

Staff Briefing Papers

Meeting Date April 22, 2021 Agenda Item 4**

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

Docket No. **E-002/M-21-69**

In the Matter of the Petition by Northern States Power Company for Approval of a Credit Mechanism to Return to Customers Department of Energy Settlement Payments

- Issues
1. Should the Commission approve Xcel’s Proposal to Refund the U.S. Department of Energy’s eleventh settlement payment?
 2. Should the Commission allocate a portion of the eleventh settlement payment to Xcel’s PowerOn program and, if so, how much?

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 **Relevant Documents**

Date

| | |
|---|----------------------------|
| Xcel Energy – Petition for Approval of a Credit Mechanism to Return to Customers Department of Energy Settlement Payments | January 21, 2021 |
| Department of Commerce – Comments | February 26, 2021 |
| Energy CENTS Coalition – Comments | February 26, 2021 |
| Department of Commerce – Reply Comments | March 8, 2021 |
| Xcel Energy – Reply Comments | March 9, 2021 ¹ |

¹ Filing is dated March 8, 2021; however, edockets shows a March 9, 2021 date.

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

I. Statement of the Issues

- Should the Commission approve Xcel's Proposal to Refund the U.S. Department of Energy's eleventh settlement payment?
- Should the Commission allocate a portion of the eleventh settlement payment to Xcel's PowerOn program and, if so, how much?

II. Background

Under the Nuclear Waste Policy Act, utilities, such as Northern States Power Company d/b/a Xcel Energy (Xcel, Company), were required to enter into contracts with the U.S. Department of Energy (DOE) for the disposal of spent nuclear fuel. Utilities contributed 1.0 mil (\$0.001) for every nuclear power-generated kilowatt-hour of electricity. In exchange, the DOE committed to transport and dispose of the spent nuclear fuel beginning no later than January 31, 1998.

Because the DOE never accepted any spent nuclear fuel, Xcel filed two lawsuits seeking to recover damages associated with storage of spent nuclear fuel at the Prairie Island and Monticello nuclear generation plants. The first lawsuit sought damages through 2004 and the second sought damages through 2008. On July 7, 2011, the Company reached a settlement with DOE on both lawsuits which provided a mechanism for Xcel to recover its spent nuclear fuel storage damages through December 31, 2013. The Settlement has been repeatedly extended with the latest extension allowing for recovery of spent fuel storage damages through December 31, 2022.

On January 21, 2021, Xcel submitted a compliance filing informing the Commission that the eleventh refund, for the period of January 1, 2019 to December 31, 2019, pertaining to the Company's settlement with the DOE totaled \$13,130,727 (\$9,589,930 Minnesota-jurisdiction). To return these funds to ratepayers and consistent with the handling of some previous DOE refunds, Xcel proposed to make a one-time refund in the form of a bill credit.

On February 26, 2021, the Department recommended that, pending the submission of additional information, Xcel's refund proposal for the DOE nuclear settlement monies be approved. On the same day, the Energy CENTS Coalition (ECC) submitted comments requesting that the proposed amount to be allocated to the residential customer class (\$2,934,126) instead be allocated to help fund Xcel's PowerOn program.

On March 8, 2021, the Department recommended that \$2 million of the eleventh DOE payment be allocated to the PowerOn program, borne proportionally across all customer classes. Additionally, the Department proposed that the Commission request that Xcel provide a 50% percent match of \$1 million to its PowerOn program.

On March 9, 2021,² Xcel filed reply comments providing the information requested by the Department. The Company also stated that it is agreeable to the ECC's proposal.

² Id.

III. Parties' Comments

A. Xcel Energy - Initial Filing

Consistent with the handling of some previous DOE-related refunds, Xcel has placed the \$13,130,727 in an interest-bearing account that currently earns 0.05% annually. The Company has proposed to refund the \$9,589,930 Minnesota-jurisdictional amount in the form of a one-time bill credit. The credit will be based on the customers' most recent 12 months usage and will include the actual amount of interest earned by the Company, minus any bank fees or charges on these funds.

As reflected in Table 1, the average residential ratepayer will receive a \$2.49 refund.

Table 1 - DOE Refund Allocation, by class

| Customer Class | Revenue Refund Allocator | Refund Allocation | 2018 Estimated Average Number of Customers | 2018 Estimated Refund per Customer |
|--------------------------------|--------------------------|-------------------|--|------------------------------------|
| Residential | 30.60% | \$2,934,126 | 1,179,134 | \$2.49 |
| Commercial Non-Demand | 3.09% | \$296,322 | 87,526 | \$3.39 |
| Commercial & Industrial Demand | 65.96% | \$6,325,316 | 49,590 | \$127.55 |
| Lighting | 0.36% | \$34,166 | 27,650 | \$1.24 |
| Total | 100.00% | \$9,589,930 | 1,343,900 | |

If the proposed bill credit is approved, Xcel plans to begin implementation of the one-time bill credit in the third or fourth quarter of 2021.

B. Department of Commerce – Comments

The Department reviewed Xcel's filing and confirmed that Company's \$9,589,930 refund allocation to the Minnesota-jurisdiction is correct. The Department noted that it generally recommends that refunds be issue within 60 days of the Commission's Order. Therefore, the Department requested that Xcel, in reply comments, discuss the reason for the proposed delay in refunding.

The Department recommended the following:

- Approve the one-time bill credit method for refunding \$9,589,930 to the Minnesota Jurisdiction, including all interest accumulated and net of related bank fees, for the eleventh DOE payment;
- Require the Company to provide a compliance filing within 30 days after completing the related bill credits; and
- Require Xcel to continue to file information and documentation consistent with the Commission's December 16, 2011 Order, Point 11, in Docket No. E-002/M-11-807 within

30 days of receiving future DOE payments pursuant to the Extended Settlement Agreement.

The Department noted that the eleventh payment is the final payment agreed to under the second extension to the original settlement agreement with the DOE. Since the U.S. Government still has not accepted any spent nuclear fuel to date, the Department requested that, in reply comments, Xcel discuss whether negotiations for a third extension to the settlement are underway or complete.

C. Energy CENTS Coalition – Comments

The Energy CENTS Coalition, as an alternative to Xcel’s proposal, recommended that the \$2,934,126 allocated to the Residential Class instead be used to supplement funding for Xcel’s PowerOn Program (Program) which provides bill payment assistance to customers that receive Low Income Home Energy Assistance Program (LIHEAP) grants. The ECC explained that participants only pay three percent of their household income for electric bills and the Program also includes an arrearage forgiveness component. Currently, customers are required to pay one-half of their past-due balances over a period of 12-24 months. However, according to ECC, Xcel anticipates filing a change to the Program that would limit customer arrearage co-payments to no more than one percent of household income. This change will significantly increase Program credits and participating customers’ ability to pay their electric bills.

ECC provided the information shown in Table 2 to illustrate that the Program lowers the energy burden of Xcel’s lowest income customers, increases their ability to pay, and protects them from service disconnections.³

Table 2 - PowerOn/LIHEAP Comparison

| | Percentage of Payments Made | Average Past-Due Bill | Service Disconnections |
|-------------|-----------------------------|-----------------------|------------------------|
| PowerOn | 79% | \$187 | 4% |
| LIHEAP Only | 59% | \$378 | 12% |

ECC noted that the \$15,176 average household income for Program participants is well below the Federal Poverty Level income of \$21,720 for a three-member household and 69% of all participants live below the established poverty level.

ECC recommended that Xcel be allowed to apply the proposed DOE residential settlement refund to the Program tracker and allow the Company two years to spend the additional funds. The extended time-period is necessary to sufficiently promote the program and to enroll additional customers.

³ 2020 Annual Report Electric Low Income Energy Discount Program, In The Matter Of The Petition Of Northern States Power Company For Approval Of A Modification To The Company’s Low Income Discount Program, Docket No. E-002/M-04-1956, and In The Matter Of The Petition Of Northern States Power Company D/B/A Xcel Energy For Approval Of Its Electric Low Income Program Meter Surcharge, Docket No. E-002/M-10-854, December 1, 2020.

ECC based its recommendation on the following reasons:

- The pandemic has disproportionately affected low-income households and when the current service disconnection moratorium ends, these customers are most likely to face service disconnection.
- Xcel's residential customer arrearages have increased from \$49.7 million in January 2020 to \$80.2 million in January 2021.
- The average Xcel residential customer past-due balance increased from \$295 to \$508 over that same time.
- 157,858 Xcel residential customers are past-due.
- Xcel combination natural gas and electric customers will be impacted by the recent natural gas price spike and this impact will be realized at approximately the same time as the current service disconnection moratorium ends, subjecting these customers to possible service disconnection. In addition, based on more typical natural gas prices, electric bills are often higher than natural gas bills.
- An average residential bill credit of \$2.49 is insignificant to customers that can afford their energy bills and, at the same time, is insignificant to those who are significantly past due. Increasing the ability of customers to maintain energy service is likely to provide a more significant financial benefit to all of Xcel's residential customers.
- Given the current economic crisis, now exacerbated by exorbitant natural gas prices in February of this year, any available financial resources should be used to assist Xcel's most vulnerable customers.
- The Commission has approved supplemental PowerOn funding from previous DOE settlement funds.⁴

D. Department of Commerce – Reply Comments

In response to ECC, the Department pointed out that refunds, such as this eleventh DOE payment, have been important rate mitigation mechanisms to Minnesota ratepayers. However, due to the economic downturn caused by COVID-19, ratepayers faced difficult economic circumstances during 2020 and into 2021. Specifically, increases in unemployment and under-employment means a higher number of Minnesotans are eligible for assistance programs.

The Department noted that the DOE refund presents another opportunity to focus additional relief to those who need it most. In the initial 2011 DOE refund proposal, the Commission directed Xcel to allocate, proportionally across all customer classes, \$2 million from the total refund to the Company's PowerOn financial assistance program.⁵ In light of the current unique and challenging economic circumstances, the Department recommends that the Commission approve the use of \$2 million of the eleventh DOE refund payment, shared proportionally

⁴ ORDER, In the Matter of a Petition by Xcel Energy for Approval of a Credit Mechanism for a Department of Energy Settlement Payment with Deferred Accounting, Docket No. E-002/M-11-807, December 16, 2011

⁵ Docket No. E-002/M-11-807, Order Establishing Refund Plan, filed December 16, 2011, Ordering Point 5.

across all customer classes, for additional funding to PowerOn. While businesses have also been hit hard economically by the pandemic, loan programs such as those through the Small Business Association and the Federal Paycheck Protection Program (PPP) have provided resources not generally available to residential ratepayers.

Table 3 summarizes the refund by customer class before allocating funds to PowerOn, as well as the Department's initial calculations of the proposed refund by customer class after the allocation to PowerOn.

Table 3: DOE Refund for Minnesota Jurisdiction by Customer Class

| Customer Class | Xcel Refund Allocation | DOC Proposed Refund | DOC Proposed Amount to PowerOn |
|----------------------------------|------------------------|---------------------|--------------------------------|
| Residential | \$2,934,126 | \$2,322,126 | \$612,000 |
| Commercial - Non-Demand | \$296,322 | \$234,522 | \$61,800 |
| Commercial & Industrial - Demand | \$6,325,316 | \$5,006,116 | \$1,319,200 |
| Lighting | \$34,166 | \$26,966 | \$7,200 |
| Total | \$9,589,930 | \$7,589,730 | \$2,000,200 ⁶ |

The Department recommended that Xcel set aside \$2 million of this eleventh payment amount and add it to its PowerOn program within 30 days of the Commission's Order in this docket. Further, the Department recommended that Xcel file a compliance filing indicating that it has taken such action and the current funding available in the PowerOn fund.

In addition to the \$2 million, the Department suggested that the Commission may wish to request that Xcel contribute \$1 million to the PowerOn program, a 50 percent match, from the Company's shareholders. The Department explained that additional funding for some of Xcel's most vulnerable ratepayers is important, but considering the unprecedented year ratepayers experienced in 2020, this additional funding should not have to all come from refund owed to Xcel's residential customers. Additionally, Xcel earned significant profit in 2020, despite general declines in the economy caused by the pandemic. In its 2020 earnings call, Xcel CEO Ben Fowke stated, in part,⁷

Overall, 2020 was truly a stellar year. We executed on our business continuity plans as we kept employees and customers safe while providing reliable customer service. We're helping to jump-start the economy through our capital investment programs which create jobs and investment in our communities. And we stepped up our commitment to charitable giving to support those in need, including donating a gain of almost \$20 million from our sale of the Mankato facility.

⁶ The DOC noted that total amount calculated for PowerOn does not equal \$2 million, due to rounding of allocation factors in Xcel's Attachment B and requested that Xcel, in a supplemental attachment to its Reply Comments, recalculate Table 3 with non-rounded allocator percentages.

⁷ Xcel Energy Inc (XEL) Q4 2020 Earnings Call Transcript, accessed March 3, 2021.

<https://www.fool.com/earnings/call-transcripts/2021/01/28/xcel-energy-inc-xel-q4-2020-earnings-call-transcri/>

We had a long and impressive list of accomplishments in 2020. Let me share a few of them. We delivered EPS of \$2.79 in 2020 which is the 16th consecutive year of meeting or exceeding our earnings guidance. We raised our annual dividend by \$0.10 per share, which is the 17th straight year, we've increased our dividend. And we achieved a total shareholder return of just over 7.8%, which was the second highest TSR for our peer group.

The Department added that a \$1 million contribution from Xcel's shareholders would provide additional relief to the Company's most economically vulnerable ratepayers without added burden to ratepayers at large. Further, this recommendation is consistent with discussion in Docket 20-375 regarding ratepayer protections during Minnesota's Peacetime Emergency for the pandemic. With the proposed increase in funding, customer awareness initiatives by the Company to promote financial assistance discussed in Docket 20-375 are of utmost importance. That said, the Department does not see a need for the Commission to take specific action regarding awareness initiatives in this docket, since ordering points in this docket may be duplicative to Ordering Points in Docket 20-375. The Commission may wish to consider including a narrative in its Order discussing customer awareness initiatives that will be addressed in Docket 20- 375 for the purpose of tracking between dockets.

E. Xcel Energy – Reply Comments

Xcel explained that its billing system has limitations due to various refunds and other billing credits already scheduled to occur in 2021 in various NSP state jurisdictions, and the limitation of the Company's billing system to process only one refund at a time. The Company will not be able to implement the DOE credit within 60 days of an Order because its process for calculating a credit for every MN customer based on their most recent 12 months of usage takes approximately eight weeks.

Current customer credits and refunds in Xcel's queue include a MN gas incentive compensation refund, which Xcel committed to complete no later than second quarter, the Quality of Service Tariff customer credit ordered by the Commission in January and a North Dakota electric interim rate refund. With the current queue of refunds and credits, Xcel estimates the earliest the 11th DOE refund implementation could begin is in the third or fourth quarter of 2021. However, Xcel stated that it will work to implement this credit as soon as possible once those other refunds have been implemented.

Xcel also confirmed that, in August of 2020, the Company and the U.S. Government agreed to extend the 2011 Settlement Agreement for the recovery of spent fuel storage damages for another three-year period to allow for recovery of damages through December 31, 2022 (Payments 12, 13, 14). Xcel is currently gathering documentation to support the Company's 2020 spent nuclear fuel claim.

Xcel also agreed with the Department recommendations to submit a compliance filing 30 days after completion of the bill credits and to continue providing the information and documentation consistent with the Commission's Order in Docket No. E-002/M-11-807.

Finally, Xcel stated that it is agreeable to the ECC's recommendation to use the Residential Class' \$2.9 million refund to supplement the PowerOn Program's funding.

IV. Staff Analysis

Staff notes that, if ECC's recommendation to allocate \$2 million to the PowerOn Program is approved, it may be reasonable for the Commission to ask Xcel to make a 50% match contribution of \$1 million to the Program. While the Commission *may ask* Xcel if it would be willing to do the match, neither ECC nor DOC have identified any statutes or rules providing the authority for the Commission to require such a contribution.

Alternatively, the Commission could consider simply increasing the budget for the PowerOn program, although budget increases that are not funded from non-standard sources would be included in general rates in the future. The main source of funding for the PowerOn program is through the PowerOn program surcharge to the low-income program base surcharge. If the Commission is interested in further discussion about increasing the budget for the PowerOn program, it may want to also consider asking for comments on Xcel's 2020 annual report on its electric low income energy discount program⁸ or opening a new docket and seeking comments, as this docket is primarily about nuclear fuel refunds.

The Department and ECC have filed different options that would fund the PowerOn Program; however, it is unclear whether all parties agree with some of the details embedded in their respective recommendations. The Department recommended, if approved, Program funding take place within 30 days of the Commission's Order and ECC recommended that approved funding be used over a two-year period. Although Staff does not consider these details to be controversial, the Commission may want to ask the Department, ECC and the Company for their positions regarding these details.

Finally, Staff notes that, in reference to Table 3, the Department requested that in supplemental reply, Xcel file a revised table that eliminates the rounding error that causes the Department's calculation to be \$2,000,200. Xcel did not make the requested filing. However, Staff considers the \$200 difference to be de minimis.

⁸ 2020 Annual Report Electric Low Income Energy Discount Program, In The Matter Of The Petition Of Northern States Power Company For Approval Of A Modification To The Company's Low Income Discount Program, Docket No. E-002/M-04-1956, and In The Matter Of The Petition Of Northern States Power Company D/B/A Xcel Energy For Approval Of Its Electric Low Income Program Meter Surcharge, Docket No. E-002/M-10-854, December 1, 2020.

V. Decision Alternatives

Minnesota-Jurisdiction Refund Amount

1. Approve Xcel's Minnesota-Jurisdiction calculation of \$9,589,930. (Xcel, DOC)

Interest

2. Approve Xcel's proposal that the credit include the actual amount of interest earned by the Company, net of any bank fees. (Xcel, DOC)

Refund Allocation

3. Approve, as reflected in Table 1, the refund allocation proposed in Xcel's initial filing. (Xcel initial filing, DOC initial position)
4. Approve, as reflected in Table 1, the refund allocation proposed in Xcel's initial filing; however, rather than refunding the \$2,934,126 allocated to the Residential Class, order that those funds be used to fund the PowerOn program instead. If approved, allow Xcel to use these funds over a two-year period. (ECC, Xcel does not object)
5. Approve, as reflected in Table 3, the refund allocation proposed by the Department in reply comments which proportionately allocates \$2 million from all classes to the PowerOn program. (DOC)

Timing of PowerOn Funding

6. If PowerOn funding is authorized, require Xcel to fund the Program within 30 days of the Commission's Order in this docket and require Xcel to make a compliance filing confirming funding. (DOC)

Timing of Overall Refund

7. Require Xcel to issue refunds no later than the third or fourth quarter of 2021. (Xcel initial filing)
8. Require Xcel to issue refunds at different time.

Miscellaneous

9. Require Xcel to make a compliance filing within 30 days after completing the bill credits in this docket. (DOC, Xcel agreed)
10. Require Xcel to make a compliance filing that provides information and documentation consistent with the Commission's Order Point 11 in Docket E-002/M-11-807 within 30 days of receiving future DOE payments. (DOC, Xcel agreed)

11. Direct staff to issue a notice seeking comments about whether the budget for the PowerOn program should be increased.
 - a. Direct the notice to be issued in Xcel two low income discount program dockets.⁹
or
 - b. Direct the Commission to open a new investigation docket.

⁹ In The Matter Of The Petition Of Northern States Power Company For Approval Of A Modification To The Company's Low Income Discount Program, Docket No. E-002/M-04-1956, and In The Matter Of The Petition Of Northern States Power Company D/B/A Xcel Energy For Approval Of Its Electric Low Income Program Meter Surcharge, Docket No. E-002/M-10-854