



414 Nicollet Mall
Minneapolis, MN 55401-1993

August 30, 2017

—Via Electronic Filing—

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

RE: COMMENTS
NUCLEAR DECOMMISSIONING ACCRUAL
DOCKET NO. E002/M-14-761

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission the enclosed Comments in response to the Commission's July 14, 2017 Notice of Comment Period. Specifically, we address the second bullet in the Topic/s Open for Comment section as follows:

- Why is there such a large variance in income taxes paid by each nuclear facility's fund when compared to the income each fund generated?

We understand this topic as referring to the Income Taxes line in Table 5 of Attachment A from our April compliance filing. That line reflects estimated taxes for 2016, along with a number of additional items including refunds received for prior year returns, any additional payments for the immediately prior year, and fees associated with private letter ruling filings. Table 5 has been reproduced below.

Table 5**Market Value Change by Component
From January 1, 2016 to December 31, 2016**

	<u>Total Fund</u>	<u>Monticello</u>	<u>Prairie Island Unit 1</u>	<u>Prairie Island Unit 2</u>
Interest/Dividends	34,303,700	14,477,536	9,436,073	10,390,091
Realized Gains/(Losses)	(733,107)	(289,056)	(258,518)	(185,533)
Management Fees	(6,160,298)	(2,549,167)	(1,736,622)	(1,874,510)
Trustee Fees	(273,608)	(91,354)	(91,140)	(91,114)
Income Taxes Unrealized Gains/(Losses)	(14,102,158)	(5,375,999)	(7,550,548)	(1,175,611)
	<u>103,209,117</u>	<u>43,564,345</u>	<u>28,691,490</u>	<u>30,953,282</u>
Increase in Market Value	116,243,647	49,736,305	28,490,736	38,016,606

The actual calculation of the taxes using interest, dividends, and realized gains or losses will not align to the amounts shown in Table 5 for two reasons. First, taxes are paid throughout 2016 based on estimated earnings for each fund. The estimate of taxes is based on a forecast of earnings that may be realized throughout the year for all investments. For example, estimated taxes are paid with the assumption that the private equity funds will produce 10 percent realized earnings in a year. If actual earnings are less than the estimated amount used to pay taxes, then the fund will apply for a refund when the actual tax returns are filed in the following year. The reverse is also true; however, estimated taxes are calculated such that the fund is not be subject to tax penalties for underpayment of estimated taxes. Estimated taxes are paid quarterly throughout the current year with the final estimated payment due in March of the following year. Returns are filed by September the following year. If estimated taxes are greater than actual taxes, the fund requests a refund at that time. Conversely, if actual taxes are greater than estimated taxes, then the final tax payment will be made when the returns are filed.

Second, the income tax line in Table 5 includes both income tax expenses for the current year, as well as any prior year refunds or any remaining tax payments due for the previous year that were paid in March or September of the following year. The timing of these prior-year refunds or payments can differ by unit/fund.

The following table shows the breakdown of the reconciliation of (1) the amounts included in the income tax line in Table 5; (2) estimated taxes paid on 2016 forecasted income, (3) 2015 extension tax payments made in March of 2016; (4) Private Letter Rulings filing fees; and (5) several federal and state refunds received.

We note that refunds were received for 2011 from the federal government for all three units along with 2015 refunds on the original return for Prairie Island Unit 2 and Monticello. Prairie Island Unit 1 is expected to receive a refund for the 2015 original tax year, which will offset the tax expense in the year received. In addition, several tax refunds were received from the State of Minnesota. Prairie Island Unit 2 received a state tax refund for the 2013 filing, whereas Monticello and Prairie Island Unit 1 received their 2013 state refunds in 2013. State refunds for the tax year 2014 for all units were also received in 2016.

Reconciliation of Table 5

2016 Income Taxes

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2
Income Taxes, Per Table 5	(5,375,999.00)	(7,550,548.00)	(1,175,611.00)
<u>Breakdown of Income Taxes Recognized in 2016</u>			
<i>2015 Estimated Tax Payments</i>			
2015 Federal Extension Payments (3/15/2016)	(969,000.00)	(1,080,000.00)	(171,000.00)
2015 MN Extension Payments (3/15/2016)	(483,000.00)	(512,000.00)	(95,000.00)
<i>2016 Estimated Tax Payments (*)</i>			
Federal			
Quarter 1 (4/15/2016)	(2,102,000.00)	(1,771,000.00)	(1,622,000.00)
Quarter 2 (6/15/2016)	(2,247,000.00)	(976,000.00)	(1,457,000.00)
Quarter 3 (9/15/2016)	(2,279,000.00)	(1,452,000.00)	(1,604,000.00)
Quarter 4 (12/15/2016)	(2,121,000.00)	(1,344,000.00)	(1,543,000.00)
Total Federal	(8,749,000.00)	(5,543,000.00)	(6,226,000.00)
Minnesota			
Quarter 1 (4/15/2016)	(1,052,000.00)	(885,000.00)	(856,000.00)
Quarter 2 (6/15/2016)	(1,134,000.00)	(511,000.00)	(687,000.00)
Quarter 3 (9/15/2016)	(1,154,000.00)	(835,000.00)	(896,000.00)
Quarter 4 (12/15/2016)	(168,000.00)	0.00	(83,000.00)
Total Minnesota	(3,508,000.00)	(2,231,000.00)	(2,522,000.00)
<i>Total 2016 Estimated Payments</i>	(12,257,000.00)	(7,774,000.00)	(8,748,000.00)
<i>Refunds Received in 2016</i>			
Federal			
2011 Amended Form 1120-ND	301,389.12	252,732.68	272,074.38
2015 Original Form 1120-ND	6,038,684.00	0.00	4,506,854.00
Minnesota			
2013 Original MN Form M4	0.00	0.00	1,351,968.00
2014 Original MN Form M4	2,020,938.00	1,609,893.00	1,735,775.00
<i>Private Letter Rulings Requested in 2016</i>			
IRS PLR Fee (from plan accounts)	(28,300.00)	(47,300.00)	(28,300.00)
Miscellaneous Other Entries	289.88	126.32	17.62
Total Income Taxes	(5,375,999.00)	(7,550,548.00)	(1,175,611.00)
Difference from Table 5	0.00	0.00	0.00

* Does not include the 2016 extension payments made March 15, 2017

Looking to the “Total 2016 Estimated Payments” line above, the percentage of 2016 estimated tax expense by unit was approximately 42.6 percent for Monticello, 27.0 percent for Prairie Island Unit 1, and 30.4 percent for Prairie Island Unit 2. Looking to Table 5, a simple estimate of total taxable income can be calculated by taking Interest/Dividends and Realized Gains/(Losses) and subtracting Management Fees and Trustee Fees for each unit. Using this method, the percentage of total taxable income by unit is 42.6 percent for Monticello, 27.1 percent for Prairie Island Unit 1, 30.3 percent for Prairie Island Unit 2. Thus, the 2016 estimated tax for each unit as reflected on the reconciliation table above aligns with the total taxable income for each unit, as reflected in Table 5. Additionally, the percentages of 2016 estimated tax expense are aligned with the percentages of Qualified Fund ending balance for 2016 by unit of 43.6 percent for Monticello, 26.6 percent for Prairie Island Unit 1, 29.8 percent for Prairie Island Unit 2.¹

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 lisa.h.perkett@xcelenergy.com or (612) 330-6950 if you have any questions regarding this filing.

Sincerely,

/s/

LISA H. PERKETT
PRINCIPAL FINANCIAL CONSULTANT

c: Service List

¹ The ending balance percentages were derived from Table 2 in the filing for the “Market Value at 12/31/2016” line.

CERTIFICATE OF SERVICE

I, Lynnette Sweet, 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 Nos. E002/M-14-761

Dated this 30th day of August 2017

/s/

Lynnette Sweet
Regulatory Administrator

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