



414 Nicollet Mall  
Minneapolis, Minnesota 55401-1993

April 30, 2015

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

—Via Electronic Filing—

RE: XCEL ENERGY ELECTRIC RATE CASE  
PRELIMINARY COMPLIANCE – INTERIM RATE REFUND SCHEDULES  
DOCKET NO. E002/GR-13-868

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Compliance Filing related to Interim Rates pursuant to the Minnesota Public Utilities Commission's conclusions during deliberations in the above referenced docket. During deliberations, the Company committed to providing current estimates of the interim rate refund calculation and discussing whether the Company's proposal is consistent with Minnesota Statute and the Commission's June 17, 2013 Order in the Multiyear Rate Plan Docket No. E,G999/M-12-587 prior to issuance of the Commission's FINDINGS OF FACT, CONCLUSIONS AND ORDER (ORDER) in the present docket.

These preliminary schedules are being provided to assist in the Commission's deliberations regarding the interim rate refund. The Company will update these schedules as necessary subsequent to issuance of an interim rate ORDER.

We have electronically filed this document with the Commission, which also constitutes service on the Department of Commerce and the Office of the Attorney General – Antitrust and Utilities Division. A copy of this filing has been served on all parties on the official service list in this docket.

Please contact Amy Liberkowski at (612) 330-6613 or [amy.a.liberkowski@xcelenergy.com](mailto:amy.a.liberkowski@xcelenergy.com) if you have any questions regarding this Compliance Filing.

Sincerely,

/s/

AAKASH H. CHANDARANA  
REGIONAL VICE PRESIDENT  
RATES AND REGULATORY AFFAIRS

Enclosures  
c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE APPLICATION OF  
NORTHERN STATES POWER COMPANY FOR  
AUTHORITY TO INCREASE RATES FOR  
ELECTRIC SERVICE IN MINNESOTA

Docket No. E002/GR-13-868  
**COMPLIANCE FILING RELATED TO  
INTERIM RATE REFUND**

**INTRODUCTION**

Northern States Power Company, doing business as Xcel Energy, submits this Compliance Filing pursuant to the Minnesota Public Utilities Commission’s request during case deliberations that the Company provide (i) current estimates of the interim rate refund calculation; and (ii) discussion describing how our interim rate refund proposal is consistent with Minnesota law<sup>1</sup> and the Commission’s Multiyear Rate Plan Order (MYRP Order).<sup>2</sup> Our proposal is consistent with the way in which the Company has traditionally calculated interim rate refunds, Minnesota law and Commission guidance. Additionally, our proposal accounts for the unique facts and circumstances presented on this record (e.g., we are the first utility to submit a rate case under the MYRP Statute and MYRP Order). We therefore respectfully request the Commission approve our interim rate refund proposal.

**COMMENTS**

At the outset, we note that our customers will receive a refund of \$40.7 million when applying our methodology to the outcome of the Commission’s oral deliberation on March 26, 2015. We provide several schedules which provide the calculation of the interim rate refund using our proposal, as well as the alternative identified by the

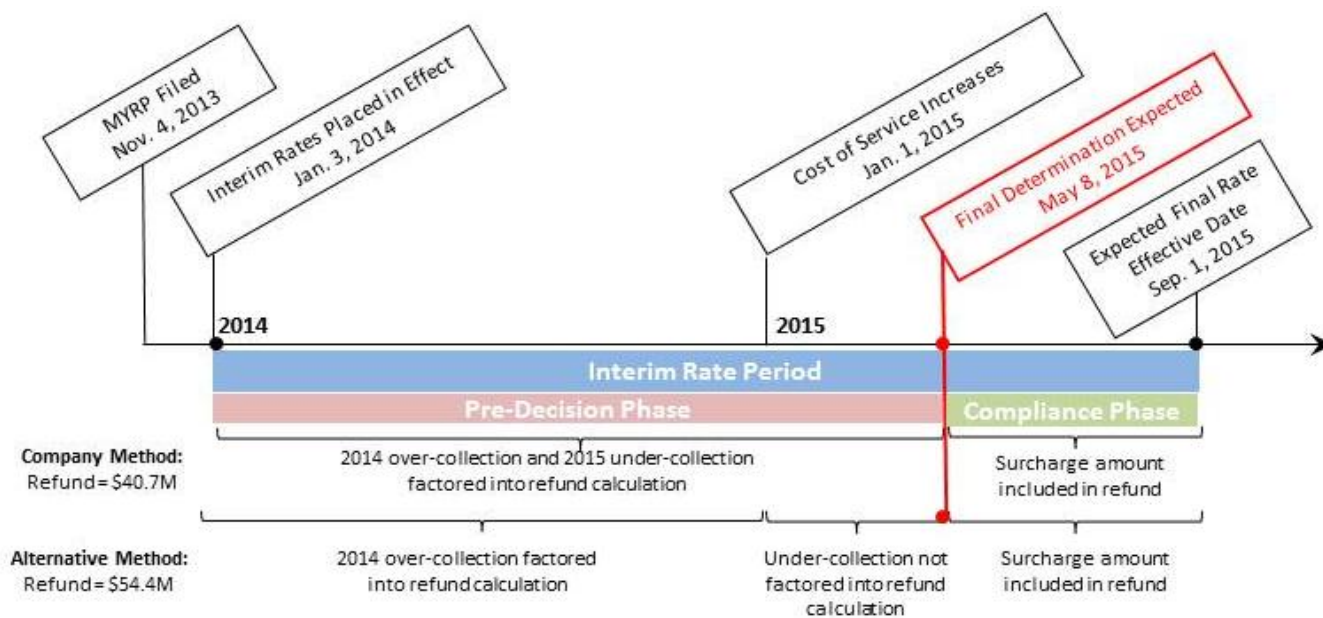
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<sup>1</sup> See Minn. Stat. § 216B.16, subd. 3 (Interim Rate Statute), § 216B.16, subd. 19 (MYRP Statute).

<sup>2</sup> *In re the Minn. Office of the Attorney General – Antitrust and Utilities Division’s Petition for a Commission Investigation Regarding Criteria and Standards for Multiyear Rate Plans under Minn. Stat. § 216B.16, subd. 19*, Docket No. E,G-999/M-12-587, ORDER ESTABLISHING TERMS, CONDITIONS, AND PROCEDURES FOR MULTIYEAR RATE PLANS (June 17, 2013) (“MYRP Order”).

Department, in Schedule A. To help visualize the difference between our proposal and the alternative method, we provide Figure 1 below.

**Figure 1: Comparison of Company and Department’s Proposals**



While we appreciate the appeal of selecting the approach which provides our customers with an interim rate refund that is \$13.7 million greater, we believe doing so would be inconsistent with the purpose of interim rates. As the Minnesota Supreme Court has held: “the purpose of the interim rate period is to prevent the ‘potentially confiscatory effect of regulatory delay,’”<sup>3</sup> and the “thrust of the statute is a balancing of interests.”<sup>4</sup>

Our interim rate refund proposal is carefully constructed to serve this purpose. Our proposal is not only straightforward but is also consistent with how we have traditionally calculated an interim rate refund. Simply put, we will compare the interim rate revenues collected from January 3, 2014 to May 8, 2015,<sup>5</sup> to the final authorized rates for that same time period. The only difference in this instance is our final authorized rates increase from the 2014 test year to the 2015 Step year.<sup>6</sup> The fact

<sup>3</sup> *In re Petition of Minnesota Power & Light Company*, 325 N.W.2d 550, 555 (Minn. Ct. App. 1989) (quoting *Henry v. Minnesota Public Utilities Commission*, 392 N.W.3d 209, 213 (Minn. 1986)).

<sup>4</sup> *In re the Application of Peoples Natural Gas Co.*, 389 N.W.2d 903, 909 (Minn. 1986).

<sup>5</sup> Since we are submitting these comments before the Commission has issued its final determination (as defined in the Interim Rate Statute), we are assuming the date of May 8, 2015 as the date of the Commission’s final determination.

<sup>6</sup> Under the Interim Rate Statute, higher final rates in 2015 when compared to interim rates requires the Commission to “prescribe a method by which the utility will recover the difference in revenues between the date of the final

that final rates are higher in the second year of the MYRP is not an appropriate reason to deviate from past practice.

Our proposal is consistent with Minnesota law. At the outset, we appreciate the Department's and Staff's recognition of this fact.<sup>7</sup> The Company's interim rate schedule was approved by the Commission in accordance with Minn. Stat. § 216B.16, subds. 3(a) and 3(b), and the Company's refund calculation does not change the revenue allocation, rate of return, or items included and excluded from the approved interim rate schedule. In addition, the Company's proposal is most consistent with Minn. Stat. § 216B.16, subd. 3(c) because both the statute and the Company's proposal treat the entire interim rate period as a single time-period for purposes of determining whether a refund is owed to customers.<sup>8</sup> Neither the MYRP statute (Minn. Stat. § 216B.19) nor the Commission's MYRP Order have changed this fundamental structure. The Commission requested a comprehensive discussion of how our proposal complies with Minnesota law. We provide the requested analysis in Schedule B. Additionally, our prior filings in this docket provided a thorough analysis of the structure and legal issues surrounding our interim rate proposal. We provide these filings as Schedules C and D.

Our proposal also better balances the unique facts and circumstances presented by this case. The Company's approach has the benefit of moderating interim rates for customers by avoiding a second interim rate increase and therefore even higher interim rates. Similarly, rates are increasing in this case in 2015 due in part to the application of a higher percentage of the transmission, distribution, and generation theoretical reserve surplus to 2014 interim and final rates than to 2015 final rates. Thus the increase in final rates for 2015 reflects in part the 2014 rate moderation benefits, which are reflected in our interim rates, for our customers. And even with

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determination and the date the new rate schedules are put into effect." This is reflected in Schedule A as the surcharge collected from May 8, 2015 (the final determination) until September 1, 2015 (our current estimate for implementing final rates).

<sup>7</sup> Department of Commerce Comments, Docket No. E002/GR-13-868 at p. 2 (Jan. 13, 2015) (noting that the Department believes "there are at least two approaches the Commission could consider"); Staff Briefing Papers at Vol. VII, p. 88 (discussing the Company's proposal generally and noting that "[i]f the Commission allows Xcel to net step period under-collection against its test-year refund obligation, Xcel's proposed methodology appears consistent with previous Xcel refund plans.").

<sup>8</sup> Minn. Stat. § 216B.16, subd. 3(c) provides that "If at the time of its final determination, the Commission finds that the interim rates are in excess of the rates in the final determination, the commission shall order the utility to refund the excess amount collected under the interim rate schedule..." Any refund is paid with interest. If the calculation indicates that the Company collected less in total interim rate revenues during the single Pre-Decision Phase than final rates would have authorized, no surcharge to customers may be collected. *Id.* A surcharge may be collected for the typically shorter Compliance and Reconsideration Phase, but the utility collects no interest on the surcharge. This structure underscores that the statute represents a "balancing of interests."

these moderations of interim rates, our customers will still receive a refund at the end of this proceeding.

We also believe that it is important to consider the procedural posture of this case. At the time we filed our initial rate case application and requested interim rates, we anticipated this proceeding would be completed in March of 2015. As such, interim rates would only be in effect during 2015 for a limited period, and an initial request for a 2015 interim rate increase could have unnecessarily confused the regulatory process. We therefore noted in our initial filing that we would see how the case proceeded before determining whether to seek an interim rate increase for 2015. As noted above, we determined that our interim rate refund calculation is a simpler and more moderate approach. This case has since been extended by voluntary Company waiver to facilitate the regulatory process. Changing the historic method of calculating interim rates at the end of this proceeding would exacerbate the potential harm to the Company from this unique procedural situation.

We do not believe the Alternative method proposed by the Department meets the purpose of interim rates or strikes the right balance. The Alternative method treats the interim rate period as two separate segments (one for calendar year 2014 and the other for calendar year 2015) and analyzes each calendar year in isolation for purposes of determining whether an under- or over-collection situation exists. Because the Company's interim rates are higher than final approved rates for 2014, the Department characterizes this as an over-collection and calculates a refund. Because the Company's interim rates are lower than the final rates approved for 2015, the Department would not allow the Company to factor this under-recovery into the total refund provided to customers at the end of this proceeding.

We disagree with this proposal because it both deviates from prior precedent in which the interim rate period has exceeded one calendar year, and is inconsistent with the language in Minn. Stat. § 216B.16, subd. 3(c). The Company also does not believe the Department's reliance on the term "rates" in the Interim Rate Statute should be compelling.

As we have described in past filings, "rates" and "revenues" are interrelated concepts, as revenues are the results of rates and rates are calculated in terms of overall revenues.<sup>9</sup> Further, a narrow interpretation of "rates" appears to be contrary to past judicial precedent. In *Petition of Inter-City Gas Corp.*, the Minnesota Court of Appeals affirmed that the utility owes a refund to its customers not based on individual rates established by the Commission, but rather only if "the revenues authorized by the

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<sup>9</sup> See Reply Comments, January 23, 2015 at 4.

final order exceeded the revenues collected under interim rates.”<sup>10</sup> As a result, the language in the statute comparing interim rates to overall rates must pertain to revenues, and does not support the premise of the Alternative method proposed by the Department.

That said, while we disagree with the Department’s approach in this case, we do agree that MYRPs could depart from the historic method of setting interim rates by adjusting interim rate levels for each year of the MYRP while a rate case is pending. Had we asked for an increase in 2015 interim rates, the Department’s approach to calculating the interim rate refund could be appropriate although the same result would occur under our proposal as well. However, as the first Minnesota utility to propose an MYRP under the new statute and Commission Order, we opted to avoid the regulatory and customer confusion likely to result from a proposal to establish interim rates for the test year and then increase them for the 2015 Step. Taking a conservative, less controversial and less confusing approach should not be grounds for selecting an inherently asymmetrical approach to calculating interim rate refunds.

### CONCLUSION

We note that our calculations and discussion in this filing are based on the Commission’s oral decision during deliberations since the Commission’s Order has not yet been filed, and thank the Commission and parties for expediting consideration of this important issue. We believe such consideration will help smooth the transition from interim to final rates and minimize confusion as we look ahead to our next rate case petition later in 2015. We anticipate submitting additional filings during the compliance period to facilitate further discussion of issues that underlie the relatively new MYRP structure. We recognize the complexity of the issues before the Commission, and sincerely appreciate the willingness of our stakeholders to work through them in an expedited manner.

The Company appreciates the opportunity to comment further on interim rates. We believe our proposal is consistent with Minnesota law, the purposes of the interim rate and MYRP subdivisions of Minn. Stat. §216B.16, and prior Commission precedent including the MYRP Order. We also believe that our proposal provides the most equitable outcome, taking into consideration both our customers’ interests and the Company’s interests, and respectfully request adoption of this proposal.

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<sup>10</sup> *Petition of Inter-City Gas Corp.*, 385 N.W.2d 692, 693 (Minn. Ct. App. 1984) (emphasis added), *aff’d* 389 N.W.2d 209, 213 (Minn. 1986).

## **Schedule A: Interim Rate Refund Schedules**

**Direct Xcel to calculate the following:**

**The refunds due for 2014, based on the interim rate collections during 2014 and final rates in effect as of January 1, 2014; and**

**The amount of under-collection or over-collection for 2015, based on the interim rate collections in 2015 through the date of the Commission's final determination, compared with each of the following:**

- a. The final rates for 2015, if effective on January 1, 2015; and**
- b. The final rates for 2015, if effective on the date of the Commission's final determination.**

The draft interim schedules summarize the difference in the interim rate refund between an effective 2015 authorized increase as of January 1, 2015 or May 8, 2015.

Please see the following Schedule A. Schedule A calculated draft refund amounts assuming the date of the Commission's final determination is May 8, 2015 and final rates are implemented on September 1, 2015. The Company used the prime rate to derive refund related interest. The Company has estimated the interim revenue collections for April through August 2015.

With either option, the interim refund is calculated by comparing all interim rate revenues collected to the authorized revenue based on final rates. The calculations are detailed on Schedule A, pages 2-7, and are described as follows:

For test years 2014 and 2015, the ordered test year revenue increase is subtracted from the authorized interim revenue increase to provide the test year interim over- or under-recovery. The test year refund factors are equal to the test year interim over- or under-recovery as a percent of the test year interim rate increase. These interim refund factors are applied to the actual monthly interim revenues collected in 2014 and 2015 to provide actual monthly refund amounts.

As part of the refund, Xcel Energy will include interest, calculated by applying the monthly interest rate to the average refund balance for each month that interim revenues were collected (January 2014 through August 2015).

The actual interim revenue refund plus interest equals the total refund obligation. The total refund obligation as a percent of total actual revenues collected equals the actual interim revenue refund factor.

<b>Interim Refund Estimates</b>	<b><u>Description of Calculation</u></b>	<b><u>Company Proposal</u></b>	<b><u>Alternative Proposal</u></b>
2014 over-collection		\$65.5 million	\$65.5 million
2015 under-collection (Jan 3 - May 7)	\$3.4 million x 4 months = \$13.5 million	<u>-\$13.5 million</u>	<u>\$0</u>
2015 statutorily allowed surcharge (May 8 - Aug 31)	\$3.4 million x 4 months = \$13.5 million	<u>-\$13.5 million</u>	<u>-\$13.5 million</u>
2015 total under-collection/surcharge		-\$27.0 million	-\$13.5 million
<b>Final refund</b>		<b>\$38.5 million</b>	<b>\$52.0 million</b>
Interest		<u>\$2.2 million</u>	<u>\$2.4 million</u>
<b>Final refund plus interest</b>		<b>\$40.7 million</b>	<b>\$54.4 million</b>
Estimated Average Residential Refund		\$14.55	\$19.46



**Summary of Interim Refund**

Company Proposal, assuming Final Rates effective Sep 1, 2015

	<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>			
1 Authorized Annual Interim Rate Increase	\$127,406,000	\$127,406,000	
2 Approved Annual Base Rate Increase	\$58,908,000	\$168,084,000	
3 Annualized Excess Interim Recovery (line 1- line 2)	\$68,498,000	-\$40,678,000	
4 % Refundable (line 3 / line 1)	53.7636%	-31.9279%	
5 Actual Interim Revenue Collected (Sch A, Page 3) <sup>1</sup>	\$121,902,639	\$84,715,224	\$206,617,863
6 Interim Refund Excluding Interest (line 4 x line 5)	\$65,539,247	-\$27,047,792	\$38,491,455
7 Interest on Interim Refund Balance (Sch A, Page 4)	\$1,011,507	\$1,169,030	\$2,180,537
8 Interim Refund Including Interest (line 6 + line 7)	\$66,550,754	-\$25,878,762	<b>\$40,671,992</b>

9 **Interim Refund Factor (line 8 / line 5)**

**19.6846%**

**Est. Average Residential Customer Interim Refund**

10 Estimated Interim Revenues for Residential Customers	\$82,081,130
11 Average Residential Customers	1,110,256
12 Average Interim Revenues per Customer (line 10 / line 11)	\$74
13 Est. Average <b>Interim Refund</b> per Residential Customer (line 9 x line 12)	<b>\$14.55</b>

<sup>1</sup> Interim revenues for April 2015 to August 2015 are estimated

**Interim Rate Refund by Month**

Company Proposal, assuming Final Rates effective Sep 1, 2015

Interim Rate Refund Schedules - April 30, 2015

Schedule A - Page 3 of 7

	<b>Interim Revenue Collected</b>	<b>% Refundable<sup>1</sup></b>	<b>Interim Refund (excl. Interest)</b>
Jan-14	\$4,497,016	53.7636%	\$2,417,758
Feb-14	\$9,506,631	53.7636%	\$5,111,107
Mar-14	\$10,406,888	53.7636%	\$5,595,118
Apr-14	\$9,488,877	53.7636%	\$5,101,562
May-14	\$9,016,154	53.7636%	\$4,847,409
Jun-14	\$10,719,414	53.7636%	\$5,763,143
Jul-14	\$12,766,677	53.7636%	\$6,863,825
Aug-14	\$12,654,300	53.7636%	\$6,803,407
Sep-14	\$12,602,539	53.7636%	\$6,775,579
Oct-14	\$11,007,820	53.7636%	\$5,918,200
Nov-14	\$8,570,840	53.7636%	\$4,607,992
Dec-14	<u>\$10,665,481</u>	53.7636%	<u>\$5,734,147</u>
2014 Total	\$121,902,639		\$65,539,247
Jan-15	\$10,876,256	-31.9279%	-\$3,472,560
Feb-15	\$9,282,777	-31.9279%	-\$2,963,796
Mar-15	\$10,556,191	-31.9279%	-\$3,370,370
Apr-15 Est.	\$9,500,000	-31.9279%	-\$3,033,151
<u>Final Determination May 8th - surcharge period begins</u>			
May-15 Est.	\$9,000,000	-31.9279%	-\$2,873,511
Jun-15 Est.	\$10,500,000	-31.9279%	-\$3,352,430
Jul-15 Est.	\$12,500,000	-31.9279%	-\$3,990,988
Aug-15 Est.	<u>\$12,500,000</u>	-31.9279%	<u>-\$3,990,988</u>
2015 Total	\$84,715,224		-\$27,047,792
Grand Total	<u>\$206,617,863</u>		<u>\$38,491,455</u>

<sup>1</sup> Schedule A, Page 2, Line 4

Company Proposal, assuming Final Rates effective Sep 1, 2015

<b>Revenue Month</b>	<b>Beginning Balance</b>	<b>Curr Mo Int Rev Refund</b>	<b>Ending Balance</b>	<b>Average Balance</b>	<b>Days</b>	<b>Annual Interest<sup>1</sup></b>	<b>Monthly Interest</b>
Jan-14 <sup>1</sup>	\$0	\$2,417,758	\$2,417,758	\$1,208,879	29	3.25%	\$3,122
Feb-14	\$2,420,879	\$5,111,107	\$7,531,986	\$4,976,433	28	3.25%	\$12,407
Mar-14	\$7,544,393	\$5,595,118	\$13,139,511	\$10,341,952	31	3.25%	\$28,547
Apr-14	\$13,168,058	\$5,101,562	\$18,269,620	\$15,718,839	30	3.25%	\$41,989
May-14	\$18,311,609	\$4,847,409	\$23,159,018	\$20,735,313	31	3.25%	\$57,235
Jun-14	\$23,216,253	\$5,763,143	\$28,979,396	\$26,097,824	30	3.25%	\$69,713
Jul-14	\$29,049,109	\$6,863,825	\$35,912,935	\$32,481,022	31	3.25%	\$89,657
Aug-14	\$36,002,591	\$6,803,407	\$42,805,998	\$39,404,295	31	3.25%	\$108,767
Sep-14	\$42,914,765	\$6,775,579	\$49,690,344	\$46,302,554	30	3.25%	\$123,685
Oct-14	\$49,814,029	\$5,918,200	\$55,732,229	\$52,773,129	31	3.25%	\$145,668
Nov-14	\$55,877,897	\$4,607,992	\$60,485,889	\$58,181,893	30	3.25%	\$155,417
Dec-14	\$60,641,306	\$5,734,147	\$66,375,453	\$63,508,380	31	3.25%	<u>\$175,301</u>
2014 Total							\$1,011,507
Jan-15	\$66,550,754	(\$3,472,560)	\$63,078,194	\$64,814,474	31	3.25%	\$178,906
Feb-15	\$63,257,100	(\$2,963,796)	\$60,293,304	\$61,775,202	28	3.25%	\$154,015
Mar-15	\$60,447,319	(\$3,370,370)	\$57,076,949	\$58,762,134	31	3.25%	\$162,200
Apr-15 Est.	\$57,239,148	(\$3,033,151)	\$54,205,998	\$55,722,573	30	3.25%	\$148,848
May-15 Est.	\$54,354,846	(\$2,873,511)	\$51,481,335	\$52,918,090	31	3.25%	\$146,068
Jun-15 Est.	\$51,627,403	(\$3,352,430)	\$48,274,974	\$49,951,188	30	3.25%	\$133,431
Jul-15 Est.	\$48,408,405	(\$3,990,988)	\$44,417,417	\$46,412,911	31	3.25%	\$128,112
Aug-15 Est.	\$44,545,530	(\$3,990,988)	\$40,554,542	\$42,550,036	31	3.25%	<u>\$117,450</u>
2015 Total							\$1,169,030
Grand Total							<u>\$2,180,537</u>

<sup>1</sup> Interim rates effective January 3, 2014

**Summary of Interim Refund**

Alternative Proposal, assuming Final Rates effective Sep 1, 2015

	<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>			
1 Authorized Annual Interim Rate Increase	\$127,406,000	\$127,406,000	
2 Approved Annual Base Rate Increase	\$58,908,000	\$168,084,000	
3 Annualized Excess Interim Recovery (line 1- line 2)	\$68,498,000	-\$40,678,000	
4 % Refundable (line 3 / line 1)	53.7636%	-31.9279%	
5 Actual Interim Revenue Collected (Sch A, Page 6) <sup>1</sup>	\$121,902,639	\$84,715,224	\$206,617,863
6 Interim Refund Excluding Interest (line 4 x line 5)	\$65,539,247	-\$13,559,058	\$51,980,189
7 Interest on Interim Refund Balance (Sch A, Page 7)	\$1,011,507	\$1,387,209	\$2,398,715
8 Interim Refund Including Interest (line 6 + line 7)	\$66,550,754	-\$12,171,850	<b>\$54,378,904</b>

9 **Interim Refund Factor (line 8 / line 5)**

<b>26.3186%</b>
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**Est. Average Residential Customer Interim Refund**

10 Estimated Interim Revenues for Residential Customers	\$82,081,130
11 Average Residential Customers	1,110,256
12 Average Interim Revenues per Customer (line 10 / line 11)	\$74
13 Est. Average <b>Interim Refund</b> per Residential Customer (line 9 x line 12)	<b>\$19.46</b>

<sup>1</sup> Interim revenues for April 2015 to August 2015 are estimated

**Interim Rate Refund by Month**

Alternative Proposal, assuming Final Rates effective Sep 1, 2015

Interim Rate Refund Schedules - April 30, 2015

Schedule A - Page 6 of 7

	<b>Interim Revenue Collected</b>	<b>% Refundable<sup>1</sup></b>	<b>Interim Refund (excl. Interest)</b>
Jan-14	\$4,497,016	53.7636%	\$2,417,758
Feb-14	\$9,506,631	53.7636%	\$5,111,107
Mar-14	\$10,406,888	53.7636%	\$5,595,118
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Nov-14	\$8,570,840	53.7636%	\$4,607,992
Dec-14	<u>\$10,665,481</u>	53.7636%	<u>\$5,734,147</u>
2014 Total	\$121,902,639		\$65,539,247
Jan-15	\$10,876,256	0.0000%	\$0
Feb-15	\$9,282,777	0.0000%	\$0
Mar-15	\$10,556,191	0.0000%	\$0
Apr-15 Est.	\$9,500,000	0.0000%	\$0
<u>Final Determination May 8th - surcharge period begins</u>			
May-15 Est. <sup>2</sup>	\$9,000,000	-24.7184%	-\$2,224,654
Jun-15 Est.	\$10,500,000	-31.9279%	-\$3,352,430
Jul-15 Est.	\$12,500,000	-31.9279%	-\$3,990,988
Aug-15 Est.	<u>\$12,500,000</u>	-31.9279%	<u>-\$3,990,988</u>
2015 Total	\$84,715,224		-\$13,559,058
Grand Total	<u>\$206,617,863</u>		<u>\$51,980,189</u>

<sup>1</sup> Sch A, Page 5, Line 4

<sup>2</sup> Assumes start date of 5/8/2015.

Alternative Proposal, assuming Final Rates effective Sep 1, 2015

Schedule A - Page 7 of 7

<b>Revenue Month</b>	<b>Beginning Balance</b>	<b>Curr Mo Int Rev Refund</b>	<b>Ending Balance</b>	<b>Average Balance</b>	<b>Days</b>	<b>Annual Interest<sup>1</sup></b>	<b>Monthly Interest</b>
Jan-14 <sup>1</sup>	\$0	\$2,417,758	\$2,417,758	\$1,208,879	29	3.25%	\$3,122
Feb-14	\$2,420,879	\$5,111,107	\$7,531,986	\$4,976,433	28	3.25%	\$12,407
Mar-14	\$7,544,393	\$5,595,118	\$13,139,511	\$10,341,952	31	3.25%	\$28,547
Apr-14	\$13,168,058	\$5,101,562	\$18,269,620	\$15,718,839	30	3.25%	\$41,989
May-14	\$18,311,609	\$4,847,409	\$23,159,018	\$20,735,313	31	3.25%	\$57,235
Jun-14	\$23,216,253	\$5,763,143	\$28,979,396	\$26,097,824	30	3.25%	\$69,713
Jul-14	\$29,049,109	\$6,863,825	\$35,912,935	\$32,481,022	31	3.25%	\$89,657
Aug-14	\$36,002,591	\$6,803,407	\$42,805,998	\$39,404,295	31	3.25%	\$108,767
Sep-14	\$42,914,765	\$6,775,579	\$49,690,344	\$46,302,554	30	3.25%	\$123,685
Oct-14	\$49,814,029	\$5,918,200	\$55,732,229	\$52,773,129	31	3.25%	\$145,668
Nov-14	\$55,877,897	\$4,607,992	\$60,485,889	\$58,181,893	30	3.25%	\$155,417
Dec-14	\$60,641,306	\$5,734,147	\$66,375,453	\$63,508,380	31	3.25%	<u>\$175,301</u>
2014 Total							\$1,011,507
Jan-15	\$66,550,754	\$0	\$66,550,754	\$66,550,754	31	3.25%	\$183,698
Feb-15	\$66,734,452	\$0	\$66,734,452	\$66,734,452	28	3.25%	\$166,379
Mar-15	\$66,900,831	\$0	\$66,900,831	\$66,900,831	31	3.25%	\$184,665
Apr-15 Est.	\$67,085,496	\$0	\$67,085,496	\$67,085,496	30	3.25%	\$179,201
May-15 Est.	\$67,264,697	(\$2,224,654)	\$65,040,043	\$66,152,370	31	3.25%	\$182,599
Jun-15 Est.	\$65,222,642	(\$3,352,430)	\$61,870,212	\$63,546,427	30	3.25%	\$169,747
Jul-15 Est.	\$62,039,960	(\$3,990,988)	\$58,048,972	\$60,044,466	31	3.25%	\$165,739
Aug-15 Est.	\$58,214,711	(\$3,990,988)	\$54,223,724	\$56,219,218	31	3.25%	<u>\$155,180</u>
2015 Total							\$1,387,209
Grand Total							<u>\$2,398,715</u>

<sup>1</sup> Interim rates effective January 3, 2014

## LEGAL ANALYSIS OF INTERIM RATE PROPOSAL

Minnesota Statutes § 216B.16 governs rate change procedures and hearings. Within this statute, individual subdivisions govern procedural scheduling (subd. 2), interim rates (subd. 3), and MYRPs (subd. 19). In addition, interim rates for MYRPs are addressed to some extent in the Commission June 17, 2013 MYRP Order.<sup>1</sup>

The Commission has requested comments from the parties on the Company's interim rate refund proposal, including whether our proposal is consistent with:

1. The Interim Rate Statute, Minn. Stat. § 216B.16, subd. 3, including the provisions in:
  - a. Subd. 3(c) for implementation of the new revenue requirement; and
  - b. Subd. 3(b) prohibiting changes in rate design while interim rates are in effect; and
2. The Multi-Year Rate Plan Statute, Minn. Stat. § 216B.16, subd. 19 and the Commission's MYRP Order; and
3. The various extensions to the length of this proceeding.

Below we illustrate that the Company's interim rate refund proposal is consistent with these provisions and the underlying policy rationale for interim rates.

### 1. Minn. Stat. § 216B.16, subsd. 3(a) and (b)

Our proposal gives effect to the entire Interim Rate statute set forth in Minn. Stat. § 216B.16, subd. 3, and specifically those sections of Subdivision 3 that pertain to the determination of a refund or surcharge for interim rates. To begin with, it calculates interim rates in the manner set forth in Minn. Stat. § 216B.16, subsd. 3(a) and 3(b).

These statutes provide as follows:

**Subd. 3. Interim rate.** (a) Notwithstanding any order of suspension of a proposed increase in rates, the commission shall order an interim rate schedule into effect not later than 60 days after the initial filing date....

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<sup>1</sup> *In re the Minn. Office of the Attorney General – Antitrust and Utilities Division's Petition for a Commission Investigation Regarding Criteria and Standards for Multiyear Rate Plans under Minn. Stat. § 216B.16, subd. 19*, Docket No. E,G-999/M-12-587, ORDER ESTABLISHING TERMS, CONDITIONS, AND PROCEDURES FOR MULTIYEAR RATE PLANS (June 17, 2013) ("MYRP Order").

(b) Unless the commission finds that exigent circumstances exist, the interim rate schedule shall be calculated using the proposed test year cost of capital, rate base, and expenses, except that it shall include: (1) a rate of return on common equity for the utility equal to that authorized by the commission in the utility's most recent rate proceeding; (2) rate base or expense items the same in nature and kind as those allowed by a currently effective order of the commission in the utility's most recent rate proceeding; and (3) no change in the existing rate design. In the case of a utility which has not been subject to a prior commission determination, the commission shall base the interim rate schedule on its most recent determination concerning a similar utility.

Under these subdivisions, interim rates are collected pursuant to an “interim rate schedule” put into effect no later than 60 days after the initial filing date.<sup>2</sup> The interim rate schedule must be calculated based upon the proposed test year and the existing rate design approved in the utility's most recent rate proceedings.<sup>3</sup> Our proposal does not propose to alter the interim rate class revenue apportionment that the Commission approved at the outset of this case, as refunds would be provided in the same proportion that interim revenues were collected. As a result, the Company's proposal does not change the existing rate design and is consistent with Minn. Stat. § 216B.16, subd. 3(b).

Perhaps more importantly, Subdivision 3(b) provides that the interim rate schedule should use the proposed test year cost of capital, rate base, and expenses with limited exceptions. Our proposed interim rates were based on our anticipated 2014 cost of service (including our rate moderation proposal), but interim rates were not increased for the 2015 Step year of the MYRP to reflect our increased 2015 capital investments and associated expenses of the same nature and kind. As such, the Company has not been made reasonably whole for 2015 in the manner contemplated by Subdivision 3(b).

We submitted our interim rate proposal in November 2014 in lieu of a request for increased interim rates, as we believe our proposed calculation of interim rates for the entire interim rate period is less confusing for customers and reduces our overall interim rate collection, while allowing the Company to recover reasonable costs of

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<sup>2</sup> Minn. Stat. § 216B.16, subd. 3(a).

<sup>3</sup> See Minn. Stat. § 216B.16, subd. 3(b); MYRP Order at ¶ 5; and *In re Petition of Inter-City Gas Corp.*, 389 N.W.2d 897, 900 (Minn. 1986).



service during the interim rate period. Moreover, the Company's interim rate proposal is ultimately most consistent with the remainder of Minn. Stat. §216B.16, subd. 3 and the MYRP Order than other proposals on the record.

## 2. Minn. Stat. §216B.16, subd. 3(c)

Minn. Stat. § 216B.16, subd. 3(c) governs the determination of refunds and surcharges in the event interim rates exceed or are less than final rates. This subdivision provides as follows:

(c) If, at the time of its final determination, the commission finds that the interim rates are in excess of the rates in the final determination, the commission shall order the utility to refund the excess amount collected under the interim rate schedule, including interest on it which shall be at the rate of interest determined by the commission. The utility shall commence distribution of the refund to its customers within 120 days of the final order, not subject to rehearing or appeal. If, at the time of its final determination, the commission finds that the interim rates are less than the rates in the final determination, the commission shall prescribe a method by which the utility will recover the difference in revenues between the date of the final determination and the date the new rate schedules are put into effect. In addition, when an extension is granted for settlement discussions under subdivision 1a, the commission shall allow the utility to also recover the difference in revenues for a length of time equal to the length of the extension.

Under Subdivision 3(c), interim rates are collected under the interim rate schedule from the time the interim rate schedule is adopted (here, January 3, 2014) until final rates are put into effect (a date yet to be determined). This length of time is commonly referred to as the “interim rate period.”<sup>4</sup> Prior judicial precedent confirms that the interim rate period is the entire length of time interim rates are in effect.<sup>5</sup> The

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<sup>4</sup> See, e.g., Order Setting Interim Rates, Docket No. E-002/GR-13-868 at ¶ 5 (Jan. 2, 2014) (“Throughout the interim rate period, the Company shall display the interim rate increase on customer bills using a single, line-item interim rate adjustment.”); *In re Minnegasco*, Docket No. G-008/GR-93-1090, 1995 WL 638618 (Sept. 29, 1995) (“Minnegasco’s evaluation of CCRC revenues collected during the interim rate period began on February 1, 1994, and will end on the date that Minnegasco implements final rates.”).

<sup>5</sup> *In re Minn. Power & Light Co.*, 435 N.W.2d 550, 556 (Minn. Ct. App. 1989).

interim rate period does not necessarily fall solely within the test year, and does not create a substantive period for calculating rates.<sup>6</sup>

However, the calculation of interim rates can become confusing because the key date for determining whether the Company has, as a whole, under-collected or over-collected interim rate revenues (as compared to final authorized rates) is not the end of a particular calendar year or the date final rates go into effect. Rather, under Minn. Stat. § 216B.16, subd. 3(c), it is the time of the Commission’s “final determination” in a rate case, which is the Commission’s order *before* reconsideration.<sup>7</sup> Here, the Commission’s “final determination” is expected on or before May 8, 2015 due to statutory deadlines as extended, and we will hereafter refer to the final determination as the “May 8 Order.”

We refer to the period of time between implementation of interim rates and the May 8 Order as the Pre-Decision Phase of this proceeding. We refer to the period between issuance of the May 8 Order and the implementation date for final rates as the Compliance and Reconsideration Phase.<sup>8</sup>

It is important to note that Subdivision 3(c) does not further divide either of these two phases of the interim rate period into calendar years or other divisible timeframes. Specifically, the Pre-Decision Phase culminates in a comparison of total interim rate revenues collected versus total final rates permitted as of the “final determination”: “If, at the time of its final determination, the commission finds that the interim rates are in excess of the rates in the final determination, the commission shall order the utility to refund the excess amount collected under the interim rate schedule...”<sup>9</sup> Hence the obligation to refund any “excess amount collected” during the Pre-Decision Phase is not defined by particular years, but rather by what total amounts were collected and owed during this phase. This is the method by which the Company calculates its interim rate refund.

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<sup>6</sup> *Id.*

<sup>7</sup> Minn. Stat. § 216B.16, subd. 2(g).

<sup>8</sup> As previously noted, all parties agree that Minn. Stat. § 216B.16, subd. 3(c) allows a utility to collect a surcharge for the Compliance and Reconsideration Phase to the extent the Company’s interim rate revenues during this period were lower than final authorized rates. In this proceeding, all proposals on the record include this under-collection during the Compliance Phase as a reduction to the overall customer refund. However, even including this under-collection customers will receive an overall refund. Because there is no dispute about the treatment of the Compliance Phase, we focus our discussion on the Pre-Decision Phase.

<sup>9</sup> Minn. Stat. § 216B.16, subd. 3(c).

The Company’s approach is further supported by the overall structure of the interim rate statute. For the entire Pre-Decision Phase, the Company must determine whether there was an “excess amount collected under the interim rate schedule” and refund any such amount with interest.<sup>10</sup> Conversely, if there is an under-recovery for the Pre-Decision Phase, no surcharge is permitted. During the Compliance and Reconsideration Phase, the Company must also refund the total over recovery with interest or may collect an overall surcharge with no interest.<sup>11</sup> Because the length of time available for the utility to surcharge is limited to the shorter period after the final determination, and because the utility pays interest on any refund but does not incur interest on under recovered amounts, there are substantial ratepayer protections in any interim rate refund amount calculated consistent with the statute.

Finally, the Company’s approach is consistent with how interim rate refunds are calculated in traditional, non-MYRP rate cases. In a traditional rate case, the utility must refund, with interest, “the revenue collected during the Interim Rate period that is in excess of the amount authorized by the Commission,”<sup>12</sup> regardless of whether the interim rate schedule is in effect for more than 12 months, or whether it is in effect during more than one calendar year.<sup>13</sup> While it is true that this proceeding has gone on longer than most traditional rate cases, many traditional rate cases have interim rates in effect for longer than one year.<sup>14</sup> And the interim rate calculation method the Company proposes here was utilized in our lengthier 2010 rate case; the only difference in that case was that our interim rates were reduced to account for a settlement outcome, mitigating the effect of interim rates on our customers. The Company’s proposal is consistent with this precedent.

In short, the Commission has historically approved calculating the interim rate refund based on the revenues collected during the Pre-Decision Phase when compared to the authorized revenue requirements over the same period even when the interim rate period lasts longer than a year. Our proposal adheres to Commission precedent by

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<sup>10</sup> Minn. Stat. § 216B.16, subd. 3(c).

<sup>11</sup> Minn. Stat. § 216B.16, subd. 3(c).

<sup>12</sup> *In re Application of Northern States Power Company*, Docket No. G-002/GR-09-1153 ALJ Findings of Fact, Conclusions and Recommendations at 53 (Oct. 15, 2010).

<sup>13</sup> See, e.g., *In the Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-001/GR-10-276, ORDER ON REVISING REVENUE REQUIREMENTS AND APPROVING COMPLIANCE FILING (Feb. 13, 2012).

<sup>14</sup> If the Commission uses its 90 day extension under Minn. Stat. § 216B.16, subd. 2(f), then the Commission has nearly 13 months to make its final determination (10 months + 90 days).

continuing to calculate the interim rate refund on the basis of a single period prior to the final determination.

### 3. Minn. Stat. § 216B.16, subd. 19 and the MYRP Order

Minnesota Statutes § 216B.16, subd. 19 is the enabling statute for multiyear rate plans, but it does not specifically address interim rates for MYRP proceedings. However, subd. 19(c) allows the Commission to, by order, establish terms and procedures for MYRPs. The Commission established terms and procedures in the MYRP Order.<sup>15</sup>

The MYRP Order states generally that multiyear rate plans will be evaluated within the context of a general rate case subject to Minn. Stat. § 216B.16.<sup>16</sup> The MYRP Order also specified that interim rates will be calculated based upon the rate case test year unless it is demonstrated to be reasonable to do otherwise,<sup>17</sup> and that utilities should include an “explanation of how the utility proposes to collect and possibly refund interim rates in conjunction with the collection of and transition to the rates arising from a multiyear rate plan.”<sup>18</sup> While the Company initially based interim rates solely on the 2014 test year and established our proposed refund process as information has become available, these requirements do not address the specific calculation of interim rates in an MYRP.<sup>19</sup> For this reason, the Company discussed its plan for interim rates in our initial filing on interim rates in this case, and noted that additional filings or proceedings may be needed to address the potential for additional interim rates for the 2015 Step year.

The MYRP Order also states that “interim rates will be calculated based upon the rate case test year unless it is demonstrated to be reasonable to do otherwise.”<sup>20</sup> This language provides information regarding the establishment of interim rates, but not the proper calculation of an interim rate refund during the MYRP. In this proceeding, we believe it was in customers’ interests to avoid implementing additional 2015

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<sup>15</sup> *In re the Minn. Office of the Attorney General – Antitrust and Utilities Division’s Petition for a Commission Investigation Regarding Criteria and Standards for Multiyear Rate Plans under Minn. Stat. § 216B.16, subd. 19*, Docket No. E,G-999/M-12-587, ORDER ESTABLISHING TERMS, CONDITIONS, AND PROCEDURES FOR MULTIYEAR RATE PLANS at 6 (June 17, 2013) (“MYRP Order”).

<sup>16</sup> MYRP Order at p. 6.

<sup>17</sup> MYRP Order at ¶ 5.

<sup>18</sup> MYRP Order at ¶ 21.

<sup>19</sup> See NOTICE AND PETITION FOR INTERIM RATES and CLARK DIRECT at 26.

<sup>20</sup> MYRP Order at ¶ 5.

interim rates during the first MYRP in the State. Adopting our proposal would avoid effectively penalize the Company for not requesting higher 2015 interim rates and thereby not ensuring we were in a refund situation for both 2014 and 2015. In light of this policy consideration as well as the language of the applicable statutes and MYRP Order, we believe that our proposal is most consistent with the Commission's directions for this MYRP.

### **3. Impact of Extensions of this Proceeding**

In a traditional rate case, the Commission has ten months to make a final determination on a utility's proposed rates.<sup>21</sup> If the Commission has insufficient time to make the final determination, the Commission may opt to extend the proceeding for an additional 90 calendar days.<sup>22</sup> Under the MYRP subdivision, the Commission may further extend the MYRP proceeding an additional 90 calendar days, for a total of 180 days past the default ten months.<sup>23</sup>

In this proceeding, the Commission has utilized each of its available extensions to the procedural schedule. In addition, the Company granted two waivers of the statutory deadline to allow the parties more time to review the proposed MYRP. The combined effect of these procedural extensions is that the date of final determination was pushed from March 26, 2015 to May 8, 2015.

The Commission asked the Parties to comment on whether the Company's proposal is consistent with the various extensions to the procedural schedule. The Company's proposal is consistent with these extensions and public policy. The statutory provisions allowing extensions to the procedural schedule specify that "extensions of the suspension period under *this paragraph* [in Minn. Stat. § 216B.16, subd. 2(f)] does not alter the setting of interim rates under subdivision 3."<sup>24</sup> However, the MYRP statute includes additional extension opportunities without the same proviso that such extensions cannot affect the setting of interim rates. This distinction could be read as inapplicable to the interim rate refund issue because the extension of time statute refers to the setting of interim rates rather than the over- or under recovery of interim rates. It could also be read as supporting the possibility that extensions of time to

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<sup>21</sup> Minn. Stat. § 216B.16, subd. 2(a).

<sup>22</sup> Minn. Stat. § 216B.16, subd. 2(f).

<sup>23</sup> Minn. Stat. § 216B.16, subd. 19(d).

<sup>24</sup> Minn. Stat. § 216B.16, subd. 2(f).

resolve an MYRP should be considered in assessing whether interim rates were adequate.

Either way, the policy behind extending the statutory period supports the Company's interim rate proposal. As we discussed in our January 23, 2015 Reply Comments on interim rates, granting the two waivers to the procedural schedule increased the Company's exposure to additional under-recovery of rates during the schedule extension periods. While we recognize that the waivers were voluntary, they reduced the Company's cost recovery protections in order to allow other parties and the Commission more time to consider the complexities of this first MYRP. Because the Company's proposal ensures comparison of final and interim rates for the entire Pre-Decision Phase, as contemplated by statute, the impact of the statutory time waivers is mitigated.

#### 4. Policy Considerations

The Minnesota Supreme Court has stated that “the purpose of the interim rate period is to prevent the ‘potentially confiscatory effect of regulatory delay,’”<sup>25</sup> and the “thrust of the statute is a balancing of interests.”<sup>26</sup> The Commission has found that the purposes of the MYRP statutory provisions are to reduce regulatory lag, increase regulatory efficiencies, create more gradual rate changes, make utility bills more predictable, and reduce rate shock.<sup>27</sup>

Overall, our proposal is not only consistent with Minnesota law, but also supports the purpose of interim rate relief as articulated by the Minnesota Supreme Court, as well as the legislative intent of the interim rate subdivision and the MYRP subdivision.<sup>28</sup> We believe that the outcome of this issue should incent utilities to file MYRPs, instead of annually filing individual rate cases. As explained in our Reply Comments:

We believe our proposal more closely meets [the intent of the MYRP and interim rate statutes] by addressing the length of this proceeding

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<sup>25</sup> *In re Petition of Minnesota Power & Light Company*, 325 N.W.2d 550, 555 (Minn. Ct. App. 1989) (quoting *Henry v. Minnesota Public Utilities Commission*, 392 N.W.3d 209, 213 (Minn. 1986)).

<sup>26</sup> *In re the Application of Peoples Natural Gas Co.*, 389 N.W.2d 903, 909 (Minn. 1986).

<sup>27</sup> MYRP Order at 4-5.

<sup>28</sup> See, *In re Petition of Minnesota Power & Light Company*, 435 N.W.2d 550, 556 (Minn. Ct. App. 1989) (citing *Sandy v. Walter Butler Shipbuilders*, 21 N.W.2d 612 (Minn. 1946)) (noting that in light of ambiguity, the entire Act should be construed so as to ascertain and effectuate its principal objective).

while still returning the “excess amount collected” under interim rates to our customers. We also believe the outcome of this issue should incent utilities to continue filing MYRPs, not year over year individual rate cases. The Department’s alternative proposal treats our MYRP the same as if we filed back to back rate cases without acknowledging that we would likely have received interim rate relief in both cases. We believe such an outcome is inconsistent with the MYRP Statute as well as the Minnesota Supreme Court’s observations regarding the purpose of providing interim rate relief.<sup>29</sup>

For these reasons, the Company’s interim rate proposal is not only consistent with the applicable law but also with public policy considerations regarding the effects of regulatory delay. As such, we respectfully request that the Commission adopt the Company’s interim rate proposal.

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<sup>29</sup> Reply Comments at 5.



414 Nicollet Mall  
Minneapolis, MN 55401

November 13, 2014

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

—Via Electronic Filing—

Re: 2015 INTERIM RATES  
NORTHERN STATES POWER COMPANY - ELECTRIC RATE CASE  
DOCKET NO. E002/GR-13-868

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Notice of a Compliance Proposal Related to Interim Rates.

We have electronically filed this document, and copies have been served on the parties on the attached service list. Please contact me at (612) 215-4663 or [aakash.chandara@xcelenergy.com](mailto:aakash.chandara@xcelenergy.com) if you have any questions regarding his filing.

Sincerely,

AAKASH CHANDARANA  
LEAD GENERAL COUNSEL

Enclosure  
cc: Service List



STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Daniel Lipschultz	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE APPLICATION OF  
NORTHERN STATES POWER COMPANY,  
FOR AUTHORITY TO INCREASE RATES FOR  
ELECTRIC SERVICE IN THE STATE OF  
MINNESOTA

DOCKET NO. E002/GR-13-868

**NOTICE OF A COMPLIANCE PROPOSAL  
RELATED TO INTERIM RATES**

**INTRODUCTION**

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Notice of a Compliance Proposal Related to Interim Rates. While we believe the Commission does not need to take any formal action on our proposal until it deliberates on the merits of our rate case, or our compliance filing, we respectfully request the Commission initiate a notice period, to the extent it believes one is necessary, so that our stakeholders can provide feedback on our proposal. Beginning this dialogue now make sense as the compliance window is historically abbreviated and there is additional time before Commission deliberations in light of the Company's recent second waiver of applicable statutory deadlines.

When we began this proceeding, our interim rate request did not include a specific change to account for the second year of our multi-year rate plan (MYRP). Instead, we indicated to the Commission that we would return with a proposal on how to deal with interim rates for the 2015 step year at a later time. Prior to submitting this filing, we analyzed modifying our interim rate schedule to address the second year of our MYRP, or requesting a change to the timing of the effective date of a possible surcharge. At this time, we are not bringing either of those alternatives forward; instead we are suggesting a proposal that builds upon the way in which we have approached calculating interim rate refunds but recognizes the nuances that arise with a MYRP.

Specifically, our proposal seeks to calculate the interim rate refund by comparing the interim rate revenues collected from January 1, 2014 until the date of the

Commission's final rate determination to the two sets of final rates (one set for the 2014 test year and the other for the 2015 test year) authorized by the Commission for that same period of time. The difference between these amounts would determine whether a refund would exist. To the extent there is a refund, we will refund it consistent with Minnesota law and the Commission's decision in this case.

Mechanically our proposal is consistent with how we have calculated an interim rate refund in prior cases where the Commission has ordered rate changes effective for the year following the test year. For example, in our 2005 rate case and 2010 rate case, the interim rate refund incorporated post-test year changes in revenue requirements. Our proposal in this case builds on this framework while acknowledging that rates will change from the 2014 test year and the 2015 step year but how that translates to interim rate changes have not been clearly spelled out in the Commission's Order related to multi-year rate plans, and Minn. Stat. § 216B.16, subd. 3 (Interim Rate Statute) and subd. 19 (MYRP Statute).

We believe calculating an interim rate refund as provided by our proposal is consistent with Minnesota law and will minimize confusion since it simply builds on the way we calculate interim rate refunds for a traditional rate case. However, we believed it was important to notify the Commission and parties of our intent and provide opportunity for comments to the extent the Commission desires.

## **BACKGROUND**

On November 4, 2014, the Company submitted a request to increase its electric retail rates through the use of the MYRP. The Commission accepted our filing and authorized the Company to implement an interim rate increase of approximately \$127 million during the pendency of this proceeding.<sup>1</sup> In referring the matter to the Administrative Law Judge, the Commission noted that a ten-month procedural schedule would be insufficient due to several factors.<sup>2</sup> The Commission therefore suspended the Company's proposed rates for ten months and 180 days in accordance with Minn. Stat. § 216B.16, subds. 2(a), 2(f), and 19(d).<sup>3</sup> This would result in any new rates taking effect no later than March 3, 2015.<sup>4</sup> During the course of this proceeding, the Company waived this statutory deadline twice so that the new deadline is now May 8, 2015.

As has been noted throughout this rate case, we are the first utility to propose a MYRP under Minnesota law. As such, we are navigating new territory in an effort to

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<sup>1</sup> See January 2, 2014 Order Accepting Filing and Suspending Rates, and Order Setting Interim Rates.

<sup>2</sup> See January 2, 2014 Notice and Order for Hearing.

<sup>3</sup> See January 2, 2014 Notice and Order for Hearing.

<sup>4</sup> See January 2, 2014 Notice and Order for Hearing.

build this tool and offer customers greater rate predictability, find opportunities for rate moderation, improve regulatory efficiency, and enable a longer-term view of Company investments. As the case progresses and 2014 comes to a conclusion, we are faced with the determination of how to handle the second year of interim rates for a multi-year proposal. In fact, we mentioned the prospect of having this dialogue about how to handle interim rates in the second year of this MYRP in our interim rate petition. We are cognizant of the interests of our customers and the Company and the need to find a proposal that balances these interests within the bounds of Minnesota statutes and Commission orders.

Prior to submitting this filing, we evaluated the option of requesting an interim rate increase for the second year of this MYRP, or requesting the surcharge date be effective as of March 3, 2015, which is the date by which the Commission would have issued a final determination in this case but for our two statutory deadline waivers. While we believe either alternative is supported under Minnesota law, we ruled out such a request at this time. We believe allowing for this case to continue to evolve will provide us, as well as our stakeholders, with better information as to which, if any, additional interim rate proposal is taken next. Should we bring forward another proposal, we will work with our stakeholders to understand their respective perspectives.

### **INTERIM RATE REFUND PROPOSAL**

Based on the circumstances surrounding this case, we are proposing that the interim rate refund be calculated by taking the difference between: (1) the sum of the total revenue collected for the months that interim rates were in effect and (2) the total amount of revenue that would have been collected had final revenue requirements for 2014 and final revenue requirements for 2015 been effective over the course of the period beginning January 1, 2014 through the Commission's final determination. Since this is a two-year MYRP, this means final authorized rates will likely be different from the 2014 test year and the 2015 step year, and we will incorporate that change into our calculation starting January 1, 2015. If the interim revenues actually received exceed the final Commission approved revenue requirements for the entirety of the time period, the difference would be refunded with interest consistent with the Interim Rate Statute, subject to any modifications the Commission may order.

We believe that our proposal is appropriate for two reasons.

First, it is consistent with the Interim Rate Statute. While the Interim Rate Statute, MYRP Statute, and Commission's Order regarding multi-year rate plans are not fully in sync on how to address changes to interim rates, including calculating interim rate refunds, in a MYRP, the Interim Rate Statute allows for interim rates and requires the

utility to refund the excess above final rates to customers. By way of background, in a traditional rate case, we ascertain whether we have a refund obligation by comparing the interim rate revenues we receive during the proceeding to the final rates authorized by the Commission. This approach has been accepted in our recent electric rate cases where we have had separate revenue requirements for both the test year and the year beyond the test year. This methodology complies with a narrow interpretation of the Interim Rate Statute without a need to overlay the MYRP statute.

Second, our proposal, compared to a second interim rate, will streamline and simplify the customer billing process. By avoiding an increase in the interim rate, this approach reduces customer impact during the rate setting process, increases rate stability and rate predictability during the process leading to a final determination.

### CONCLUSION

The Company appreciates the opportunity to be able to propose the use of the MYRP, an innovative rate-making tool, in this proceeding. As the first utility to make use of a multi-year rate plan, we are learning, along with our stakeholders, that there are opportunities to refine, and, at times, develop the rules that will shape the use of a multi-year rate plan in the future.

With this filing, we lay out our proposal for the method to calculate an interim rate refund for a multi-year rate plan. Specifically, we are proposing to determine whether an interim rate refund will be due based on a comparison of interim rate revenues collected during the pendency of this proceeding and the final rates authorized during that same period of time. We respectfully request the Commission commence a comment period, if it determines one is needed, about our proposal for calculating an interim rate refund for this MYRP. We look forward to continuing this discussion with the Commission and our stakeholders.

Dated: November 13, 2014

Northern States Power Company

## CERTIFICATE OF SERVICE

I, Tiffany Hughes, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

**Docket No. E002/GR-13-868**

Dated this 13th day of November 2014

/s/

---

Tiffany Hughes  
Records Analyst

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jorge	Alonso	jorge.alonso@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
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_13-868_Official CC Service List
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Andrew	Bahn	Andrew.Bahn@state.mn.us	Public Utilities Commission	121 7th Place E., Suite 350  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Aakash	Chandarana	Aakash.Chandara@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620  St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd.  St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James	Denniston	james.r.denniston@xcelenergy.com	Xcel Energy Services, Inc.	414 Nicollet Mall, Fifth Floor  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Stephen	Fogel	Stephen.E.Fogel@XcelEnergy.com	Xcel Energy Services, Inc.	816 Congress Ave, Suite 1650  Austin, TX 78701	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Benjamin	Gerber	bgerber@mchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Sarah	Johnson Phillips	siphillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Clark	Kaml	clark.kaml@state.mn.us	Public Utilities Commission	121 E 7th Place, Suite 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Ganesh	Krishnan	ganesh.krishnan@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	1500 Wells Fargo Plaza 7900 Xerxes Ave S Bloomington, MN 55431	Electronic Service	No	OFF_SL_13-868_Official CC Service List
John	Lindell	agorud.ecf@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_13-868_Official CC Service List
Susan	Mackenzie	susan.mackenzie@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East  St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-868_Official CC Service List



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mary	Martinka	mary.a.martinka@xcelenergy.com	Xcel Energy Inc	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Connor	McNellis	cmcnellis@larkinhoffman.com	Larkin Hoffman Daly & Lindgren Ltd.	1500 Wells Fargo Plaza 7900 Xerxes Avenue  Minneapolis, MN 55431	Electronic Service South	No	OFF_SL_13-868_Official CC Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Dorothy	Morrissey	dorothy.morrissey@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Sean	Stalpes	sean.stalpes@state.mn.us	Public Utilities Commission	121 E. 7th Place, Suite 350  Saint Paul, MN 55101-2147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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_13-868_Official CC Service List
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Kari L	Valley	kari.l.valley@xcelenergy.com	Xcel Energy Service Inc.	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Samantha	Williams	swilliams@nrdc.org	Natural Resources Defense Council	20 N. Wacker Drive Ste 1600 Chicago, IL 60606	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List



414 Nicollet Mall  
Minneapolis, MN 55401

January 23, 2015

—Via Electronic Filing—

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

RE: REPLY COMMENTS  
ELECTRIC RATE CASE – INTERIM RATES  
DOCKET NO. E002/GR-13-13-868

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Reply Comments to the Minnesota Public Utilities Commission in response to the January 13, 2015 Comments from the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division regarding our Compliance Proposal Related to Interim Rates..

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at [aakash.chandarana@xcelenergy.com](mailto:aakash.chandarana@xcelenergy.com) or (612) 215-4663 if you have any questions regarding this filing.

Sincerely,

/s/

AAKASH CHANDARANA  
REGIONAL VICE PRESIDENT  
RATES AND REGULATORY AFFAIRS

Enclosures  
c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE APPLICATION OF  
NORTHERN STATES POWER COMPANY,  
FOR AUTHORITY TO INCREASE RATES FOR  
ELECTRIC SERVICE IN THE STATE OF  
MINNESOTA

DOCKET NO. E002/GR-13-868

**REPLY COMMENTS**

**INTRODUCTION**

Northern States Power Company, doing business as Xcel Energy, submits these Reply Comments to the Minnesota Public Utilities Commission in response to the January 13, 2015 Comments from the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division regarding our Compliance Proposal Related to Interim Rates.

Our Compliance Proposal proposes to calculate the interim rate refund by comparing the total interim rate revenues collected under our interim rate schedule to the total final rate revenues authorized for the 2014 Test Year and 2015 Step. In other words, our approach would net the total interim rate revenues collected against the aggregate of the two separate revenue requirements for these years ordered by the Commission for the period our interim rate schedule is in effect and then refund any excess amount to customers.

As we noted in our initial filing, we advanced this proposal, instead of requesting an additional interim rate increase for the 2015 Step Year, because of the unique circumstances presented by this case (*i.e.*, first utility to file for a Multi-Year Rate Plan and voluntary extension of the statutory deadlines). We also believe that a proposal which avoided an interim on interim rate increase would be less confusing for our customers. In light of our January 16, 2015 Compliance Filing, our proposal better accommodates the fact that we are experiencing higher sales revenue and lower property tax expense than initially forecasted.

The Department's Comments acknowledged that the Commission has discretion in determining the appropriate interim rate approach in a Multi-Year Rate Plan (MYRP) due to the lack of specific statutory guidance. In light of this discretion, the Department provided two approaches for the Commission's consideration, one of which was our proposal, and a second alternative suggesting the interim rate refund could be determined by treating 2014 and 2015 as two separate test years. After filing their Comments, the Department later modified their alternative to allow us to address a longer period of potentially under-collected revenue to acknowledge one of the Company's waivers of the statutory deadline.

We appreciate the Department's review and acknowledgement that our proposal is one of two available paths and of one of our two statutory deadline waivers. With that said, we continue to have concerns with the Department's alternative proposal as it has the potential to create significant financial exposure for the Company. Attachment A illustrates this point. We question whether this is the right outcome in this case because it shifts a potential financial liability to the Company for proposing a mechanism that avoided asking for an interim on interim rate increase, that may have increased rates for 2015 beyond the currently authorized levels.

## REPLY

### A. Our Proposal is Consistent with Minnesota Law

At the outset, the Company recognizes that it focused on the Interim Rate Statute (Minn. Stat. § 216B.16, subd. 3) in our Compliance Proposal. We did so in recognition of the fact that setting interim rates in a MYRP is unchartered, and there are circumstances in which the MYRP Statute (Minn. Stat § 216B.16, subd. 19) and the Commission's MYRP Order (June 17, 2013 Order Establishing Terms, Conditions, and Procedures for Multi-Year Plans in Docket No. E,G999/M-12-587) are not completely in-sync or are silent about the details of implementing several aspects of a MYRP, such as interim rates. As such, we took a conservative approach that applied the Interim Rate Statute in a manner consistent with its language and intent.

Below, we demonstrate that our proposal is consistent with Minnesota law (*i.e.*, the Interim Rate Statute, and the MYRP Statute when read in conjunction with the Interim Rate Statute) and the purpose of interim rates.<sup>1</sup>

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<sup>1</sup> *In re Petition of Minn. Power & Light*, 435 N.W.2d 550, 556 (Minn. 1989) (citing *City of St. Louis Park v. King*, 75 N.W.2d 487 (1956)).

## 1. Our Proposal Gives Effect to the Entire Interim Rate Statute

Under the Interim Rate Statute, interim rates are collected pursuant to an “interim rate schedule,” which is in effect for the entire period of time during which interim rates are collected during the pendency of a rate case. The length of time that the interim rate schedule is in effect can be considered the interim rate period. The Interim Rate Statute also requires us to refund “the excess amount collected” under the “interim rate schedule.”

We believe that neither the interim rate period nor the obligation to refund “the excess amount collected” is tied to any particular year. Rather, we believe the interim rate period, as well as the ascertaining the start and stop points for calculating the interim rate refund, is the period of time that interim rates are in effect. Traditional rate cases have interim rate periods that last longer than one year (10 months for a final determination and 120 days to begin the interim rate refund) and therefore the interim rate period is not limited to a single year. There are also circumstances when the period can be extended. The Commission has historically approved calculating the interim rate refund based on the revenues collected during the interim rate period when compared to the authorized revenue requirements over the same period even when the interim rate period lasts longer than a year.<sup>2</sup>

Our proposal takes these concepts and applies it to a MYRP, where the MYRP Statute allows for a change in rates in each year of the MYRP. The Company’s interim rate schedule was authorized by the Commission to become effective January 1, 2014. We will continue to collect interim rates under the interim rate schedule and then be allowed to surcharge if needed when the Commission issues its final determination, currently expected to be May 8, 2015. Our Compliance Proposal will return any “excess amount collected” under our interim rate schedule for that time period and is therefore consistent with Minnesota law.

The Department suggests that use of the word “rates” in the Interim Rate Statute supports their alternative proposal.<sup>3</sup> However, rates and revenues are interconnected concepts, especially in the interim rate context.<sup>4</sup> And, Minnesota courts have interpreted an increase in interim rates to mean an increase in revenues.<sup>5</sup>

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<sup>2</sup> See, e.g. *In the Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E001/GR-10-276, ORDER ON REVISING REVENUE REQUIREMENTS AND APPROVING COMPLIANCE FILING (Feb. 13, 2012).

<sup>3</sup> Department Comments at 3 (Jan. 13, 2015).

<sup>4</sup> See, e.g. Minn. Stat. § 216B.16, subd. 3(c) (“the commission shall prescribe a method by which the utility will recover the difference in revenues...”).

<sup>5</sup> *Application of Minnegasco*, 565 N.W.2d 706, 708 (Minn. 1997) (“[t]he Commission issued an interim rate order authorizing an interim rate increase of \$14,600,000 in gross annual revenue for service rendered on or after February 1, 1994”); *Id.* at 709 (“[t]he Commission issued an interim rate order in the 1995 rate case effective

Consequently, a reliance on the word “rates” should not alter the underlying fact that the interim rate refund calculation is based on revenues.

In practice, interim rates are determined by gross revenue requirements when implemented and set to cover the calculated revenue deficiency. This is why the Commission and the utility rely not on a final determination of “rates,” but rather, a final determination of the revenues collected under the interim rate schedule and the revenues determined to be needed by the Commission in its final determination in calculating an interim rate refund. For these reasons, we believe that our approach is more consistent with the traditional application of the Interim Rate Statute.

Even if the Department’s interpretation is correct, and that a comparison of “rates” is required to determine if an interim rate refund is required, we respectfully disagree with the conclusion reached by the Department as their alternative gives no effect to the requirement that the “excess amount collected” be what is actually refunded. In contrast, our proposal gives effect to both requirements by calculating the “excess amount collected” under the interim rate schedule as: the revenues collected over the period that the interim rate schedule is in effect, compared to the final revenue requirements ordered by the Commission during that same period.

## 2. Our Proposal Meets the Purpose of Interim Rates

The Minnesota Supreme Court has clarified that “the purpose of the interim rate period is to prevent the ‘potentially confiscatory effect of regulatory delay,’”<sup>6</sup> and the “thrust of the statute is a balancing of interests.”<sup>7</sup> The Commission has found that the purposes of the MYRP statutory provision are to reduce regulatory lag, increase regulatory efficiencies, create more gradual rate changes, make utility bills more predictable, and reduce rate shock.<sup>8</sup> In considering which interim rate refund proposal to select, the Commission should consider the purpose of interim rate relief, as articulated by the Minnesota Supreme Court, as well as the legislative intent of the Interim Rate Statute and the MYRP Statute.<sup>9</sup>

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October 10, 1995, allowing Minnegasco a \$17,772,000 gross annual revenue increase”); *see In the Matter of the Petition of Minnesota Power & Light Company*, 435 N.W.2d 550, 555 (Minn. App. 1989) (“[t]he Commission concluded that the new statutory language is clear and requires a refund of the difference between the interim rate and the final revenue requirement”).

<sup>6</sup> *Id.* (quoting *Henry v. Minnesota Public Utilities Commission*, 392 N.W.2d 209, 213 (Minn. 1986)).

<sup>7</sup> *In re the Application of Peoples Natural Gas Co.*, 389 N.W.2d 903, 909 (Minn. 1989).

<sup>8</sup> *In re the Minnesota Office of Attorney General – Antitrust and Utilities Division’s Petition for a Commission Investigation Regarding Criteria and Standards for Multiyear Rate Plans under Minn. Stat. § 216B, subd. 19*, No. E,G999/M-12-587, ORDER ESTABLISHING TERMS, CONDITIONS, AND PROCEDURES FOR MULTIYEAR RATE PLANS at 4-5 (June 17, 2013).

<sup>9</sup> *In re Petition of Minn. Power & Light*, 435 N.W.2d 550, 556 (Minn. 1989) (citing *Sandy v. Walter Butler Shipbuilders*, 21 N.W.2d 612 (1946)) (noting that in light of ambiguity, the entire Act should be construed so as to ascertain and effectuate its principal objective).

We believe our proposal more closely meets this intent by addressing the length of this proceeding while still returning the “excess amount collected” under interim rates to our customers. We also believe the outcome of this issue should incent utilities to continue filing MYRPs, not year over year individual rate cases. The Department’s alternative proposal treats our MYRP the same as if we filed back to back rate cases without acknowledging that we would likely have received interim rate relief in both cases. We believe such an outcome is inconsistent with the intention of the MYRP Statute as well as the Minnesota Supreme Court’s observations regarding the purpose of providing interim rate relief.

We note the Company’s proposal reads the Interim Rate Statute in concert with the MYRP Statute by proposing to calculate interim rates consistent with the traditional calculation, and acknowledging that rates will change during the interim rate period under a MYRP. On the other hand, to be consistent with the Department’s alternative proposal that the two years of a MYRP should be treated as two separate periods for purposes of calculating interim rate refunds and surcharges, it would also be necessary to allow a utility to seek incremental interim rates for each of the years of a MYRP.<sup>10</sup> Since the Commission has not yet had an opportunity to provide guidance in this regard, we believe that our proposal is more consistent with the legislative intent and the Commission’s direction for a MYRP based on what we know at this time.<sup>11</sup>

## **B. Public Policy Considerations Support Our Proposal**

The Company considered other alternatives before proposing our approach. One option included implementing a second interim rate. While this option may have been beneficial for the Company, it could have increased customer confusion and complicated the billing process. Our approach balances the interests of our customers by maintaining rate stability while also protecting the Company from under recovery. Our approach also allows flexibility in laying the ground rules for this new rate-making tool.

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<sup>10</sup> While the Company did not request such relief in this case, future cases may present facts and circumstances where incremental interim rate relief is appropriate. The Commission is empowered to set the terms relating to such change in interim rates, Minn. Stat. § 216B.16, subd 19(c).

<sup>11</sup> *Minneapolis E. Ry. v. City of Minneapolis*, 77 N.W.2d 425, 428 (Minn. 1956) (“the Legislature is presumed to have known and had in mind all existing laws relating to the subject-matter, and to have enacted them in light of such knowledge; and they must be construed as to harmonize with each other and give full effect to all so far as this may reasonably be done”); *Van Asperen v. Darling Olds, Inc.*, 93 N.W.2d 690, 698 (Minn. 1958) (“various provision of the same statute must be interpreted in the light of each other, and the legislature must be presumed to have understood the effect of its words and intended the entire statute to be effective and certain”).



In addition to the compromise and balance our solution offers, we also want to note the flexibility we have offered parties on the procedural schedule. During the course of this proceeding, the Company has waived the statutory deadline to implement new rates twice to allow parties additional time to review our request. These efforts extended the original deadline of March 3, 2015 to the current deadline of May 8, 2015. As the Commission is aware, these waivers add additional exposure of under-recovery of rates during those extended months.

We appreciate the Department's recently modified proposal to allow us to surcharge final rates to address under collected revenue from March 24, 2015. We recognize the procedural history has been complex and our initial filing may not have laid the waivers out clearly but we believe a more balanced application of the alternative proposal would give consideration to both procedural extensions and allow a surcharge back to March 3, 2015. While we acknowledge these waivers were voluntary, the additional risk involved due to the compromise as well as the appropriateness of recognizing both waivers are considerations worth noting.

However, regardless of the recognition of the waivers, we believe our proposal is still the appropriate outcome of this issue. Attachment A illustrates the financial liability that would be created if the Department's initial or modified alternative proposal would be adopted based on the Administrative Law Judge's (ALJ) report as an assumption for the deficiency for both years. The Company requests that the Commission accept our interim rate refund proposal until such time as there is more clarity and certainty with respect to the Commission's direction on interim rates as part of the MYRP.

### **C. Our Proposal Supports Development of the MYRP as Intended**

As noted in our recently filed Exceptions to the ALJ's Report, the type and amount of rate moderation tools that could be used in this case depends on the resolution of several factors, including the method for calculating an interim rate refund. Depending on the resolution of the factors mentioned in our Exceptions, the Commission could balance interests such that our customers experience moderated rate increases for the 2014 Test Year and 2015 Step while creating the space and time for the Company and its stakeholders to work on the policy initiatives outlined in our December 22, 2014 Letter supporting the e21 Initiative. Likewise, the Commission could resolve the factors discussed in our Exceptions such that our customers receive greater value from using more rate moderation today in order to experience further moderated rate increases. We acknowledge the benefit of this outcome while noting the availability to use rate moderation tools in the immediate future will be limited to moderate revenue deficiencies on the immediate horizon.

To provide context for the Commission's decision, we provide Attachment B which illustrates the impact of the various interim rate proposals under various rate moderation scenarios, including the 50 percent – 30 percent – 20 percent amortization of excess Transmission, Distribution and General theoretical depreciation reserve as well as a 50 percent – 0 percent – 50 percent amortization schedule.

#### **D. Response to the OAG**

The OAG recommended that the Company pay interest on the over-collection of interim rates and that all utilities be required to file interim rate plans at the outset of any future MYRP filings.

In response, we note we contemplated addressing this interim rate issue in our initial case filing but chose to wait to let the case progress so that adjustments made during the review process could be reflected when determining the actual need for an additional interim rate adjustment. We concur with the OAG that this is consistent with our calculations in our last two rate cases. In addition, we confirm that we intend to issue interest on any customer refunds in line with our traditional calculations and the statutory requirements. We have provided the interest calculations as Attachment C.

#### **CONCLUSION**

The Company appreciates the opportunity to comment further on interim rates, a critical component to a successful MYRP. Our netting proposal and our openness to procedural adjustments are both reflective of our willingness to be cooperative and find a workable solution. From this we developed a proposal that is both balanced and consistent with both the Interim Rate and MYRP Statutes.

Dated: January 23, 2015

Northern States Power Company

**Electric Utility - State of Minnesota**  
**Rate Moderation Scenario: 50-30-20**

**ALJ Recommended - Company Method**

	<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>			
1 Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
2 Annual Base Rate Increase	\$ 69,586,000	\$ 191,308,000	
3 Annualized Excess (Deficient) Interim Recovery (line 1- line 2)	\$ 57,820,000	\$ (63,902,000)	
4 % Refundable (line 3 / line 1)	45.3825%	-50.1562%	
5 Actual Interim Revenue Collected <sup>1</sup>	\$ 121,902,639	\$ 71,000,000	
6 Interim Refund Excluding Interest (line 4 x line 5)	\$ 55,322,465	\$ (35,610,902)	\$ 19,711,563

**ALJ Recommended - DOC Method (March 24, 2015 measurement date)**

	<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>			
7 Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
8 Annual Base Rate Increase	\$ 69,586,000	\$ 191,308,000	
9 Annualized Excess (Deficient) Interim Recovery (line 7- line 8)	\$ 57,820,000	\$ (63,902,000)	
10 % Refundable (line 9 / line 7)	45.3825%	-50.1562%	
11 Actual Interim Revenue Collected <sup>2</sup>	\$ 121,902,639	\$ 43,951,613	
12 Interim Refund Excluding Interest (line 10 x line 11)	\$ 55,322,465	\$ (22,044,459)	\$ 33,278,006

**ALJ Recommended - Financial Impact to Company**

13 Difference between methods (line 12- line 6)	\$ 13,566,443
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<sup>1</sup> 2015 interim revenues are estimated with a 2015 final rate measurement window of January 1, 2015 through July 31, 2015

<sup>2</sup> 2015 interim revenues are estimated with a measurement window of March 24, 2015 through July 31, 2015, consistent with the Department's filings

**Electric Utility - State of Minnesota**  
**Rate Moderation Scenario: 50-0-50**

**ALJ Recommended - Company Method**

		<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>				
1	Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
2	Annual Base Rate Increase	\$ 69,586,000	\$ 257,402,000	
3	Annualized Excess (Deficient) Interim Recovery (line 1- line 2)	\$ 57,820,000	\$ (129,996,000)	
4	% Refundable (line 3 / line 1)	45.3825%	-102.0329%	
5	Actual Interim Revenue Collected <sup>1</sup>	\$ 121,902,639	\$ 71,000,000	
6	Interim Refund Excluding Interest (line 4 x line 5)	\$ 55,322,465	\$ (72,443,359)	\$ (17,120,894)

**ALJ Recommended - DOC Method (March 24, 2015 measurement date)**

		<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>				
7	Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
8	Annual Base Rate Increase	\$ 69,586,000	\$ 257,402,000	
9	Annualized Excess (Deficient) Interim Recovery (line 7- line 8)	\$ 57,820,000	\$ (129,996,000)	
10	% Refundable (line 9 / line 7)	45.3825%	-102.0329%	
11	Actual Interim Revenue Collected <sup>2</sup>	\$ 121,902,639	\$ 43,951,613	
12	Interim Refund Excluding Interest (line 10 x line 11)	\$ 55,322,465	\$ (44,845,105)	\$ 10,477,360

**ALJ Recommended - Financial Impact to Company**

13	Difference between methods (line 12- line 6)	\$ 27,598,254
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<sup>1</sup> 2015 interim revenues are estimated with a 2015 final rate measurement window of January 1, 2015 through July 31, 2015

<sup>2</sup> 2015 interim revenues are estimated with a measurement window of March 24, 2015 through July 31, 2015, consistent with the Department's filings

**Electric Utility - State of Minnesota**  
**Summary of Interim Refund**

	<u>2014 TY</u>	<u>2015 TY</u>	<u>Total</u>
<b><u>Interim Refund Factor Calculation</u></b>			
1 Authorized Annual Interim Rate Increase	\$127,406,000	\$127,406,000	
2 Approved Annual Base Rate Increase	\$69,586,000	\$191,308,000	
3 Annualized Excess Interim Recovery (line 1- line 2)	\$57,820,000	-\$63,902,000	
4 % Refundable (line 3 / line 1)	45.3825%	-50.1562%	
5 Actual Interim Revenue Collected (Attachment B) <sup>1</sup>	\$121,902,639	\$71,000,000	\$192,902,639
6 Interim Refund Excluding Interest (line 4 x line 5)	\$55,322,465	-\$35,610,902	\$19,711,563
7 Interest on Interim Refund Balance (Attachment C)	\$705,852	\$496,233	\$1,202,085
8 Interim Refund Including Interest (line 6 + line 7)	\$56,028,317	-\$35,114,669	<b>\$20,913,648</b>
9 <b>Interim Refund Factor (line 8 / line 5)</b>			<b>10.8416%</b>
<b><u>Est. Average Residential Customer Interim Refund</u></b>			
10 Estimated Interim Revenues for Residential Customers			\$76,632,612
11 Average Residential Customers			1,110,256
12 Average Interim Revenues per Customer (line 10 / line 11)			\$69
13 Est. Average <b>Interim Refund</b> per Residential Customer (line 9 x line 22)			<b>\$7.48</b>

<sup>1</sup> 2015 interim revenues are estimated

**Electric Utility - State of Minnesota  
 Interim Rate Refund by Month**

	<b>Interim Revenue Collected</b>	<b>% Refundable<sup>1</sup></b>	<b>Interim Refund (excl. Interest)</b>
Jan-14	\$4,497,016	45.3825%	\$2,040,858
Feb-14	\$9,506,631	45.3825%	\$4,314,347
Mar-14	\$10,406,888	45.3825%	\$4,722,906
Apr-14	\$9,488,877	45.3825%	\$4,306,290
May-14	\$9,016,154	45.3825%	\$4,091,756
Jun-14	\$10,719,414	45.3825%	\$4,864,738
Jul-14	\$12,766,677	45.3825%	\$5,793,837
Aug-14	\$12,654,300	45.3825%	\$5,742,838
Sep-14	\$12,602,539	45.3825%	\$5,719,347
Oct-14	\$11,007,820	45.3825%	\$4,995,624
Nov-14	\$8,570,840	45.3825%	\$3,889,661
Dec-14	<u>\$10,665,481</u>	45.3825%	<u>\$4,840,262</u>
2014 Total	\$121,902,639		\$55,322,465
Jan-15 Est.	\$10,000,000	-50.1562%	-\$5,015,620
Feb-15 Est.	\$10,000,000	-50.1562%	-\$5,015,620
Mar-15 Est.	\$9,500,000	-50.1562%	-\$4,764,839
Apr-15 Est.	\$9,500,000	-50.1562%	-\$4,764,839
May-15 Est.	\$9,000,000	-50.1562%	-\$4,514,058
Jun-15 Est.	\$10,500,000	-50.1562%	-\$5,266,401
Jul-15 Est.	<u>\$12,500,000</u>	-50.1562%	<u>-\$6,269,525</u>
2015 Total	\$71,000,000		-\$35,610,902
Grand Total	<u>\$192,902,639</u>		<u>\$19,711,563</u>

<sup>1</sup> Attachment A, Line 4

**Electric Utility - State of Minnesota  
 Interim Refund Interest Calculation**

<u>Revenue Month</u>	<u>Beginning Balance</u>	<u>Curr Mo Int Rev Refund</u>	<u>Ending Balance</u>	<u>Average Balance</u>	<u>Days</u>	<u>Annual Interest<sup>1</sup></u>	<u>Monthly Interest</u>
Jan-14 <sup>1</sup>	\$0	\$2,040,858	\$2,040,858	\$1,020,429	29	3.25%	\$2,635
Feb-14	\$2,043,493	\$4,314,347	\$6,357,840	\$4,200,667	28	3.25%	\$10,473
Mar-14	\$6,368,313	\$4,722,906	\$11,091,219	\$8,729,766	31	3.25%	\$24,097
Apr-14	\$11,115,316	\$4,306,290	\$15,421,605	\$13,268,461	30	3.25%	\$35,443
May-14	\$15,457,049	\$4,091,756	\$19,548,805	\$17,502,927	31	3.25%	\$48,313
Jun-14	\$19,597,118	\$4,864,738	\$24,461,856	\$22,029,487	30	3.25%	\$58,846
Jul-14	\$24,520,702	\$5,793,837	\$30,314,539	\$27,417,620	31	3.25%	\$75,680
Aug-14	\$30,390,219	\$5,742,838	\$36,133,057	\$33,261,638	31	3.25%	\$91,811
Sep-14	\$36,224,868	\$5,719,347	\$41,944,215	\$39,084,542	30	3.25%	\$104,404
Oct-14	\$42,048,619	\$4,995,624	\$47,044,243	\$44,546,431	31	3.25%	\$122,960
Nov-14	\$47,167,204	\$3,889,661	\$51,056,865	\$49,112,034	30	3.25%	\$131,190
Dec-14	\$51,188,055	\$4,840,262	\$56,028,317	\$53,608,186	31	3.25%	<u>\$147,973</u>
2014 Total							\$705,852
Jan-15 Est.	\$56,176,290	(\$5,015,620)	\$51,160,670	\$53,668,480	31	3.25%	\$148,140
Feb-15 Est.	\$51,308,810	(\$5,015,620)	\$46,293,190	\$48,801,000	28	3.25%	\$121,336
Mar-15 Est.	\$46,414,526	(\$4,764,839)	\$41,649,687	\$44,032,106	31	3.25%	\$121,541
Apr-15 Est.	\$41,771,227	(\$4,764,839)	\$37,006,388	\$39,388,808	30	3.25%	\$105,217
May-15 Est.	\$37,111,605	(\$4,514,058)	\$32,597,547	\$34,854,576	31	3.25%	\$96,208
Jun-15 Est.	\$32,693,755	(\$5,266,401)	\$27,427,354	\$30,060,555	30	3.25%	\$80,299
Jul-15 Est.	\$27,507,653	(\$6,269,525)	\$21,238,128	\$24,372,890	31	3.25%	<u>\$67,276</u>
2015 Total							\$496,233
Grand Total							<u>\$1,202,085</u>

<sup>1</sup> Interim rates effective January 3, 2014

## CERTIFICATE OF SERVICE

I, Tiffany Hughes, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

**Docket No. E002/GR-13-868**

Dated this 23rd day of January 2015

/s/

---

Tiffany Hughes



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jorge	Alonso	jorge.alonso@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
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_13-868_Official CC Service List
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Andrew	Bahn	Andrew.Bahn@state.mn.us	Public Utilities Commission	121 7th Place E., Suite 350  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Aakash	Chandarana	Aakash.Chandara@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620  St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd.  St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James	Denniston	james.r.denniston@xcelenergy.com	Xcel Energy Services, Inc.	414 Nicollet Mall, Fifth Floor  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Stephen	Fogel	Stephen.E.Fogel@XcelEnergy.com	Xcel Energy Services, Inc.	816 Congress Ave, Suite 1650  Austin, TX 78701	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Benjamin	Gerber	bgerber@mchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Sarah	Johnson Phillips	siphillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Clark	Kaml	clark.kaml@state.mn.us	Public Utilities Commission	121 E 7th Place, Suite 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Ganesh	Krishnan	ganesh.krishnan@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_13-868_Official CC Service List
John	Lindell	agorud.ecf@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_13-868_Official CC Service List
Susan	Mackenzie	susan.mackenzie@state.mn.us	Public Utilities Commission	121 7th Place E Ste 350  St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mary	Martinka	mary.a.martinka@xcelenergy.com	Xcel Energy Inc	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Connor	McNellis	cmcnellis@larkinhoffman.com	Larkin Hoffman Daly & Lindgren Ltd.	8300 Norman Center Drive Suite 1000 Minneapolis, MN 55437	Electronic Service	No	OFF_SL_13-868_Official CC Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Dorothy	Morrissey	dorothy.morrissey@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Sean	Stalpes	sean.stalpes@state.mn.us	Public Utilities Commission	121 E. 7th Place, Suite 350  Saint Paul, MN 55101-2147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
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_13-868_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kari L	Valley	kari.l.valley@xcelenergy.com	Xcel Energy Service Inc.	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Samantha	Williams	swilliams@nrdc.org	Natural Resources Defense Council	20 N. Wacker Drive Ste 1600 Chicago, IL 60606	Electronic Service	No	OFF_SL_13-868_Official CC Service List
Daniel	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551022147	Electronic Service	Yes	OFF_SL_13-868_Official CC Service List
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official CC Service List

## CERTIFICATE OF SERVICE

I, Tiffany Hughes, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States Mail at Minneapolis, Minnesota

xx electronic filing

**Docket No. E002/GR-13-868**

Dated this 30th day of April 2015

/s/

---

Tiffany Hughes

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_13-868_Official
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_13-868_Official
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-868_Official
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Aakash	Chandarana	Aakash.Chandara@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620  St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd.  St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_13-868_Official
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
James	Denniston	james.r.denniston@xcelenergy.com	Xcel Energy Services, Inc.	414 Nicollet Mall, Fifth Floor  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_13-868_Official
Stephen	Fogel	Stephen.E.Fogel@XcelEnergy.com	Xcel Energy Services, Inc.	816 Congress Ave, Suite 1650  Austin, TX 78701	Electronic Service	No	OFF_SL_13-868_Official
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_13-868_Official
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_13-868_Official



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_13-868_Official
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-868_Official
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
Sarah	Johnson Phillips	sjphillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_13-868_Official
Thomas G.	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln  St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_13-868_Official
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-868_Official
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_13-868_Official
Ganesh	Krishnan	ganesh.krishnan@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_13-868_Official
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_13-868_Official
John	Lindell	agorud.ecf@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_13-868_Official
Paula	Maccabee	Pmaccabee@justchangela.w.com	Just Change Law Offices	1961 Selby Ave  Saint Paul, MN 55104	Electronic Service	No	OFF_SL_13-868_Official
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-868_Official
Mary	Martinka	mary.a.martinka@xcelenergy.com	Xcel Energy Inc	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Connor	McNellis	cmcnellis@larkinhoffman.com	Larkin Hoffman Daly & Lindgren Ltd.	8300 Norman Center Drive Suite 1000 Minneapolis, MN 55437	Electronic Service	No	OFF_SL_13-868_Official
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	Yes	OFF_SL_13-868_Official
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-868_Official
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd  St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-868_Official
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_13-868_Official
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
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_13-868_Official
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kari L	Valley	kari.l.valley@xcelenergy.com	Xcel Energy Service Inc.	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
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_13-868_Official
Samantha	Williams	swilliams@nrdc.org	Natural Resources Defense Council	20 N. Wacker Drive Ste 1600 Chicago, IL 60606	Electronic Service	No	OFF_SL_13-868_Official
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_13-868_Official
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official