

**STATE OF MINNESOTA**

**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

MPUC Docket No.: E002/M-19-\_\_\_\_\_

In the Matter of the Petition of  
Northern States Power Company,  
d/b/a Xcel Energy for Approval of  
True-Up Mechanisms

**PETITION FOR APPROVAL  
OF TRUE-UP MECHANISMS**

**INTRODUCTION**

Pursuant to Minn. Stat. §§ 216B.03 and 216B.2412 and Minn. Rules 7829.1300, Northern States Power Company, d/b/a Xcel Energy (“Xcel Energy” or the “Company”), hereby petitions the Minnesota Public Utilities Commission (“Commission”) for an order approving the implementation of certain true-ups for the calendar year 2020, to be implemented in 2021 as set forth below. In the Company’s 2015 general rate case, MPUC Docket No. E002/GR-15-826, the Commission approved a four-year multi-year rate plan (“MYRP”) for the Company. The MYRP, set to expire December 31, 2019, includes three separate “true-ups,” to ensure just and reasonable rates and provide ratepayer protections: (1) a sales true-up for non-decoupled classes; (2) a capital true-up; and (3) a property tax true-up.

With this Petition, the Company respectfully requests approval of the following:

- A 2020 sales true-up that would operate similarly to the currently-approved sales true-up established in the 2015 MYRP but would apply to all customer classes;<sup>1</sup>
- A 2020 capital true-up that would operate consistently with the current capital true-up established in our 2015 MYRP;
- A 2020 property tax true-up that would operate consistently with the current property tax true-up established in our 2015 MYRP; and
- Commission approval to delay any increase to the Nuclear Decommissioning Trust (“NDT”) accrual until January 1, 2021, or—alternatively—approval of an actual deferral so the Company can fund the increased accrual in 2020 and recover that expense in a future rate case.

With these approvals, the Company would leave base rates unchanged in 2020; and the Company, Commission and our Stakeholders could devote the time and resources otherwise required to litigate a general rate case to important policy issues, including our 2019 Integrated Resource Plan.

We recognize that the Commission and our stakeholders will need to understand our rate request in order to evaluate this alternative proposal. Exhibit 1 to this Petition identifies our proposed interim and final rate increases, and compares them to the expected revenue requirement impact of this alternative proposal. We

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<sup>1</sup> During the MYRP, the Company has had a Commission-approved decoupling pilot for certain classes of customers and the sales true-up for those classes not included in the decoupling pilot. That decoupling pilot is currently set to expire on December 31, 2019.

commit to meeting with the Department, the other Settling Parties<sup>2</sup> from our 2015 Rate Case, the Office of Attorney General, and other interested parties and stakeholders in the coming days, so that we can discuss the details and impacts of our proposal. Should the Commission then approve this Petition prior to December 31, 2019, the Company commits to withdraw its general rate case filing and to not file a new general rate case until on or after November 2, 2020.

## **I. SUMMARY OF FILING**

A one-paragraph summary of the filing accompanies this Petition, pursuant to Minn. Rules 7829.1300, subp. 1.

## **II. SERVICE ON OTHER PARTIES**

Pursuant to Minn. Rule 7829.1300, subp. 2, the Company has served a copy of this filing on the Minnesota Department of Commerce, Division of Energy Resources; the Office of Attorney General - Antitrust and Utilities Division; all parties on the service lists for: the 2015 electric rate case (Docket No. E002/GR-15-826), the 2019-2021 Triennial Nuclear Decommissioning Trust docket (Docket No. E002/M-17-828), and the electric rate case filed today (Docket No. E002/GR-19-564); and all persons on the Company's miscellaneous service list, as shown on the attached Certificate of Service.

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<sup>2</sup> The Minnesota Department of Commerce, the Xcel Energy Large Industrials, the Minnesota Chamber of Commerce, the Commercial Group, the Suburban Rate Authority, the City of Minneapolis, the Industrial, Commercial and Institutional customer group, and the Energy CENTS coalition.

### **III. GENERAL FILING INFORMATION**

Pursuant to Minn. Rules 7829.1300, subp. 3, and 7825.3200(B), Xcel Energy provides the following general information.

#### **A. Name, Address and Telephone Number of Utility**

Northern States Power Company doing business as:  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, Minnesota 55401  
(612) 330-5500

#### **B. Name, Address and Telephone Number of Utility Attorney**

Ryan J. Long  
Lead Assistant General Counsel  
Xcel Energy  
414 Nicollet Mall – 401, 8<sup>th</sup> Floor  
Minneapolis, MN 55401

#### **C. Date of Filing and Date Proposed Miscellaneous Rate Change Will Take Effect**

The date of the filing is November 1, 2019. The filing requests approval of true-up mechanisms for calendar year 2020 that would be implemented in 2021 and approval to delay any increase to the Nuclear Decommissioning Trust accrual until January 1, 2021.

#### **D. Statute Controlling Schedule for Processing the Filing**

The filing described herein is made pursuant to Minn. Stat. §§ 216B.03 and 216B.2412. These statutes prescribe no schedule for processing the filing. This filing is a miscellaneous tariff filing as defined by Minn. Rule 7829.0100, subp. 11, since this

filing does not require determination of the utility's revenue requirement. Under Minn. Rule 7829.1400, comments on a miscellaneous filing are due within 30 days of its filing, with reply comments due 10 days thereafter. Xcel Energy respectfully requests approval of this Petition on an expedited basis and prior to December 31, 2019, to ensure administrative efficiency and avoid the time and expense of litigating the general rate case filed on November 1, 2019.

**E. Title of Utility Employee Responsible for Filing**

Greg Chamberlain  
Regional Vice President  
Xcel Energy  
414 Nicollet Mall (401–7<sup>th</sup> Floor)  
Minneapolis, MN 55401  
(612) 337-2158  
[greg.p.chamberlain@xcelenergy.com](mailto:greg.p.chamberlain@xcelenergy.com)

**IV. MISCELLANEOUS INFORMATION**

Pursuant to Minn. Rule 7829.0700, Xcel Energy requests that the following persons be placed on the Commission's official service list for this proceeding:

Ryan J. Long  
Lead Assistant General Counsel  
Xcel Energy  
414 Nicollet Mall (401–8<sup>th</sup> Floor)  
Minneapolis, MN 55401  
[ryan.j.long@xcelenergy.com](mailto:ryan.j.long@xcelenergy.com)

Carol Cronin  
Regulatory Administrator  
Xcel Energy  
414 Nicollet Mall, 401–7<sup>th</sup> Floor  
Minneapolis, MN 55401  
[regulatory.records@xcelenergy.com](mailto:regulatory.records@xcelenergy.com)

Any information requests in this proceeding should be submitted to the Regulatory Records email address above.

## V. DESCRIPTION AND PURPOSE OF FILING

As noted above, in the Company's 2015 general rate case, the Commission approved a four-year multi-year rate plan (MYRP) for the Company. The MYRP, which is set to expire December 31, 2019, includes three separate and distinct true-up mechanisms to maintain just and reasonable rates and provide ratepayer protections: (1) extension of our decoupling pilot along with a sales true-up for non-decoupled classes; (2) a capital true-up; and (3) a property tax true-up. Those true-up mechanisms, along with the Company's current decoupling pilot, will also expire coincident with the end of the MYRP, on December 31, 2019. To address Xcel Energy's going forward rates, the Company filed a general rate case on November 1, 2019 in Docket No. E002/GR-19-564. That filing proposes new base rates and addresses other ratemaking mechanisms, including decoupling and true-ups.

In the course of preparing its rate case filing, the Company considered a number of factors, including:

- The financial impacts resulting from the continuation or termination of other ratemaking mechanisms, including decoupling and the current true-ups;
- The treatment of riders and any rider roll-ins that may be proposed in the rate case;
- The proposed level of interim rates; and
- The anticipated workload demands on the Company, Department, Commission and other key stakeholders caused by other dockets, including

the Company's Integrated Resource Plan (IRP) and several other expected utility general rate cases.

After considering each of the above factors, the Company determined that its planned general rate case could be deferred for a year if true-ups similar to those approved as part of its current MYRP can be implemented for the 2020 calendar year, along with a delay to any increase to the NDT annual accrual. Specifically, the Company recognized that by utilizing these true-ups it could keep actual base rates unchanged during 2020 and that revenue requirements in effect for 2020 under interim rates may not be markedly different—and may even be somewhat above—the revenue requirements that would result if this alternative proposal is adopted.

Given that, the Company viewed it as appropriate to present this alternative proposal for the Commission's consideration. Our proposal can be construed as a reasonable and appropriate resolution of rates for 2020 that may provide a preferred alternative to the time and expense of beginning litigation of the rate case in 2020.

The Company understands that, to fully evaluate the merits of this Petition, parties and the Commission will need to understand how this Petition compares to our general rate request. For this reason, and because the Company wishes to preserve its ability to collect adequate revenues in 2020 should the Commission not grant this Petition, we filed our general rate case on November 1, 2019. Given the short time frame between now and the statutory interim rate implementation deadline of January 1, 2020, we commit to meeting with any interested parties to expedite their

review of the overall rate case and to facilitate a comparison between the case and this Petition.

Consequently, we ask that the Commission establish a process that allows parties to comment, and the Commission to decide, if this Petition is preferable to pursuing the general rate case process before interim rates take effect. We recognize that the time for this review is short, but we believe a decision on this Petition in 2019 is important to minimizing customer confusion and preserving our ability to collect adequate revenues in 2020 should interested parties and the Commission find merit in exploring this alternative path.

If the Commission approves this Petition, the Company commits to withdrawing its general rate case filing and to not filing a new general rate case until on or after November 2, 2020. If approved, in other words, this Petition would leave base rates at 2019 levels, with true-ups for 2020 actual experience, and allow the Company, Commission and other stakeholders to direct their resources to other important matters, rather than litigating another general rate case. Additionally, the Company commits to follow through with important policy proposals that are included in our rate case filing, including our Commercial and Industrial Time of Use tariff proposal and our advanced grid proposals as part of our Integrated Distribution Plan, which is also being filed on November 1, 2019. For these reasons, and because our Petition seeks revenues that are projected to be less than our interim rate request,



we believe the alternative proposal is in the public interest and merits Commission approval.

## **VI. SPECIFIC REQUESTS**

### **A. Sales True-Up**

Under the current MYRP, the Company's decoupling pilot and the sales true-up mechanism (which is functionally equivalent to decoupling for customer classes not included in the pilot) are both set to expire on December 31, 2019. The Company has proposed to extend and modify the existing decoupling pilot in its general rate case. In lieu of utilizing the rate case to implement decoupling for all customer classes, the Company is proposing to extend these mechanisms through this petition. Thus, the Company requests approval to implement a sales true-up for all customer classes for calendar year 2020.<sup>3</sup> Importantly, this mechanism for 2020 would likely mirror any final rate result in the rate case with respect to sales given that the Company has proposed—consistent with past practice—to true-up rates to actual sales for the year 2020 since actual sales information will be available prior to the conclusion of the rate case.

Moreover, the sales true-up would likely result in 2020 revenues that are similar to—or even less than—the revenues that would be realized in 2020 under interim rates. As shown in Exhibit 1, the Company has requested an interim rate adjustment

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<sup>3</sup> See Minn. Stat. §216B.2412 (authorizing the Commission to approve a decoupling pilot or extend a decoupling pilot approved in a general rate case).

that will increase base rate revenues by \$122 million. Of that amount, \$94 million is driven by a decline in forecasted sales. Here, the Company is proposing a true-up for 2020 actual sales to be implemented in 2021. Thus, base rates would remain unchanged in 2020 and, if the Company's sales forecast is accurate, the true-up would result in a surcharge of \$94 million in 2021, which is approximately \$28 million less than our proposed 2020 interim rates.<sup>4</sup>

We are proposing that the true-up be based on a comparison of forecasted base revenues in 2019 to actual revenues in 2020, using a similar process to that used during the MYRP period 2017-2019 and following these steps:

1. Forecasted base revenues for 2019 will be calculated using 2016 weather-normalized actual sales by class and current base rates (effective June 1, 2019, including reduction for TCJA).
2. Actual revenues for 2020 will be calculated using 2020 actual customer counts and actual sales and current base rates (effective June 1, 2019, including reduction for TCJA).
3. The 2020 revenue comparison will include the same C&I sales growth as assumed in 2018.
4. Any over/under collections from the 2019 decoupling and sales true-up mechanisms will be included with the 2020 results.
5. The true up will include all discounts and incentive rates approved by the Commission.
6. After 2020 actual sales are available in January 2021, the Company will provide the actual 2020 customer counts, sales, and resulting revenues by class for all classes in a compliance filing consistent with the method used in Docket No. E002/GR-15-826, to be filed February 1, 2021.

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<sup>4</sup> If actual 2020 sales differ from the Company's forecast, the true-up could be greater or less than the amount reflected in our Interim Rate Petition.

7. If the 2020 revenues are greater than the approved plan year level, the difference will be deferred as a regulatory liability and refunded to customers. If the 2020 revenues are lower than the approved plan year level, the difference will be deferred as a regulatory asset and collected from customers. A refund or surcharge factor will be calculated for each class based on the deferral amount and the current sales forecast. These factors will be placed on customer bills effective April 1, 2021 for 12 months.

The sales true-up result and factor calculation mechanics are illustrated in Exhibit 2.

## **B. Property Tax and Capital True Ups**

While the sales true-up described above will help ensure that the Company's revenues remain just and reasonable, additional true-ups were implemented in our last case as customer protections. Namely, our last rate case included a true-up for property taxes to help ensure that only our actual property tax costs were recovered in rates and a capital true-up to help ensure that the Company continued to invest in its system consistent with its forecast. Along with the sales true-up proposal, the Company believes that it would be reasonable to continue these customer protections as part of this alternative proposal, if the Commission finds it appropriate to do so.

### *1. Property Tax True-Up*

The Company requests approval to extend the existing property tax true up through 2020. The refund/surcharge mechanism will be implemented using the same methodology and filing process as has been used during the MYRP period 2017-2019.<sup>5</sup> As with the annual property tax true-up calculations for 2017-2019, the

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<sup>5</sup> See e.g., Docket No. E002/GR-15-826 (July 1, 2019 Property Tax True-Up Report & Combined Refund Plan).

property tax expense amount established in 2015 by the Department for 2016 will serve as the baseline to determine whether a refund or surcharge is necessary.

## 2. *Capital True-Up*

The Company also requests approval to extend the existing capital true-up mechanism through 2020. Again, the refund/surcharge mechanism will be implemented using the same methodology and filing process as has been used during the MYRP period 2017-2019, with one exception.<sup>6</sup> Since the Company's 2020 capital investments will not yet have been subject to review, the Company's total actual capital related revenue requirements for 2020 will be measured against the total annual capital related revenue requirements set forth in the Department's overall revenue recommendation for 2019, as shown in Mr. Lusti's Direct Testimony in the company's 2015 rate case. Unlike the property tax or sales true-ups, the proposed capital true-up would be asymmetrical, meaning the Company will refund to customers if it incurs lower capital related revenue requirements than provided by the benchmark, but will not be allowed to collect increased revenues through the true-up if capital related revenue requirements exceed that benchmark.

### **C. NDT Accrual**

Finally, the Company requests approval to postpone any increase to the Nuclear Decommissioning Trust (NDT) accrual until 2021. On January 7, 2019, the

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<sup>6</sup> See e.g., Docket No. E002/GR-15-826 (May 1, 2019 Capital True-Up Report).

Commission issued an Order in the Company's 2019-2021 Triennial NDT docket (Docket No. E002/M-17-828) approving an annual accrual of \$44.4 million beginning on January 1, 2020. However, the Commission noted that the accrual amount was subject to possible revision based on a subsequent filing by the Company to be made on July 15, 2019 that updated inputs and considered the implications of (1) continued reimbursements for dry fuel storage from the Department of Energy; (2) the use of the SAFSTOR decommissioning method; and (3) the possible use of third-party contractors for decommissioning. The Company filed a Petition in compliance with this order on July 15, 2019, and requested that the annual accrual be updated to \$22.8 million starting January 1, 2020. The Department of Commerce filed a response and recommended that the Commission set the accrual at \$27.4 million. This matter has not yet been set for hearing, and the Company has included the entire \$44.4 million accrual in its rate case filing, which it will adjust based on the final Commission Order in the NDT docket.

Here, we are proposing to postpone any increase to the accrual—which is currently set at \$14 million—until January 1, 2021. Doing so will facilitate the Company's ability to leave rates unchanged in 2019, and also provide additional time for the Commission to consider the Company's July compliance filing and the Department's response before determining a final accrual amount. Additionally, the impact of the one-year delay is relatively modest. Under the Department's proposed \$27.4 million accrual, for example, moving implementation back to January of 2021

results in a \$1.3 million increase in the annual accrual going forward (and no change to the total amount collected for decommissioning).

Alternatively, if the Commission wishes to implement the higher accrual in January of 2020, the Company requests a financial deferral of those NDT accrual expenses for 2020, so that it can fund the NDT at the Commission-designated accrual level and seek to recover those costs in its 2021 general rate case if this alternative proposal is accepted by the Commission. We would make an amortization proposal as part of a future general rate case filing.

### **CONCLUSION**

Xcel Energy respectfully requests that the Commission approve the extension of the true-up mechanisms for sales revenue, capital expenditures, and property tax proposed in this Petition, and that it approve the Company's request to postpone any increase to the NDT accrual until January 1, 2021. By doing so, the Company will leave base rates unchanged in 2020 and save the expense, time, and other resources associated with litigating Xcel Energy's general rate case in 2020.

Dated: November 1, 2019

NORTHERN STATES POWER  
COMPANY, D/B/A XCEL ENERGY

**STATE OF MINNESOTA**

**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

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**PETITION FOR APPROVAL  
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**SUMMARY OF FILING**

Please take notice that on November 1, 2019, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission a Petition for Approval of True-Up Mechanisms seeking approval to implement certain true-up mechanisms prior to December 31, 2019.

**COMPARISON OF PROPOSED 2020 INTERIM RATES,  
FINAL RATES, AND TRUE-UP ALTERNATIVE**

\$ in millions

<u>Description</u>	Filed Rate Case		Petition for Approval of True-Up Mechanisms**
	Proposed Test Year 2020	Proposed Interim 2020	
	Sales Change*	\$94.3	
Cost of capital	66.8		
Transmission capital	60.8		
Other capital	26.1		
Nuclear capital	55.2		
Wind capital, net of PTCs	10.0		
O&M	(76.9)		
Taxes, net of TCJA refunds	(28.8)		
Other, net	(6.2)		
	201.4	\$201.4	94.3
Interim adjustments			
Cost of capital		(68.7)	
Other		(10.7)	
	\$201.4	\$122.0	\$94.3

\*Based on the Company's sales forecast.

\*\*In addition to a sales true-up, the Petition also proposes capital and property tax true-ups and deferral of any increase to the Nuclear Decommissioning Trust annual accrual.



**ILLUSTRATIVE SALES TRUE-UP & FACTOR EXAMPLE CALCULATION**

**2020 SALES TRUE-UP FACTORS - ALL CLASSES - Actual without weather normalization**

	<b>Residential</b>	<b>Commercial</b>	<b>Demand</b>	<b>Metered Lighting</b>	<b>Interdept</b>	<b>Total</b>	
<b>MWH Sales</b>							
a. Final (2019 Plan Year from 15-826)	8,616,977	885,420	20,603,015	36,423	7,500	30,149,336	
b. Actual 2020 (estimate)	8,450,856	853,252	19,411,564	33,375	7,108	28,756,155	
c. Change	-166,122	-32,168	-1,191,451	-3,048	-392	-1,393,180	b-a
d. Percent Change	-1.93%	-3.63%	-5.78%	-8.37%	-5.22%	-4.62%	c/a
e. Forecast YE Mar2022	8,297,986	840,920	19,133,640	34,899	7,108	28,314,552	
<b>Base Revenue (\$1,000's)</b>							
f. Final (2019 Plan Year with TCJA reduction)	\$886,207	\$82,649	\$1,237,868	\$1,786	\$453	\$2,208,963	
g. Actual 2020 (estimate)	\$873,121	\$79,969	\$1,169,558	\$1,530	\$429	\$2,124,607	
h. Change	-\$13,086	-\$2,680	-\$68,310	-\$257	-\$24	-\$84,356	g-f
i. Percent Change	-1.48%	-3.24%	-5.52%	-14.36%	-5.23%	-3.82%	h/f
j. Revenue Growth <sup>(1)</sup>			\$9,916			\$9,916	
k. <b>Current True-up</b>	-\$13,086	-\$2,680	-\$78,226	-\$257	-\$24	-\$94,272	h-j
l. <b>2019 Revenue True-up (estimate)</b>	\$824	-\$1	\$90	\$4	-\$3	\$915	
m. <b>Net Current True-up Under Recovery</b>	-\$12,262	-\$2,681	-\$78,136	-\$253	-\$27	-\$93,357	k+l
n. Final Percent Change	-1.38%	-3.24%	-6.31%	-14.14%	-5.88%	-4.23%	m/f
o. <b>True-up Factor Surcharge per kWh</b>	\$0.00148	\$0.00319	\$0.00408	\$0.00724	\$0.00374		m/c

(1) See Docket No. E002/GR-15-826, August 16, 2016 Stipulation of Settlement, Attachment 5, page 2, item 2 for revenue growth.