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December 9, 2014

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider*
Docket No. G002/M-14-336

Dear Dr. Haar:

The OAG respectfully requests that the Commission reschedule the hearing in this matter, currently scheduled December 18, 2014, to allow further investigation.

After receiving Xcel's Supplemental Reply Comments on November 14, the OAG sent information requests on November 19 to obtain additional information about several issues that warrant further investigation. The OAG received responses to those information requests on December 3. On December 4, the OAG received responses to information requests that PUC staff submitted on November 19 and copies of e-mail correspondence between Xcel and the Department. On December 8, the OAG received a supplemental response to the PUC information requests. As a result of these information requests, the OAG has outstanding concerns about several issues, and has sent additional information requests to continue its investigation. The OAG asks that the Commission reschedule the hearing set for December 18 so that the OAG can complete its investigation and provide the Commission with all the analysis necessary to make an informed decision.

Specifically, the OAG is concerned that Xcel's request for rider recovery is unusual in both size and scope,¹ particularly given that the Commission originally ordered that the expenses in question be recovered through a rate case. Preliminary analysis provides some indication that if Xcel requested recovery of the TIMP and DIMP expenses through a rate case, as Xcel was

¹ Xcel indicates that the proposed 2015 GUIC recovery would increase the revenue authorized in its most recent rate case by 9.39 percent. GUIC Petition, at 22. A revenue increase of \$14.9 million, representing only the 2015 costs, is more than five times the increase that Xcel was granted in its last rate case. Docket No. G002/GR-09-1153. Xcel indicates that the total additional revenue requirement between 2012 and 2019 will be \$123 million, which is more than sixteen times the rate increase from the 2010 rate case. See GUIC Petition, Attachment M.

ordered to do, adjustments in other areas would moderate the rate increase that would result from the GUIC proposal. For example, the OAG's preliminary analysis indicates that if the TIMP and DIMP expenses were recovered through a rate case, reductions in Xcel's return on equity, which has not been updated since the 2010 case and is now significantly higher than that of other natural gas utilities, would significantly moderate the rate impact of the expenses. The OAG intends to send additional information requests to continue its analysis of this issue.

Additionally, based on responses to PUC information requests, the OAG has concerns about the inclusion of the East Metro pipeline in the GUIC rider. It appears that some costs related to the East Metro pipeline may be related to a betterment of the infrastructure, rather than safety. Betterment expenses may not be recovered through a GUIC rider according to Minnesota law. The OAG has sent additional information requests on this issue, and responses are expected on December 19.

The OAG requests that the Commission reschedule the hearing currently scheduled on December 18, 2014, to allow the OAG to further investigate these and other issues. If the Commission does reschedule the hearing, the Commission could consider several procedural mechanisms going forward. The Commission could issue a request for additional comments to allow the OAG to report the results of its analysis. Alternatively, if the Commission does not request additional comments and reschedules the hearing at a later date, the OAG could present the results of its analysis to the Commission during the hearing. The OAG believes that issuing a request for additional comments would be the most appropriate option because it would allow Commission staff additional time to consider the results of the OAG's analysis, and also provide other parties with the opportunity to respond. Whatever procedural mechanism the Commission chooses to employ, the OAG requests approximately 60 days to complete its analysis.

Sincerely,

s/Ryan Barlow

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