

**STATE OF MINNESOTA  
BEFORE THE PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger	Chair
Betsy Wergin	Vice Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	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. E-002/GR-13-868**

**REPLY COMMENTS OF THE OFFICE  
OF THE ATTORNEY GENERAL**

The Office of Attorney General - Residential Utilities and Antitrust Division (“OAG”) submits these Comments in response to the compliance filings submitted by Northern States Power Company (“Xcel” or “the Company”) on June 3 and June 11, 2015 regarding its legal dispute with Babcock & Wilcox Nuclear Energy, Inc. (“BWNE”). The Commission should accept Xcel’s proposed refund and order the Company to incorporate its proposed adjustment into the interim rate refund and the calculation of final rates.

In its May 8, 2015 Findings of Fact, Conclusions, and Order, the Commission required Xcel to take several steps regarding its lawsuit with BWNE. In particular, the Commission’s Order stated:

32. Any costs included in rate base but not paid shall be refunded as part of either the 2014 or 2015 refunds. If the lawsuit is not resolved at either of those times, then the refund should be made within 60 days after the lawsuit is resolved.

BWNE had previously filed a claim against Xcel for approximately \$46 million. Xcel states that \$40 million of this claim was “accrued” by the Company. Of that \$40 million, \$29 million was recorded in Xcel’s Plant in Service accounts, and \$11 million was recorded as

removal costs that reduced accumulated depreciation. Xcel did not specify why the remaining \$6 million was not explained. Xcel subsequently settled its dispute and agreed to pay approximately \$36 million to BWNE, which represents a savings of \$4 million compared to the amount that Xcel previously accrued.

Xcel proposes to recognize the \$4 million in savings by reducing its 2014 Plant in Service beginning balance by \$2.8 million, and increasing its 2014 accumulated depreciation beginning balance by \$1.2 million. These changes result in a revenue requirement reduction of \$367,000 in 2014. Xcel proposes to refund this amount to ratepayers by adjusting “2014 final revenue requirements downward by this amount” and calculating refunds based on the adjusted amount.

Xcel’s proposal to reduce its 2014 revenue requirement by \$367,000 satisfies the Commission’s requirement that Xcel refund “costs included in rate base but not paid.” Because the settlement took place shortly after the Commission’s decision, it can be incorporated into both the interim rate refund, and the calculation of final rates, for 2014 and 2015. Attachment A provides the financial impact that the BWNE adjustment will have on the interim rate refund. Xcel indicates that its settlement with BWNE will reduce the 2014 revenue requirement by \$367,000. Adjusting the revenue requirement will lead to changes to the interim refund in both 2014 and 2015. In addition to reducing the revenue requirement for both 2014 and 2015, the BWNE adjustment will have impacts on calculating interest and surcharges. As detailed in Attachment A, the financial impact of adjusting the revenue requirement will increase the interim rate refund by approximately \$528,000 over the two years.

The Commission should incorporate the BWNE adjustment into the interim rate refund as described in Attachment A, and should ensure that the BWNE adjustment is also reflected in the calculation of final rates.

Dated: June 30, 2015

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota

s/ Ryan Barlow  
RYAN P. BARLOW  
Assistant Attorney General  
Atty. Reg. No. 0393534

445 Minnesota Street, Suite 1400  
St. Paul, Minnesota 55101-2131  
(651) 757-1473 (Voice)  
(651) 297-7206 (TTY)

ATTORNEYS FOR OFFICE OF THE  
ATTORNEY GENERAL-RESIDENTIAL  
UTILITIES AND ANTITRUST DIVISION

**OAG Interim Rate Refund Schedules – Adjusted for BWNE**

Xcel proposes to recognize the settlement of the BWNE litigation by reducing the 2014 Plant in Service beginning balance by \$2.8 million and increasing the 2014 accumulated depreciation beginning balance by \$1.2 million. These adjustments will result in a revenue requirement decrease of approximately \$367,000 for the 2014 test year. This attachment recalculates the interim rate refund methodology proposed in the OAG’s May 28, 2015 Comments to account for the BWNE adjustments.

The updated schedules show that incorporating the BWNE adjustments changes the interim rate refund amount to approximately \$60.6 million, an increase of roughly \$528,000 from the original refund amount of approximately \$60.1 million. This increase in the refund amount is made up of the \$367,000, plus interest of \$31,000, plus a reduction in the allowable surcharge of \$130,000. As summarized in the table below, a reduction of \$367,000 in the revenue requirement in 2014 will flow through to 2015, which changes the “test year refund factors” that are applied to the respective monthly interim revenues collected in 2014 and 2015 to determine the amount of the refund (in the case of a positive factor) or the amount of the surcharge (in the case of a negative factor).

	Original Amount	Impact of BWNE on revenue requirement	New Amount
<u>2014 Test Year</u>			
Authorized Annual Interim Rate Increase	\$127,406,000	\$0	\$127,406,000
Approved Annual Rate Base Increase	<u>\$58,908,000</u>	-\$367,000	<u>\$58,541,000</u>
Annualized Excess Interim Recovery	\$68,498,000	\$367,000	\$68,865,000
<b>% Refundable or % Surcharge Factor</b>	<b>53.7636%</b>	<b>0.2881%</b>	<b>54.0516%</b>
<u>2015 Test Year</u>			
Authorized Annual Interim Rate Increase	\$127,406,000	\$0	\$127,406,000
Approved Annual Rate Base Increase	<u>\$168,084,000</u>	-\$367,000	<u>\$167,717,000</u>
Annualized Excess Interim Recovery	-\$40,678,000	\$367,000	-\$40,311,000
<b>% Refundable or % Surcharge Factor</b>	<b>-31.9279%</b>	<b>0.2881%</b>	<b>-31.6398%</b>

It is important to note that the resulting amounts under the “New Amount” category in the table above are subject to other compliance filing adjustments that may affect the 2014 and/or 2015 revenue requirement.<sup>1</sup> In such instances, the “test year refund factor” would change, which would impact the calculation of the interest as well as the allowable surcharge amount.

In summary, in addition to the \$367,000 that Xcel proposes to refund back to ratepayers, the change to the “test year refund factor” of 0.2881% in each of 2014 and 2015 has the following impact:

- (1) An increase in the average refund balances when calculating the interest for each month that interim rates were collected and held (January, 2014, through August, 2015) of roughly \$31,000.<sup>2</sup>
- (2) A decrease of roughly \$130,000<sup>3</sup> in the allowable surcharge because the approved annual rate base increase has been reduced by the BWNE adjustment.

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<sup>1</sup> For example, in response to OAG information requests, Xcel provided a 2015 test year revenue requirement of \$164,395,000. The OAG could not verify this figure because Xcel did not indicate why it was different from figures provided in earlier filings. The calculations in this attachment continue to use a 2015 test year revenue requirement of \$168,084,000, which is taken from Xcel’s Interim Rate Refund Compliance Filing on April 30, 2015, in order to isolate the effect of the BWNE adjustment specifically as compared to the OAG’s May 28, 2015 calculation.

<sup>2</sup> \$5,906,369 interim refund interest less \$5,874,896 interim refund interest as filed on May 28, 2015.

<sup>3</sup> \$14,272,713 allowed surcharge less \$14,402,676 allowed surcharge as filed on May 28, 2015.

**ESTIMATED INTERIM REFUND AMOUNTS - ADJUSTED FOR BWNE**

<u>Interim Refund Estimates</u>	<u>Company Proposal</u>	<u>Alternative Proposal</u>	<u>OAG Proposal (adjusted for BWNE)</u>
2014 over-collection	\$65.5 million	\$65.5 million	\$68.9 million
2015 under-collection (Jan 3 - May 7)	-\$13.5 million	\$0	\$0
2015 statutorily allowed surcharge (May 8 - Aug 31)	-\$13.5 million	-\$13.5 million	-\$14.2 million
2015 total under-collection/surcharge	-\$27 million	-\$13.5 million	-\$14.2 million
<b>Final refund</b>	<b>\$38.5 million</b>	<b>\$52.0 million</b>	<b>\$54.7 million</b>
Interest	\$2.2 million	\$2.4 million	\$5.9 million
<b>Final refund plus interest</b>	<b>\$40.7 million</b>	<b>\$54.4 million</b>	<b>\$60.6 million</b>
Estimated Average Residential Refund	\$14.55	\$19.46	\$20.99

**SUMMARY OF INTERIM REFUND - ADJUSTED FOR BWNE**

<b>Interim Refund Factor Calculation</b>	<b>2014 TY</b>	<b>2015 TY</b>	<b>Total</b>
1 Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
2 Approved Annual Base Rate Increase (adjusted for BWNE) *	\$ 58,541,000	\$ 167,717,000	
3 Annualized Excess Interim Recovery (line 1 - line 2)	\$ 68,865,000	\$ (40,311,000)	
4 % Refundable or % Surcharge Factor (line 3 / line 1)	54.0516%	-31.6398%	
5 Actual Interim Revenue Collected	\$ 127,590,919	\$ 85,914,442	\$ 213,505,361
<i>* \$168,084,000 (2015 test year amount Xcel used in Interim Rate Refund filing on April 30, 2015) - \$367,000</i>			
6 Interim Refund Excluding Interest (line 4 x line 5)	\$ 68,964,952		
7 Interest on Interim Refund Balance	\$ 5,906,369		
8 Interim Refund Including Interest (line 6 + line 7)	<b>\$74,871,320</b>		
<b>Surcharge Period</b>			
May-15 Est. (assumes start date of 5/8/2015)	\$	(861,393)	
Jun-15 Est.	\$	(3,322,179)	
Jul-15 Est.	\$	(3,954,975)	
Aug-15 Est.	\$	(3,954,975)	
Add Aug-15 Est. (for usage in 2nd half of Aug-15, billed in Sept-15)	\$	(2,179,191)	
<b>Surcharge Total</b>	\$	<b>(14,272,713)</b>	
<b>Interim Refund Including Interest</b>	<b>\$74,871,320</b>	<b>\$ (14,272,713)</b>	<b>\$60,598,608</b>

9 Interim Refund Factor	<b>28.3827%</b>
<u>Est. Average Residential Customer Interim Refund</u>	
10 Estimated Interim Revenues for Residential Customers	\$ 82,091,130
11 Average Residential Customers	1,110,256
12 Average Interim Revenues per Customer (line 10 / line 11)	74
13 Est. Average Interim Refund per Residential Customer (line 9 x line 12)	<b>\$ 20.99</b>

*Interim revenues for April 2015 to August 2015 are estimated*

**INTERIM RATE REFUND OF OVERCOLLECTIONS BY MONTH - ADJUSTED FOR BWNE**

	Interim Revenue Collected	% Refundable	Interim Refund (excl. Interest)
Jan-14	\$ 4,497,016	54.0516%	\$ 2,430,710
Feb-14	\$ 9,506,631	54.0516%	\$ 5,138,488
Mar-14	\$ 10,406,888	54.0516%	\$ 5,625,091
Apr-14	\$ 9,488,877	54.0516%	\$ 5,128,891
May-14	\$ 9,016,154	54.0516%	\$ 4,873,377
Jun-14	\$ 10,719,414	54.0516%	\$ 5,794,016
Jul-14	\$ 12,766,677	54.0516%	\$ 6,900,595
Aug-14	\$ 12,654,300	54.0516%	\$ 6,839,853
Sep-14	\$ 12,602,539	54.0516%	\$ 6,811,876
Oct-14	\$ 11,007,820	54.0516%	\$ 5,949,904
Nov-14	\$ 8,570,840	54.0516%	\$ 4,632,677
Dec-14	\$ 16,353,763	54.0516%	\$ 8,839,473
<b>2014 Total</b>	<b>\$ 127,590,919</b>		<b>\$ 68,964,952</b>

**SURCHARGE OF DIFFERENCE BETWEEN INTERIM RATE & FINAL RATE - ADJUSTED FOR BWNE**

	Interim Revenue Collected	Surcharge Factor	Surcharge
Jan-15	\$ 5,187,974	0.0000%	\$ -
Feb-15	\$ 9,282,777	0.0000%	\$ -
Mar-15	\$ 10,556,191	0.0000%	\$ -
Apr-15 Est.	\$ 15,777,500	0.0000%	\$ -
Final Determination May 8th - surcharge period begins			
May-15 Est.	\$ 2,722,500	-31.6398%	\$ (861,393)
Jun-15 Est.	\$ 10,500,000	-31.6398%	\$ (3,322,179)
Jul-15 Est.	\$ 12,500,000	-31.6398%	\$ (3,954,975)
Aug-15 Est.	\$ 12,500,000	-31.6398%	\$ (3,954,975)
Add' Aug 15 Est. (for usage in 2nd half of Aug-15, billed in Sept-15)	\$ 6,887,500	-31.6398%	\$ (2,179,191)
<b>2015 Total</b>	<b>\$ 85,914,442</b>		<b>\$ (14,272,713)</b>
<b>Grand Total</b>	<b>\$ 213,505,361</b>		



**INTERIM REFUND INTEREST CALCULATION FOR 2014 OVERCOLLECTIONS - ADJUSTED FOR BWNE**

Revenue Month	Beginning		Refund	Ending Balance	Average Balance	Days	Annual Interest	Monthly Interest
	Balance	Curr Mo Int Rev						
Jan-14	\$ -	\$ 2,430,710	\$ 2,430,710	\$ 1,215,355	29	\$ 7,34%	\$ 7,088	
Feb-14	\$ 2,437,797	\$ 5,138,488	\$ 7,576,285	\$ 5,007,041	28	\$ 7,34%	\$ 28,193	
Mar-14	\$ 7,604,478	\$ 5,625,091	\$ 13,229,569	\$ 10,417,024	31	\$ 7,34%	\$ 64,939	
Apr-14	\$ 13,294,508	\$ 5,128,891	\$ 18,423,400	\$ 15,858,954	30	\$ 7,34%	\$ 95,675	
May-14	\$ 18,519,075	\$ 4,873,377	\$ 23,392,452	\$ 20,955,763	31	\$ 7,34%	\$ 130,638	
Jun-14	\$ 23,523,089	\$ 5,794,016	\$ 29,317,106	\$ 26,420,097	30	\$ 7,34%	\$ 159,389	
Jul-14	\$ 29,476,495	\$ 6,900,595	\$ 36,377,090	\$ 32,926,792	31	\$ 7,34%	\$ 205,265	
Aug-14	\$ 36,582,355	\$ 6,839,853	\$ 43,422,208	\$ 40,002,281	31	\$ 7,34%	\$ 249,373	
Sep-14	\$ 43,671,581	\$ 6,811,876	\$ 50,483,457	\$ 47,077,519	30	\$ 7,34%	\$ 284,013	
Oct-14	\$ 50,767,470	\$ 5,949,904	\$ 56,717,374	\$ 53,742,422	31	\$ 7,34%	\$ 335,029	
Nov-14	\$ 57,052,403	\$ 4,632,677	\$ 61,685,080	\$ 59,368,742	30	\$ 7,34%	\$ 358,164	
Dec-14	\$ 62,043,245	\$ 8,839,473	\$ 70,882,718	\$ 66,462,981	31	\$ 7,34%	\$ 414,328	
<b>2014 Total</b>							<b>\$ 2,332,094</b>	
Jan-15	\$ 71,297,046	\$ -	\$ 71,297,046	\$ 71,297,046	31	\$ 7,37%	\$ 446,280	
Feb-15	\$ 71,743,326	\$ -	\$ 71,743,326	\$ 71,743,326	28	\$ 7,37%	\$ 405,615	
Mar-15	\$ 72,148,942	\$ -	\$ 72,148,942	\$ 72,148,942	31	\$ 7,37%	\$ 451,613	
Apr-15 Est.	\$ 72,600,554	\$ -	\$ 72,600,554	\$ 72,600,554	30	\$ 7,37%	\$ 439,780	
May-15 Est.	\$ 73,040,335	\$ -	\$ 73,040,335	\$ 73,040,335	31	\$ 7,37%	\$ 457,192	
Jun-15 Est.	\$ 73,497,527	\$ -	\$ 73,497,527	\$ 73,497,527	30	\$ 7,37%	\$ 445,214	
Jul-15 Est.	\$ 73,942,741	\$ -	\$ 73,942,741	\$ 73,942,741	31	\$ 7,37%	\$ 462,841	
Aug-15 Est.	\$ 74,405,582	\$ -	\$ 74,405,582	\$ 74,405,582	31	\$ 7,37%	\$ 465,738	
<b>2015 Total</b>							<b>\$ 3,574,274</b>	
<b>Grand Total</b>							<b>\$ 5,906,369</b>	