



414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

**PUBLIC DOCUMENT: TRADE SECRET
INFORMATION HAS BEEN REDACTED**

—Via Electronic Filing—

March 17, 2015

Daniel P. Wolf

Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: LEGAL & CONSULTING COST ESTIMATES RELATED TO THE MONTICELLO
PRUDENCE REVIEW - REVISION
NORTHERN STATES POWER COMPANY - ELECTRIC RATE CASE
DOCKET NO. E002/GR-13-868

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed informal information request response. Please note, this cover letter has been revised to correct a date noted below.

On March 11th, the Company submitted a summary of the Monticello Prudence Review Costs incurred by the Company in Docket No. E002/CI-13,754, the Monticello Life-cycle Management/ Extended Power Uprate Project and Request for Recovery of Cost Overruns. It was our understanding the Minnesota Public Utilities Commission requested this additional detail during the March 6, 2015 deliberations in that matter. Based on follow-up questions from Commission Staff, we provided the enclosed information to further clarify what was included in our rate case expense request and we now provide it for inclusion in the rate case record.

Portions of the information provide in this response are marked "TRADE SECRET" , as it contains information the Company considers to be trade secret as defined by Minn. Stat. § 13.37(1)(b). This information includes details on contractual vendor amounts representing information generally not known or readily ascertainable by others who could obtain a financial or otherwise competitive advantage. Generally information regarding amounts paid or anticipated to be paid under vendor contracts are not publicly disclosed and disclosure of this information provides economic value to potential contractors or discourage certain vendors not to do business with the Company which could potentially result in higher costs to our customers if such information is used against our interests. Thus, Xcel Energy maintains this information as a trade secret pursuant to Minn. Rule 7829.0500.

If you have any questions regarding this submission, please contact me at 612-330-6935 or gail.baranko@xcelenergy.com.

Sincerely,

/s/

GAIL A. BARANKO
MANAGER, REGULATORY PROJECT MANAGEMENT

Enclosure
cc: Service List

- Non Public Document – Contains Trade Secret Data
 Public Document – Trade Secret Data Excised
 Public Document

Xcel Energy

Docket No.: E002/CI-13-754

Response To: MPUC Informal IR No. 1

Requestor: Jerry Dasinger, Robert Harding, Jorge Alonso

Date Received: March 12, 2015

Question:

The compliance filing that was submitted on March 11, 2015 does not contain the information requested by the Commission. The Commission requested that Xcel provide a detailed breakdown of the \$950,000. The information that should be provided would be:

JA Stall	\$XX
Richard Sieracki	\$xx
Briggs & Morgan	\$xx
Crisp	\$xx
Jacobs	\$xx
Anything else?	\$xx
Total	\$950,000

If the Department consultants are not included in the \$950,000, please state that fact. Please include a written explanation of how the costs of the prudence investigation are accounted for in the rate case. At the deliberations, you stated that the regulatory agency costs for the prudence investigation were not included in the rate case. Please clarify that the \$2,722,150 of rate case expense is just for the rate case. Also, that the Company has not requested recovery of the regulatory agency's prudence review costs as well as the Department's consultants if applicable. The Commission is looking for clarity on this issue so please provide any necessary explanation that shows specifically what is included and what is not included. If the regulatory agencies and the DOC's outside consultants prudence review costs are not included in any place for recovery, please state that fact and provide an explanation that states Xcel is not asking for recovery of those costs.

Answer:

Expense for the Department’s Monticello Prudence Review consultants and agency fees was not included in either the Monticello Prudence Review expense request of \$950,000 or the test year rate case expense request of \$2.7 million. The Monticello Prudence Review expense of \$950,000 was specifically intended to represent the Company’s cost to develop and support the Monticello Prudence Review. Documentation of the Monticello Prudence Review and Test Year rate case expense estimates are included in our rate case filing in Test Year Workpaper Adjustments Vol. 4B, Adjustment A50. The test year amortization adjustment is described on page A50-1 with the regular rate case expenses shown on page A50-4 and the additional Monticello Prudence Review amount shown on page A50-8.

Support for the Monticello Prudence Review Expenses

The initial estimate of the expenses associated with just the Monticello Prudence review, prepared in early Sept and separate from test year Rate Case Expenses, totaled \$2.7 million. This amount is itemized below.

Initial Estimate:

Legal		[BEGIN TRADE SECRET
	Briggs	
Consultants		
	Reed - CEA	
	Kenrich Group	
	Nils Diaz	
	Art Stall	
		END TRADE SECRET]
TOTAL		2,700,000

Consistent with our practice of not requesting ratepayers pay the full amount of rate case expenses, we reduced the amount to be included in our cost of service such that the final amount included in our Rate Case Request was a total of \$950,000 split out by line item below. The reduction was determined by roughly the same ratios (generally rounded to reflect relative involvement anticipated) to result in a total amount for legal and consultants that would be less than \$1million (i.e. \$950,000). As stated above, Workpaper page A50-8 documents this Monticello Prudence Review expense amount.

Final Estimate to include w/Rate Case

Legal		
	Briggs	550,000
Consultants		[BEGIN TRADE SECRET
	Reed - CEA	
	Kenrich Group	
	Nils Diaz	
	Art Stall	
		END TRADE SECRET]
TOTAL		950,000

Support for Test Year Rate Case Expenses

Expense in support of the test year rate case was estimated to be \$2,722,150. This amount quantifies estimated costs solely in support of the rate case. Neither the State Agency Fees nor the Department's consulting expenses related to the Monticello Prudence Review were included in the test year rate case expense estimate itemized on Workpaper page A50-4.

Test Year Rate Case Expense Amortization

Together, the sum of \$2,722,150 and \$950,000 or \$3.7 million is amortized over two years. Workpaper page A50-3 shows the development of the annual amortization expense of \$1.8 million. The annual amortization amount is included in the development of our cost of service. Ms Heuer's Direct Testimony, Schedule 11 page 4 of 4, column (51) Line 16 Amortization shows the rate case adjustment of \$1.8 million.

Finally, the Monticello Prudence Review regulatory agency fees and the Department's outside consultants' costs were not included in any place in our cost estimates and the Company is not asking for recovery of those costs. As demonstrated above, the \$950,000 included in the development of the test year amortization expense was specifically intended to represent the Company's cost to develop and support the Monticello Prudence Review. Further, the \$2,722,150 of test year rate case expense does not include any agency fees related to the Monticello Prudence Review.

Portions of this response are marked "TRADE SECRET" , as it contains information the Company considers to be trade secret as defined by Minn. Stat. § 13.37(1)(b). This information includes details on contractual vendor amounts representing information generally not known or readily ascertainable by others who could obtain a financial or otherwise competitive advantage. Generally information regarding amounts paid or anticipated to be paid under vendor contracts are not publicly disclosed and disclosure of this information provides economic value to potential contractors or discourage certain vendors not to do business with the Company which could potentially result in higher costs to our customers if such information is used against our interests. Thus, Xcel Energy maintains this information as a trade secret pursuant to Minn. Rule 7829.0500.

Preparer: Anne E. Heuer / Debra Paulson
Title: Director, Revenue Analysis / Manager, Rate Cases,
Department: Revenue Requirements North / NSPM Regulatory
Telephone: 612-330-6181 / 612-330-7571
Date: March 13, 2015

Current Year Rate Case Amortization Adjustment

The purpose of this adjustment is to record the amortization of the estimated Rate Case expenses for the current rate filings under review for the Minnesota Jurisdiction.

The Company is seeking to amortize this expense over 2 years.

This request includes amortization of the Monticello prudency review that was requested by the MPUC.

A50-2

Amortizations 2014 -Current Year Rate Case Costs

Template V1.2

Period	Production			Mn Co Electric			Distribution			Jur Electric		
	MN	ND	SD	MN	ND	SD	MN	ND	SD	MN	ND	SD

Rate Base

Statement of Income

Depreciation
Amortization

Annual	1,075	1,075	1,075	213	213	213	544	544	544	1,832		
--------	-------	-------	-------	-----	-----	-----	-----	-----	-----	-------	--	--

Juris Income Tax

Jurisdiction Cash Working Capital

Rate Case Expense and Prudency Review
Summary of 2014 Cost Inputs

2014 Rate Case Expense Amortization	1,357,216
2014 Prudency Review Amortization	475,000
	<u>1,832,216</u>

P-T-D Allocators:

Production: 58.69%	1,075,328
Transmission 11.60%	212,537
Distribution 29.71%	544,351
	<u>1,832,216</u>

A50-4

NORTHERN STATES POWER COMPANY
 2014 Requested Expenses
 RATE CASE AMORTIZATION

FERC 928	Business Unit Description 624001 NSPM E Regulatory Expense-MN	Monthly	State of MN Annual
	Estimated Rate Case Costs		2,722,150
	Remove 0.2835% to Unregulated Business		(7,717)
	Total Rate Case costs to amortize		2,714,433
	24 month amortization	113,101	<u>1,357,216</u>

Electric RATE CASE EXPENSES
 Year Ended 12/31/2014

DESCRIPTION	Amount
Consulting	404,250
Outside Legal Fees	975,000
State Agency Fees	820,000
Direcis / ALJ	800,000
Intervenors	20,000
Court Reporter	0
Administrative Costs	522,900
Inserts (Design/Print/Inserting)	215,000
Newspaper (ad space-2)	225,000
Hearings - Venue Costs	1,500
Hearings - Travel Costs	400
Materials/Postage/Shipping/Printing	75,000
Employee Expense (Travel/Hotel)	6,000
	<u>2,722,150</u>

P-T-D Allocators:

Production: 58.69%
 Transmission 11.60%
 Distribution 29.71%

Northern States Power Company**Calculation of the Allocation Percent of Rate Case Expense
to Non-regulated Activities****Based on the Fiscal Year Ended December 31, 2012****Source: 2012 10K**

	Consolidated Total NSP	All Other Non- Reg	% of Total
Total Revenues	4,337,339	23,045	0.53%
Less: Financing Costs	(180,709)	(158)	
Income Tax Expense	(175,524)	(4,558)	
Net (Income) Loss	<u>(340,141)</u>	<u>(7,899)</u>	
Subtotal	3,640,965	10,430	
Other Income	38,088		
Total Operating Expenses	<u>3,679,053</u>	<u>10,430</u>	0.2835%
Less: Purchased COGS			
Electric Fuel and Purchased Power	(1,562,286)		
Purchased Gas Expense	(287,152)		
Cost of Sales -Non reg & Other	<u>(13,505)</u>	<u>(13,505)</u>	
Total Purchased COGS	<u>(1,862,943)</u>	<u>(13,505)</u>	
Operating Expense Net of Purchased COGS	<u>1,816,110</u>	<u>(3,075)</u>	
	100.0000%		
Operating Expenses			
O&M Expenses	1,212,291		
Depreciation & Amortization	399,432		
Taxes Other than Income Taxes	<u>204,387</u>		
Subtotal	1,816,110		
Total Purchased COGS	<u>1,862,943</u>		
Total Operating Expenses	3,679,053		

dollars in 000

NSP-MINNESOTA 2012 Form 10K
CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands of dollars)

	Year Ended Dec. 31		
	2012	2011	2010
Operating revenues			
Electric, non-affiliates	\$ 3,392,571	\$ 3,332,109	\$ 3,208,639
Electric, affiliates	449,958	440,519	416,076
Natural gas	471,765	604,723	589,044
Other	23,045	21,170	20,557
Total operating revenues	<u>4,337,339</u>	<u>4,398,521</u>	<u>4,234,316</u>
Operating expenses			
Electric fuel and purchased power	1,562,286	1,542,760	1,536,076
Cost of natural gas sold and transported	287,152	393,672	399,524
Cost of sales — other	13,505	12,737	12,405
Operating and maintenance expenses	1,102,302	1,064,665	1,037,752
Conservation program expenses	109,989	138,001	86,298
Depreciation and amortization	399,432	381,025	401,136
Taxes (other than income taxes)	204,387	172,726	162,901
Total operating expenses	<u>3,679,053</u>	<u>3,705,586</u>	<u>3,636,092</u>
Operating income	658,286	692,935	598,224
Other income, net	979	1,717	1,151
Allowance for funds used during construction — equity	37,109	37,164	38,341
Interest charges and financing costs			
Interest charges — includes other financing costs of \$5,972, \$6,264, and \$5,645, respectively	201,158	208,003	201,431
Allowance for funds used during construction — debt	(20,449)	(20,817)	(19,131)
Total interest charges and financing costs	180,709	187,186	182,300
Income before income taxes	515,665	544,630	455,416
Income taxes	175,524	191,649	181,191
Net income	<u>\$ 340,141</u>	<u>\$ 352,981</u>	<u>\$ 274,225</u>

Northern States Power Company 2012 Form 10K Footnote Information

L. Segments and Related Information

(Thousands of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
2012					
Operating revenues	\$ 3,842,529	\$ 471,765	\$ 23,045	\$ -	\$ 4,337,339
Intersegment revenues	532	608	-	(1,140)	-
Total revenues	<u>\$ 3,843,061</u>	<u>\$ 472,373</u>	<u>\$ 23,045</u>	<u>\$ (1,140)</u>	<u>\$ 4,337,339</u>
Depreciation and amortization	\$ 360,224	\$ 38,776	\$ 432	\$ -	\$ 399,432
Interest charges and financing cost	167,080	13,471	158	-	180,709
Income tax expense	161,450	9,516	4,558	-	175,524
Net income	314,853	17,389	7,899	-	340,141
2011					
Operating revenues	\$ 3,772,628	\$ 604,723	\$ 21,170	\$ -	\$ 4,398,521
Intersegment revenues	547	535	-	(1,082)	-
Total revenues	<u>\$ 3,773,175</u>	<u>\$ 605,258</u>	<u>\$ 21,170</u>	<u>\$ (1,082)</u>	<u>\$ 4,398,521</u>
Depreciation and amortization	\$ 342,570	\$ 38,056	\$ 399	\$ -	\$ 381,025
Interest charges and financing cost	170,884	16,168	134	-	187,186
Income tax expense (benefit)	183,704	13,529	(5,584)	-	191,649
Net income	317,458	25,447	10,076	-	352,981
2010					
Operating revenues	\$ 3,624,715	\$ 589,044	\$ 20,557	\$ -	\$ 4,234,316
Intersegment revenues	420	4,377	-	(4,797)	-
Total revenues	<u>\$ 3,625,135</u>	<u>\$ 593,421</u>	<u>\$ 20,557</u>	<u>\$ (4,797)</u>	<u>\$ 4,234,316</u>
Depreciation and amortization	\$ 364,104	\$ 36,623	\$ 409	\$ -	\$ 401,136
Interest charges and financing cost	165,099	17,090	111	-	182,300
Income tax expense	162,931	10,957	7,303	-	181,191
Net income	250,166	23,474	585	-	274,225

NORTHERN STATES POWER COMPANY		Monticello Prudency Review		Annual Amortization	
		Monthly	State of MN Annual		
	24 month amortization	39,583	475,000	950,000	

Prudency Review

DESCRIPTION

Consulting	400,000
Outside Legal Fees	550,000
	950,000