

May 18, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

—Via Electronic Filing—

Re: CORRECTION - REPLY COMMENTS
2015/2016 ELECTRIC CIP ADJUSTMENT FACTOR
DOCKET NO. E002/M-15-320

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this brief Reply to the Comments of the Minnesota Department of Commerce, Division of Energy Resources on our Petition for approval of an electric Conservation Improvement Program (CIP) Adjustment Factor. Please note this is a correction to our filing earlier today to correct an error in the certificate of service used.

REPLY

We appreciate and agree with the Department's recommendation to approve the 2014 electric CIP Tracker activity as filed and CIP financial incentives of \$40,179,927 for our 2014 DSM performance and \$96,148 for our Solar*Rewards program performance. Below we provide additional responses regarding the electric CIP Adjustment Factor and the Company's decision to book the 2013 financial incentive in January 2015.

A. 2015/2016 Electric CIP Adjustment Factor

We provide as Attachment A, an update of the 2015/2016 electric CIP Adjustment Factor incorporating changes since our April 1 Petition, including:

- Actual Tracker activity through April 2015,
- Conservation Cost Recovery Charge of \$0.00313 per kWh.¹

¹ As proposed in the Company's June 1, 2015 Compliance Filing to the MN 2013 Electric Rate Case (Docket No. E002/GR-13-868). If the Conservation Cost Recovery Charge changes after the filing of these reply comments, the Company will update the CIP Adjustment Factor in the compliance filing for this Docket.

To reduce the Tracker to approximately \$0 by the end of September 2016, we propose a revised CIP Adjustment Factor of **\$0.001414** per kWh. The actual projected end-of-month balance for September 2016 is \$4,824, the positive balance closest to zero given the digit limitations of our billing system.

B. Decision to Book 2013 Incentive in January, 2015

We appreciate the Department's request to gain clarity around the decision to book the 2013 Incentive in January 2015. Upon request of the Department, we provide as Attachment B, the effect on the CIP Adjustment of booking the 2013 Incentive in December 2014 and an explanation as to why the Company decided to book this incentive in January 2015.

C. Conclusion

We thank the Department for their thoughtful review of our Petition. Upon receiving the Commission Order, we agree to file a compliance filing within 10 days of the issue date of the Order which will include any necessary calculations, updated tariff sheets and an updated bill message referencing the approved rate and effective date.

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 Chris Barthol at christopher.barthol@xcelenergy.com or (612)-321-3237 or me at shawn.m.white@xcelenergy.com or (612)-330-6096 if you have any questions regarding this filing.

Sincerely,

/s/

SHAWN WHITE
MANAGER
DSM REGULATORY STRATEGY AND PLANNING

Enclosures
c: Service List

**Northern States Power Company
a Minnesota corporation
2015-2016 CIP Adjustment Factor Calculation**

The CIP Adjustment Factor, or Conservation Cost Recovery Adjustment (CCRA), calculation has been updated using actual data through April 2015. The calculation assumes Commission approval in September 2015 of the 2014 financial incentive, the CIP Tracker, and the CCRA with an effective date of October 1, 2015. We have calculated the CCRA to achieve a near \$0 balance by September 30, 2016.

As in the past, Xcel Energy will include a message referencing the change in the CIP Adjustment Factor in customers' bills. In the event that Commission approval of the proposed adjustment is delayed beyond September 21, 2015 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment of \$0.000545 per kWh up to the first cycle of the first full billing period following Commission approval of a revised factor.

Calculation of Revised Electric CIP Adjustment Factor

Forecasted beginning balance (Oct 2015)	\$12,452,690
Approved expenditures (Oct 2015 - Sept 2016)	\$88,962,278
Forecasted 2015 incentive	\$30,539,502
Less forecasted CCRC recovery (Oct 2015 - Sept 2016)	\$90,871,965
Forecasted Sept 30, 2016 balance	\$41,082,775

(1) Forecasted September 30, 2016 Electric CIP Tracker Balance	\$41,082,775
(2) Forecasted Electric Sales in MWh (Oct 2015 - Sept 2016)	29,032,490
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(3) Recalculated Electric CIP Adjustment Rate = (1) / (2)	\$1.415/MWh

The above calculated balance does not include carrying charges. To include carrying charges, we used the CIP Trackers to calculate the optimal rate of **\$0.001414 per kWh**, which results in a \$4,824 end-of-month balance for September 2016. This is the positive balance closest to zero that we can model, given the digit limitations in our billing system. The updated 2015 and 2016 trackers are shown below.

2015 Electric CIP Tracker Forecast
Actual and Forecasted 2015 CIP Tracker balance.

Northern States Power Company, a Minnesota corporation State of Minnesota- Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2015 Forecast													
<u>EXPENSES</u>	<u>Jan</u> Actual	<u>Feb</u> Actual	<u>Mar</u> Actual	<u>Apr</u> Actual	<u>May</u> Forecast	<u>Jun</u> Forecast	<u>Jul</u> Forecast	<u>Aug</u> Forecast	<u>Sep</u> Forecast	<u>Oct</u> Forecast	<u>Nov</u> Forecast	<u>Dec</u> Forecast	<u>Annual</u>
1. Balance	(56,291,009)	(14,511,348)	(15,820,491)	(18,151,250)	(20,084,624)	(21,798,551)	(21,361,851)	(25,161,332)	(27,664,628)	12,452,690	9,156,223	7,571,891	
2. CIP Program Expenditures	7,911,174	6,536,407	6,065,219	5,618,670	6,362,363	9,397,066	6,375,966	7,374,890	8,653,642	7,480,620	8,786,953	11,617,103	92,180,072
3. 2013/14 Performance Incentives	42,729,930								40,276,075				83,006,005
4. Total Expenses + Incentive (Line 1 + 2 + 3)	(5,649,905)	(7,974,941)	(9,755,271)	(12,532,580)	(13,722,260)	(12,401,485)	(14,985,885)	(17,786,443)	(21,265,089)	19,933,310	17,943,176	19,188,994	
<u>RECOVERY</u>													
5. CCRC Rate (\$/MWh)	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,130	3,130	3,130	3,130	3,130
6. CCRC Cost Recovery (CCRC times Sales)	7,514,350	6,652,054	7,118,407	6,401,833	6,846,145	7,598,355	8,626,215	8,373,302	7,509,038	7,425,566	7,145,680	7,517,809	88,726,754
7. CIP Adjustment Factor Rate (\$/MWh)	0.545	0.545	0.545	0.545	0.545	0.545	0.545	0.545	0.545	1.414	1.414	1.414	1.414
8. CIP Adjustment Factor Recovery (Factor times Sales)	1,342,288	1,188,256	1,271,561	1,143,559	1,222,927	1,356,937	1,540,900	1,495,723	1,307,484	3,354,553	3,228,112	3,396,224	21,848,524
9. Sub-Balance (Line 4 - 6 - 8)	(14,506,543)	(15,815,252)	(18,145,240)	(20,077,973)	(21,791,332)	(21,354,777)	(25,153,000)	(27,655,467)	(29,448,567)	9,153,191	7,569,384	8,274,962	
10. Accum Deferred Tax (Line 9 * 41.37%)	(6,001,357)	(6,542,770)	(7,506,686)	(8,306,257)	(9,015,074)	(8,834,471)	(10,405,796)	(11,441,067)	(11,149,972)	3,786,675	3,131,454	3,423,352	
11. Net Investment (Line 9 - 10)	(8,505,186)	(9,272,482)	(10,638,554)	(11,771,715)	(12,776,258)	(12,520,308)	(14,747,204)	(16,214,400)	(17,298,595)	5,366,516	4,437,930	4,851,610	
12. Carrying Charge (Line 11 * 0.0565%)	(4,805)	(5,239)	(6,011)	(6,651)	(7,219)	(7,074)	(8,332)	(9,161)	(4,124)	3,032	2,507	2,741	(42,088)
13. End of Month Balance (Line 9 + 12)	(14,511,348)	(15,820,491)	(18,151,250)	(20,084,624)	(21,798,551)	(21,361,851)	(25,161,332)	(27,664,628)	(29,448,624)	9,156,223	7,571,891	8,277,703	

2016 Electric CIP Tracker Forecast

Forecasted 2016 CIP Tracker balance, assuming we receive cost recovery at the proposed Adjustment Factor.

Northern States Power Company, a Minnesota corporation State of Minnesota - Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2016 Forecast									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
EXPENSES	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1. Balance	8,277,703	1,327,392	(3,390,977)	(7,678,461)	(10,896,270)	(14,753,412)	(16,689,972)	(23,176,764)	(28,296,313)
2. CIP Program Expenditures	4,218,679	5,794,400	6,386,332	6,514,264	6,362,363	9,397,066	6,375,966	7,374,890	8,653,642
3. 2015 Performance Incentive									30,539,502
4. Total Expenses + Incentive (Line 1 + 2 + 3)	12,496,382	7,121,792	2,995,354	(1,164,197)	(4,533,907)	(5,356,347)	(10,314,007)	(15,801,874)	10,896,830
RECOVERY									
5. CCRC Rate (\$/MWh)	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130
6. CCRC Cost Recovery (CCRC times Sales)	7,693,731	7,240,637	7,350,591	6,701,165	7,036,039	7,803,026	8,854,844	8,599,970	7,502,638
7. CIP Adjustment Factor Rate (\$/MWh)	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414
8. CIP Adjustment Factor Recovery (Factor times Sales)	3,475,699	3,271,010	3,320,682	3,027,300	3,178,581	3,525,073	4,000,239	3,885,098	3,369,371
9. Sub-Balance (Line 4 - 6 - 8)	1,326,952	(3,389,855)	(7,675,919)	(10,892,662)	(14,748,527)	(16,684,445)	(23,169,089)	(28,286,943)	4,822
10. Accum. Deferred Tax (Line 9 * 41.37%)	548,960	(1,402,383)	(3,175,528)	(4,506,294)	(6,101,466)	(6,902,355)	(9,585,052)	(11,702,308)	1,995
11. Net Investment (Line 9 - 10)	777,992	(1,987,472)	(4,500,391)	(6,386,368)	(8,647,061)	(9,782,090)	(13,584,037)	(16,584,635)	2,827
12. Carrying Charge (Line 11 * Carrying Charge Rate)	440	(1,123)	(2,543)	(3,608)	(4,886)	(5,527)	(7,675)	(9,370)	2
13. End of Month Balance (Line 9 + 12)	1,327,392	(3,390,977)	(7,678,461)	(10,896,270)	(14,753,412)	(16,689,972)	(23,176,764)	(28,296,313)	4,824

**Northern States Power Company,
a Minnesota corporation
Decision to Book 2013 Incentive in January, 2015**

Historically, it has been the Company's practice to book the financial incentive in the month following the Commission's approval of the CIP adjustment factor. For instance, in the Commission's order on Nov. 25, 2013 in Docket E002/M-13-247, the Commission approved the 2013/2014 Conservation Improvement Program Adjustment Factor with an effective date of December 1, 2013. Due to this decision occurring in late November, the Company booked the incentive in December of that year.

In Docket No. E002/M-14-287, the Commission approved the CIP adjustment factor on December 17, 2014 with an effective date of January 1, 2015. Therefore, the Company has decided to book the 2013 incentive in January 2015 for this filing.

The table below illustrates the impact of booking the 2013 financial incentive in December 2014.

Calculation of Electric CIP Adjustment Factor with 2013 Incentive Booked in December 2014

Forecasted beginning balance (Oct 2015)	\$12,527,050
Approved expenditures (Oct 2015 - Sept 2016)	\$88,962,278
Forecasted 2015 incentive	\$30,539,502
Less forecasted CCRC recovery (Oct 2015 - Sept 2016)	\$90,871,695
Forecasted Sept 30, 2016 balance	\$41,157,135

(1) Forecasted September 30, 2016 Electric CIP Tracker Balance	\$41,157,135
(2) Forecasted Electric Sales in MWh (Oct 2015 - Sept 2016)	29,032,490
(3) Recalculated Electric CIP Adjustment Rate = (1) / (2)	\$1.418/MWh

The above calculated balance does not include carrying charges. To include carrying charges, we used the CIP Trackers to calculate the optimal rate of **\$0.001416 per kWh**, which results in a \$21,292 end-of-month balance for September 2016. This rate is higher than when the incentive is booked in January 2015, because customers would be paying more in carrying charges with the incentive being booked a month earlier.