	\$ 102,174	\$ 104,822	\$ 1,248,953
Revenue Collections (4) D4		\$ 53,363	\$ 72,224	\$ 46,484	\$ 55,752	\$ 81,501	\$ 126,152	\$ 184,411	\$ 153,554	\$ 138,209	\$ 84,497	\$ 63,303	\$ 49,777	\$ 1,109,227
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 53,093	\$ 87,005	\$ 156,683	\$ 206,457	\$ 230,192	\$ 192,125	\$ 111,677	\$ 61,338	\$ 27,794	\$ 45,810	\$ 84,681	\$ 139,726	\$ 139,726

Reference Attachment	Carryover Balance	Jul-17 Forecast	Aug-17 Forecast	Sep-17 Forecast	Oct-17 Forecast	Nov-17 Forecast	Dec-17 Forecast	Jan-18 Forecast	Feb-18 Forecast	Mar-18 Forecast	Apr-18 Forecast	May-18 Forecast	Jun-18 Forecast	Total - 17/18 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 2,978	\$ 10,565
Cast Iron D2		\$ 148,429	\$ 148,116	\$ 147,812	\$ 147,516	\$ 147,229	\$ 146,950	\$ 145,828	\$ 145,147	\$ 144,803	\$ 144,467	\$ 144,138	\$ 143,816	\$ 1,754,251
Cast Iron O&M Credit D3		\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (6,026)	\$ (72,310)
Carryover from Prev Yr (2)	\$ 139,726	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 11,644	\$ 139,726
<b>Revenue Requirements (3)</b>		\$ 154,047	\$ 153,734	\$ 156,321	\$ 153,134	\$ 152,847	\$ 155,460	\$ 151,446	\$ 150,765	\$ 152,227	\$ 150,085	\$ 149,756	\$ 152,412	\$ 1,832,232
Revenue Collections (4) D4		\$ 87,931	\$ 74,693	\$ 71,007	\$ 114,824	\$ 178,021	\$ 266,459	\$ 282,904	\$ 236,920	\$ 214,282	\$ 132,693	\$ 96,880	\$ 76,035	\$ 1,832,649
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 66,116	\$ 145,156	\$ 230,470	\$ 268,779	\$ 243,606	\$ 132,606	\$ 1,148	\$ (85,007)	\$ (147,061)	\$ (129,670)	\$ (76,794)	\$ (417)	\$ (417)

Reference Attachment	Carryover Balance	Jul-18 Forecast	Aug-18 Forecast	Sep-18 Forecast	Oct-18 Forecast	Nov-18 Forecast	Dec-18 Forecast	Jan-19 Forecast	Feb-19 Forecast	Mar-19 Forecast	Apr-19 Forecast	May-19 Forecast	Jun-19 Forecast	Total - 18/19 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 2,891	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 2,978	\$ 10,565
Cast Iron D2		\$ 143,502												

**Gas Tracker - Difference (A) - (B)**

Reference Attachment	Carryover Balance	Jul-15 Actual	Aug-15 Actual	Sep-15 Actual	Oct-15 Actual	Nov-15 Actual	Dec-15 Actual	Jan-16 Actual	Feb-16 Actual	Mar-16 Actual	Apr-16 Actual	May-16 Actual	Jun-16 Actual	Total - 15/16 Actual
RA/SBG (1) D1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron D2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5)	\$ (20)	\$ (44)	\$ (78)	\$ (123)	\$ (177)	\$ (446)
Cast Iron O&M Credit D3		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carryover from Prev Yr (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Revenue Requirements (3)</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5)	\$ (20)	\$ (44)	\$ (78)	\$ (123)	\$ (177)	\$ (446)
Revenue Collections (4) D4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5)	\$ (25)	\$ (69)	\$ (147)	\$ (270)	\$ (446)	\$ (446)

Reference Attachment	Carryover Balance	Jul-16 Actual	Aug-16 Actual	Sep-16 Actual	Oct-16 Actual	Nov-16 Actual	Dec-16 Actual	Jan-17 Forecast	Feb-17 Forecast	Mar-17 Forecast	Apr-17 Forecast	May-17 Forecast	Jun-17 Forecast	Total - 16/17 Act/Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron D2		\$ (241)	\$ (315)	\$ (398)	\$ (492)	\$ (596)	\$ (710)	\$ (383)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,135)
Cast Iron O&M Credit D3		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carryover from Prev Yr (2)	\$ (446)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (446)
<b>Revenue Requirements (3)</b>		\$ (278)	\$ (352)	\$ (436)	\$ (530)	\$ (633)	\$ (747)	\$ (420)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (37)	\$ (3,581)
Revenue Collections (4) D4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ (278)	\$ (630)	\$ (1,065)	\$ (1,595)	\$ (2,228)	\$ (2,975)	\$ (3,396)	\$ (3,433)	\$ (3,470)	\$ (3,507)	\$ (3,544)	\$ (3,581)	\$ (3,581)

Reference Attachment	Carryover Balance	Jul-17 Forecast	Aug-17 Forecast	Sep-17 Forecast	Oct-17 Forecast	Nov-17 Forecast	Dec-17 Forecast	Jan-18 Forecast	Feb-18 Forecast	Mar-18 Forecast	Apr-18 Forecast	May-18 Forecast	Jun-18 Forecast	Total - 17/18 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron D2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron O&M Credit D3		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carryover from Prev Yr (2)	\$ (3,581)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (3,581)
<b>Revenue Requirements (3)</b>		\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (298)	\$ (3,581)
Revenue Collections (4) D4		\$ (209)	\$ (178)	\$ (169)	\$ (273)	\$ (423)	\$ (634)	\$ (673)	\$ (563)	\$ (509)	\$ (315)	\$ (230)	\$ (181)	\$ (4,357)
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ (89)	\$ (210)	\$ (340)	\$ (365)	\$ (241)	\$ 94	\$ 469	\$ 733	\$ 945	\$ 962	\$ 893	\$ 776	\$ 776

Reference Attachment	Carryover Balance	Jul-18 Forecast	Aug-18 Forecast	Sep-18 Forecast	Oct-18 Forecast	Nov-18 Forecast	Dec-18 Forecast	Jan-19 Forecast	Feb-19 Forecast	Mar-19 Forecast	Apr-19 Forecast	May-19 Forecast	Jun-19 Forecast	Total - 18/19 Forecast
RA/SBG (1) D1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron D2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cast Iron O&M Credit D3		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carryover from Prev Yr (2)	\$ 776	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 776
<b>Revenue Requirements (3)</b>		\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 776
Revenue Collections (4) D4		\$ 44	\$ 35	\$ 37	\$ 48	\$ 83	\$ 121	\$ 132	\$ 111	\$ 98	\$ 62	\$ 44	\$ 35	\$ 851
Carbon Offset Payments (5)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance (6) (7)		\$ 21	\$ 50	\$ 78	\$ 95	\$ 76	\$ 19	\$ (48)	\$ (94)	\$ (126)	\$ (126)	\$ (105)	\$ (76)	\$ (76)

Updates to 2015-2016 balances approved in Docket No. E.G002/M-16-206 (2016 Filing) result from (1) revised MN Composite Income Tax Rates based upon 2015 income tax returns, effective January 1, 2015 and (2) property tax update for 2015 based on ratio of actual paid taxes in 2015 and the value of property as of year-end 2014.

Notes:

- (1) RA/SBG actual expenses are for invoiced amounts. Refer to Attachment D1 for supporting detail for amounts beginning in 2016.
- (2) The Carryover from Previous Year is the Balance (Revenue Requirements minus Revenue Collections) from the preceding year. That total is divided by 12 to spread the Carryover evenly throughout the year.
- (3) Revenue Requirements are the total SEP revenue requirements for the year plus the Carryover from the previous year.
- (4) Revenue Collections are actual through December 2016 and forecasts thereafter.
- (5) The Company does not forecast any carbon offset payments related to the gas cast iron pipe project.
- (6) Balance is the amount (over) under collected or the difference between the total revenue requirements and the amount of revenue received from customers under this Rider.
- (7) Updates to balances approved in Docket No. G002/M-16-206 (2016 Filing) result from (1) revised MN Composite Income Tax Rates based upon 2015 income tax returns, effective January 1, 2015 (2) property tax update for 2015 based on ratio of actual paid taxes in 2015 and the value of property as of year-end 2013, and (3) actual RA/SBG invoices billed through December 2016.

State Energy Policy (SEP) Rider  
Comparison by month of actual revenue requirements versus forecasted revenue requirements

Docket No. G002/M-17-174  
Information Request No. DOC-3  
Revised Attachment C  
Page 1 of 1

**Gas Tracker - No Prorate on 2016 Actuals (A)**

	2015-2016 SEP Period						2016-2017 SEP Period						Total
	Jan-16 Forecast	Feb-16 Forecast	Mar-16 Forecast	Apr-16 Forecast	May-16 Forecast	Jun-16 Forecast	Jul-16 Forecast	Aug-16 Forecast	Sep-16 Forecast	Oct-16 Forecast	Nov-16 Forecast	Dec-16 Forecast	
Natural Gas Revenue Requirement (Docket 16-206)	149,914	149,535	151,734	148,806	148,456	157,380	147,786	147,466	156,261	146,856	146,566	156,906	1,807,668
	<u>Jan-16 Actual</u>	<u>Feb-16 Actual</u>	<u>Mar-16 Actual</u>	<u>Apr-16 Actual</u>	<u>May-16 Actual</u>	<u>Jun-16 Actual</u>	<u>Jul-16 Actual</u>	<u>Aug-16 Actual</u>	<u>Sep-16 Actual</u>	<u>Oct-16 Actual</u>	<u>Nov-16 Actual</u>	<u>Dec-16 Actual</u>	Total
Natural Gas Revenue Requirement (Docket 17-___)	149,458	149,064	155,125	148,276	147,883	158,135	147,095	146,701	156,644	145,914	145,520	128,255	1,778,069
Variance Forecast vs. actual-Gas Revenue Requirements	456	471	-3,391	529	573	-755	691	765	-382	943	1,046	28,651	29,599

	2015-2016 SEP Period						2016-2017 SEP Period						Total
	Jan-16 Forecast	Feb-16 Forecast	Mar-16 Forecast	Apr-16 Forecast	May-16 Forecast	Jun-16 Forecast	Jul-16 Forecast	Aug-16 Forecast	Sep-16 Forecast	Oct-16 Forecast	Nov-16 Forecast	Dec-16 Forecast	
Natural Gas Revenue (Docket 16-206)	109,576	92,383	72,567	54,122	33,946	32,403	66,924	63,188	53,361	87,157	126,232	176,655	968,512
	<u>Jan-16 Actual</u>	<u>Feb-16 Actual</u>	<u>Mar-16 Actual</u>	<u>Apr-16 Actual</u>	<u>May-16 Actual</u>	<u>Jun-16 Actual</u>	<u>Jul-16 Actual</u>	<u>Aug-16 Actual</u>	<u>Sep-16 Actual</u>	<u>Oct-16 Actual</u>	<u>Nov-16 Actual</u>	<u>Dec-16 Actual</u>	Total
Natural Gas Revenue (Docket 17-___)	95,779	97,468	90,171	61,438	43,498	33,357	53,363	72,224	46,484	55,752	81,501	126,152	857,185
Variance Forecast vs. actual-Gas Revenues	13,797	-5,085	-17,605	-7,316	-9,551	-954	13,561	-9,035	6,877	31,404	44,731	50,504	111,327

Net Result **81,728**

**Gas Tracker - As Filed (B)**

	2015-2016 SEP Period						2016-2017 SEP Period						Total
	Jan-16 Forecast	Feb-16 Forecast	Mar-16 Forecast	Apr-16 Forecast	May-16 Forecast	Jun-16 Forecast	Jul-16 Forecast	Aug-16 Forecast	Sep-16 Forecast	Oct-16 Forecast	Nov-16 Forecast	Dec-16 Forecast	
Natural Gas Revenue Requirement (Docket 16-206)	149,914	149,535	151,734	148,806	148,456	157,380	147,786	147,466	156,261	146,856	146,566	156,906	1,807,668
	<u>Jan-16 Actual</u>	<u>Feb-16 Actual</u>	<u>Mar-16 Actual</u>	<u>Apr-16 Actual</u>	<u>May-16 Actual</u>	<u>Jun-16 Actual</u>	<u>Jul-16 Actual</u>	<u>Aug-16 Actual</u>	<u>Sep-16 Actual</u>	<u>Oct-16 Actual</u>	<u>Nov-16 Actual</u>	<u>Dec-16 Actual</u>	Total
Natural Gas Revenue Requirement (Docket 17-___)	149,463	149,084	155,169	148,355	148,005	158,312	147,336	147,016	157,042	146,406	146,116	128,965	1,781,268
Variance Forecast vs. actual-Gas Revenue Requirements	451	451	-3,435	451	451	-931	451	450	-781	450	450	27,942	26,401

Net Result **84,926**

**Gas Tracker - Difference (A) - (B)**

	2015-2016 SEP Period						2016-2017 SEP Period						Total
	Jan-16 Forecast	Feb-16 Forecast	Mar-16 Forecast	Apr-16 Forecast	May-16 Forecast	Jun-16 Forecast	Jul-16 Forecast	Aug-16 Forecast	Sep-16 Forecast	Oct-16 Forecast	Nov-16 Forecast	Dec-16 Forecast	
Natural Gas Revenue Requirement (Docket 16-206)	0	0	0	0	0	0	0	0	0	0	0	0	0
	<u>Jan-16 Actual</u>	<u>Feb-16 Actual</u>	<u>Mar-16 Actual</u>	<u>Apr-16 Actual</u>	<u>May-16 Actual</u>	<u>Jun-16 Actual</u>	<u>Jul-16 Actual</u>	<u>Aug-16 Actual</u>	<u>Sep-16 Actual</u>	<u>Oct-16 Actual</u>	<u>Nov-16 Actual</u>	<u>Dec-16 Actual</u>	Total
Natural Gas Revenue Requirement (Docket 17-___)	-5	-20	-44	-78	-123	-177	-241	-315	-398	-492	-596	-710	-3,198
Variance Forecast vs. actual-Gas Revenue Requirements	5	20	44	78	123	177	241	315	398	492	596	710	3,198

	2015-2016 SEP Period						2016-2017 SEP Period						Total
	Jan-16 Forecast	Feb-16 Forecast	Mar-16 Forecast	Apr-16 Forecast	May-16 Forecast	Jun-16 Forecast	Jul-16 Forecast	Aug-16 Forecast	Sep-16 Forecast	Oct-16 Forecast	Nov-16 Forecast	Dec-16 Forecast	
Natural Gas Revenue (Docket 16-206)	0	0	0	0	0	0	0	0	0	0	0	0	0
	<u>Jan-16 Actual</u>	<u>Feb-16 Actual</u>	<u>Mar-16 Actual</u>	<u>Apr-16 Actual</u>	<u>May-16 Actual</u>	<u>Jun-16 Actual</u>	<u>Jul-16 Actual</u>	<u>Aug-16 Actual</u>	<u>Sep-16 Actual</u>	<u>Oct-16 Actual</u>	<u>Nov-16 Actual</u>	<u>Dec-16 Actual</u>	Total
Natural Gas Revenue (Docket 17-___)	0	0	0	0	0	0	0	0	0	0	0	0	0
Variance Forecast vs. actual-Gas Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0

Net Result **-3,198**

The revenue requirements data has been adjusted to exclude the carryover balance to better compare the monthly actual costs to the equivalent forecasted costs.





Gas Tracker Detail													
Cast Iron Replacement Revenue Requirement by Month - Difference (A) - (B)													
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Annual-15/16
<b>Rate Base</b>													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Book Depreciation Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Accum Deferred Taxes	0	0	0	0	0	0	1,037	3,145	6,255	10,437	15,655	21,945	21,945
End Of Month Rate Base	0	0	0	0	0	0	(1,037)	(3,145)	(6,255)	(10,437)	(15,655)	(21,945)	(21,945)
Average Rate Base (BOM/EOM)	0	0	0	0	0	0	(518)	(2,091)	(4,700)	(8,346)	(13,046)	(18,800)	(3,958)
<b>Calculation of Return</b>													
Plus Debt Return	0	0	0	0	0	0	(1)	(4)	(9)	(15)	(24)	(35)	(88)
Plus Equity Return	0	0	0	0	0	0	(2)	(9)	(21)	(37)	(58)	(83)	(210)
Total Return	0	0	0	0	0	0	(3)	(13)	(29)	(52)	(82)	(118)	(298)
<b>Income Statement Items</b>													
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Current Taxes	0	0	0	0	0	0	(2)	(7)	(15)	(26)	(41)	(59)	(148)
Total Income Statement Expense	0	0	0	0	0	0	(2)	(7)	(15)	(26)	(41)	(59)	(148)
Total Revenue Requirements	0	0	0	0	0	0	(5)	(20)	(44)	(78)	(123)	(177)	(446)
Jurisdictional Revenue Requirement	0	0	0	0	0	0	(5)	(20)	(44)	(78)	(123)	(177)	(446)

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Annual-16/17
<b>Rate Base</b>													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Book Depreciation Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Accum Deferred Taxes	29,271	37,669	47,138	57,644	69,221	81,835	0	0	0	0	0	0	0
End Of Month Rate Base	(29,271)	(37,669)	(47,138)	(57,644)	(69,221)	(81,835)	0	0	0	0	0	0	0
Average Rate Base (BOM/EOM)	(25,608)	(33,470)	(42,404)	(52,391)	(63,433)	(75,528)	(40,918)	0	0	0	0	0	(27,813)
<b>Calculation of Return</b>													
Plus Debt Return	(47)	(62)	(78)	(97)	(117)	(140)	(75)	0	0	0	0	0	(617)
Plus Equity Return	(113)	(148)	(188)	(232)	(281)	(334)	(181)	0	0	0	0	0	(1,477)
Total Return	(161)	(210)	(266)	(329)	(398)	(474)	(256)	0	0	0	0	0	(2,093)
<b>Income Statement Items</b>													
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Current Taxes	(80)	(105)	(132)	(164)	(198)	(236)	(128)	0	0	0	0	0	(1,042)
Total Income Statement Expense	(80)	(105)	(132)	(164)	(198)	(236)	(128)	0	0	0	0	0	(1,042)
Total Revenue Requirements	(241)	(315)	(398)	(492)	(596)	(710)	(383)	0	0	0	0	0	(3,135)
Jurisdictional Revenue Requirement	(241)	(315)	(398)	(492)	(596)	(710)	(383)	0	0	0	0	0	(3,135)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Annual-17/18
<b>Rate Base</b>													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Book Depreciation Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Accum Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
End Of Month Rate Base	0	0	0	0	0	0	0	0	0	0	0	0	0
Average Rate Base (BOM/EOM)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Calculation of Return</b>													
Plus Debt Return	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Equity Return	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Return	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income Statement Items</b>													
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Current Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income Statement Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0
Jurisdictional Revenue Requirement	0	0	0	0	0	0	0	0	0	0	0	0	0

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Annual-18/19
<b>Rate Base</b>													
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Book Depreciation Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Accum Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
End Of Month Rate Base	0	0	0	0	0	0	0	0	0	0	0	0	0
Average Rate Base (BOM/EOM)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Calculation of Return</b>													
Plus Debt Return	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Equity Return	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Return	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income Statement Items</b>													
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Current Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income Statement Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0
Jurisdictional Revenue Requirement	0	0	0	0	0	0	0	0	0	0	0	0	0

**Notes**  
 Updates to 2015-2016 balances approved in Docket No. G002/M-16-206 (2016 Filing) result from (1) revised MN Composite Income Tax Rates based upon 2015 income tax returns, effective January 1, 2015 and (2) property tax update for 2015 based on ratio of actual paid taxes in 2015 and the value of property as of year-end 2013.

Gas Tracker Detail											
Cast Iron Replacement Revenue Requirement by Year (July - June) - No Prorate on 2016 Actuals (A)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Rate Base</b>											
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	74,612	1,642,890	6,204,585	10,782,150	13,736,109	13,736,108	13,736,108	13,736,108	13,736,108	13,736,108	13,736,108
Less Book Depreciation Reserve	79	32,575	141,240	367,414	700,678	1,051,711	1,402,745	1,753,779	2,104,813	2,455,847	2,806,881
Less Accum Deferred Taxes	104	31,775	117,324	296,641	531,982	747,645	936,573	1,100,401	1,223,080	1,348,918	1,461,818
End Of Month Rate Base	74,429	1,578,540	5,946,022	10,118,095	12,503,449	11,936,752	11,396,790	10,881,929	10,408,216	9,931,343	9,467,410
<b>Average Rate Base (BOM/EOM)</b>	3,101	1,241,969	4,103,512	8,400,586	12,097,994	12,216,681	11,663,507	11,136,348	10,636,480	10,177,050	9,706,253
<b>Calculation of Return</b>											
Plus Debt Return	103	38,829	120,101	233,763	303,346	278,611	261,249	248,917	235,078	220,882	209,629
Plus Equity Return	157	64,177	216,849	446,979	642,934	649,295	621,089	591,903	564,271	539,384	514,431
<b>Total Return</b>	260	103,005	336,950	680,742	946,280	927,907	882,338	840,820	799,349	760,266	724,061
<b>Income Statement Items</b>											
Plus Property Taxes	0	11,491	44,887	117,456	228,825	288,830	279,257	267,922	265,460	265,460	265,460
Plus Book Depreciation	79	32,496	108,665	226,174	333,264	351,034	351,034	351,034	351,034	351,034	351,034
Plus Deferred Taxes	104	31,672	85,548	179,317	235,341	215,663	188,928	163,827	141,616	123,568	111,772
Plus Current Taxes	5	12,955	65,757	132,542	213,293	237,495	244,716	249,711	252,983	253,924	248,409
<b>Total Income Statement Expense</b>	188	88,613	304,858	655,489	1,010,722	1,093,022	1,063,935	1,032,494	1,011,093	993,985	976,675
<b>Total Revenue Requirements</b>	447	191,619	641,808	1,336,231	1,957,002	2,020,928	1,946,272	1,873,314	1,810,442	1,754,251	1,700,735
<b>MN Jurisdictional Revenue Requirement</b>	447	191,619	641,808	1,336,231	1,957,002	2,020,928	1,946,272	1,873,314	1,810,442	1,754,251	1,700,735

Gas Tracker Detail											
Cast Iron Replacement Revenue Requirement by Year (July - June) -As Filed (B)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Rate Base</b>											
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	74,612	1,642,890	6,204,585	10,782,150	13,736,109	13,736,108	13,736,108	13,736,108	13,736,108	13,736,108	13,736,108
Less Book Depreciation Reserve	79	32,575	141,240	367,414	700,678	1,051,711	1,402,745	1,753,779	2,104,813	2,455,847	2,806,881
Less Accum Deferred Taxes	104	31,775	117,324	296,641	531,982	747,645	936,573	1,078,456	1,223,080	1,348,918	1,461,818
End Of Month Rate Base	74,429	1,578,540	5,946,022	10,118,095	12,503,449	11,936,752	11,396,790	10,903,873	10,408,216	9,931,343	9,467,410
<b>Average Rate Base (BOM/EOM)</b>	3,101	1,241,969	4,103,512	8,400,586	12,097,994	12,216,681	11,663,507	11,140,306	10,664,292	10,177,050	9,706,253
<b>Calculation of Return</b>											
Plus Debt Return	103	38,829	120,101	233,763	303,346	278,611	261,249	249,005	235,695	220,882	209,629
Plus Equity Return	157	64,177	216,849	446,979	642,934	649,295	621,089	592,114	565,748	539,384	514,431
<b>Total Return</b>	260	103,005	336,950	680,742	946,280	927,907	882,338	841,118	801,443	760,266	724,061
<b>Income Statement Items</b>											
Plus Property Taxes	0	11,491	44,887	117,456	228,825	288,830	279,257	267,922	265,460	265,460	265,460
Plus Book Depreciation	79	32,496	108,665	226,174	333,264	351,034	351,034	351,034	351,034	351,034	351,034
Plus Deferred Taxes	104	31,672	85,548	179,317	235,341	215,663	188,928	163,827	141,616	123,568	111,772
Plus Current Taxes	5	12,955	65,757	132,542	213,293	237,495	244,716	249,860	254,025	253,924	248,409
<b>Total Income Statement Expense</b>	188	88,613	304,858	655,489	1,010,722	1,093,022	1,063,935	1,032,643	1,012,134	993,985	976,675
<b>Total Revenue Requirements</b>	447	191,619	641,808	1,336,231	1,957,002	2,020,928	1,946,272	1,873,761	1,813,577	1,754,251	1,700,735
<b>MN Jurisdictional Revenue Requirement</b>	447	191,619	641,808	1,336,231	1,957,002	2,020,928	1,946,272	1,873,761	1,813,577	1,754,251	1,700,735

Gas Tracker Detail											
Cast Iron Replacement Revenue Requirement by Year (July - June) - Difference (A) - (B)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Rate Base</b>											
Plus CWIP Ending Balance	0	0	0	0	0	0	0	0	0	0	0
Plus Plant In-Service	0	0	0	0	0	0	0	0	0	0	0
Less Book Depreciation Reserve	0	0	0	0	0	0	0	0	0	0	0
Less Accum Deferred Taxes	0	0	0	0	0	0	0	21,945	0	0	0
End Of Month Rate Base	0	0	0	0	0	0	0	(21,945)	0	0	0
<b>Average Rate Base (BOM/EOM)</b>	0	0	0	0	0	0	0	(3,958)	(27,813)	0	0
<b>Calculation of Return</b>											
Plus Debt Return	0	0	0	0	0	0	0	(88)	(617)	0	0
Plus Equity Return	0	0	0	0	0	0	0	(210)	(1,477)	0	0
<b>Total Return</b>	0	0	0	0	0	0	0	(298)	(2,093)	0	0
<b>Income Statement Items</b>											
Plus Property Taxes	0	0	0	0	0	0	0	0	0	0	0
Plus Book Depreciation	0	0	0	0	0	0	0	0	0	0	0
Plus Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0
Plus Current Taxes	0	0	0	0	0	0	0	(148)	(1,042)	0	0
<b>Total Income Statement Expense</b>	0	0	0	0	0	0	0	(148)	(1,042)	0	0
<b>Total Revenue Requirements</b>	0	0	0	0	0	0	0	(446)	(3,135)	0	0
<b>MN Jurisdictional Revenue Requirement</b>	0	0	0	0	0	0	0	(446)	(3,135)	0	0

Notes  
 Updates to 2015-2016 balances approved in Docket No. G002/M-16-206 (2016 Filing) result from (1) revised MN Composite Income Tax Rates based upon 2015 income tax returns, effective January 1, 2015 and (2) property tax update for 2015 based on ratio of actual paid taxes in 2015 and the value of property as of year-end 2013.

**Gas Tracker Detail**  
Revenue Collections (SEP Rider Fiscal Period July - June)  
Actual Revenues Through December 2016 and Forecast Revenues (Therm Sales \* Gas Factor) through June 2019 - No Prorate on 2016 Actuals (A)

2015 Rider Year	Jul-15 Actual	Aug-15 Actual	Sep-15 Actual	Oct-15 Actual	Nov-15 Actual	Dec-15 Actual	Jan-16 Actual	Feb-16 Actual	Mar-16 Actual	Apr-16 Actual	May-16 Actual	Jun-16 Actual	Total-15/16
Revenue Collections	\$ 97,466	\$ 85,412	\$ 88,900	\$ 90,860	\$ 132,683	\$ 161,745	\$ 95,779	\$ 97,468	\$ 90,171	\$ 61,438	\$ 43,498	\$ 33,357	\$ 1,078,776

2016 Rider Year	Jul-16 Actual	Aug-16 Actual	Sep-16 Actual	Oct-16 Actual	Nov-16 Actual	Dec-16 Actual	Jan-17 Forecast	Feb-17 Forecast	Mar-17 Forecast	Apr-17 Forecast	May-17 Forecast	Jun-17 Forecast	Total-16/17
Forecast Sales							134,803,106	112,247,435	101,030,260	61,766,809	46,274,210	36,386,780	492,508,600
Rate							0.001368	0.001368	0.001368	0.001368	0.001368	0.001368	
Revenue Collections	\$ 53,363	\$ 72,224	\$ 46,484	\$ 55,752	\$ 81,501	\$ 126,152	\$ 184,411	\$ 153,554	\$ 138,209	\$ 84,497	\$ 63,303	\$ 49,777	\$ 1,109,227

2017 Rider Year	Jul-17 Forecast	Aug-17 Forecast	Sep-17 Forecast	Oct-17 Forecast	Nov-17 Forecast	Dec-17 Forecast	Jan-18 Forecast	Feb-18 Forecast	Mar-18 Forecast	Apr-18 Forecast	May-18 Forecast	Jun-18 Forecast	Total-17/18
Forecast Sales	41,812,036	35,517,572	33,764,630	54,600,321	84,650,821	126,704,133	134,524,024	112,658,303	101,893,328	63,096,998	46,067,444	36,155,363	871,444,973
Rate	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	0.002098	
Revenue Collections	\$ 87,722	\$ 74,516	\$ 70,838	\$ 114,551	\$ 177,597	\$ 265,825	\$ 282,231	\$ 236,357	\$ 213,772	\$ 132,378	\$ 96,649	\$ 75,854	\$ 1,828,292



### Base Assumptions - Gas Cast Iron Pipe

Capital Structure	Docket No G002/GR-09-1153			Actual 2015			Actual 2016			Budget 2017		
	Percent	Cost	Wtd Cost	Percent	Cost	Wtd Cost	Percent	Cost	Wtd Cost	Percent	Cost	Wtd Cost
Long Term Debt %	46.74%	6.36%	2.97%	46.15%	4.85%	2.24%	46.54%	4.74%	2.21%	46.05%	4.71%	2.17%
Short Term Debt %	0.80%	1.36%	0.01%	1.09%	0.93%	0.01%	0.85%	1.22%	0.01%	1.45%	1.91%	0.03%
Preferred Stock %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock %	52.46%	10.09%	5.29%	52.76%	10.09%	5.32%	52.61%	10.09%	5.31%	52.50%	10.09%	5.30%
	100.00%		8.28%	100.00%		7.57%	100.00%		7.53%	100.00%		7.50%

Income Tax Rates									
		2015	2016	2017		2015	2016	2017	
Income Tax Rates	MN Jur	9.8000%	9.8000%	9.8000%	Federal	35.0000%	35.0000%	35.0000%	
MN Composite Income Tax Rate	MN Jur	41.3700%	41.3700%	41.3700%	MN Co	40.7696%	40.7696%	40.7696%	

Property Tax Rates					
			2015	2016	2017
Property Tax Rate = Goodhue	100.00	% Taxable	1.743%	1.716%	1.716%
Property Tax Rate = Ramsey	100.00	% Taxable	2.027%	1.981%	1.981%
Property Tax Rate = Rice	100.00	% Taxable	1.715%	1.738%	1.738%
Property Tax Rate = Stearns	100.00	% Taxable	1.825%	1.774%	1.774%
Property Tax Rate = Washington	100.00	% Taxable	1.785%	1.758%	1.758%
Property Tax Rate = Winona	100.00	% Taxable	1.486%	1.539%	1.539%

State of MN Allocator				
Gas Distribution				
	Total	Minnesota Company	Minnesota	
Direct Assigned - Minnesota	100.000%	100.000%	100.000%	

## **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  
Response Comments**

**Docket No. G002/M-17-174**

**Dated this 17<sup>th</sup> day of May 2017**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_17-174_M-17-174
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_17-174_M-17-174
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd  Eagan, MN 55121	Electronic Service	No	OFF_SL_17-174_M-17-174
Mara K	Ascheman	mara.k.ascheman@xcelenenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-174_M-17-174
James J.	Bertrand	james.bertrand@stinson.com	Stinson Leonard Street LLP	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-174_M-17-174
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	No	OFF_SL_17-174_M-17-174
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-174_M-17-174
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-174_M-17-174
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_17-174_M-17-174
Sandra	Hofstetter	sHofstetter@mnchamber.com	MN Chamber of Commerce	7261 County Road H  Fremont, WI 54940-9317	Electronic Service	No	OFF_SL_17-174_M-17-174
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_17-174_M-17-174
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_17-174_M-17-174
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_17-174_M-17-174
Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln  St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_17-174_M-17-174
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_17-174_M-17-174

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_17-174_M-17-174
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-174_M-17-174
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-174_M-17-174
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_17-174_M-17-174
Byron E.	Starns	byron.starns@stinson.com	Stinson Leonard Street LLP	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-174_M-17-174
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-174_M-17-174

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-174_M-17-174
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-174_M-17-174