

From: [O'Connell, Kate \(COMM\)](#)
To: [Harding, Bob \(PUC\)](#)
Cc: [Ouanes, Samir \(COMM\)](#)
Subject: Background FCA info in response to Commissioners' questions
Date: Wednesday, April 13, 2016 12:05:56 PM

Hi, Bob –

Samir put together some information that we think could be helpful to address some of the basic data questions that Commissioners had yesterday. Please let us know if there are any questions. Thanks!

I) Structure of MP's, OTP's and Xcel's fuel clause adjustments

- a) As MP's manager said yesterday, MP's fuel clause adjustments (FCAs) change rates every month based on the average of the costs for the first two months of the prior three months. This approach is based on the FCA rules, which were put in place back when fuel costs didn't change much, month to month.
- b) OTP's monthly FCA rate changes are also based on the average of the costs for the first two months of the prior three months. In addition, OTP has an annual true-up of their fuel costs. This variance was put in place in E017/M-03-30, in response to concerns that OTP had been consistently over-recovering its actual fuel costs. Thus, with this true-up, it is expected that OTP's fuel-cost recovery will be closer to its actual fuel costs, over time.
- c) Xcel's monthly FCA rate changes are based on Xcel's estimates of fuel costs in the next month. This variance was put in place because the method set out in rules meant that Xcel's FCA was systematically charging higher FCA rates in September through November to interruptible customers, based on higher fuel costs in the summer, even though any customers that were interrupted during the peak helped reduce those costs. In addition, Xcel has a monthly true-up, again with the intention of helping Xcel's FCA rates more closely recover actual costs, over time.
- d) MP and OTP recover their energy costs through base rates and through the FCA.
- e) Xcel recovers its energy costs only through the FCA.

The over or under recovery provided in the Department's annual analyses for all utilities indicates *for that time period* the differences between the amounts of actual costs and the amounts of actual recovery, with FCA rates based on these three structures.

The analyses do not show, cumulatively, how total costs and total recovery differ over time, since the utilities' monthly FCA rates are based on methods that have already been approved by the Commission. However, there is a table showing the percentage over/under recoveries for each utility for each FCA year, but the percentages are based on somewhat different levels of costs each year.

Similarly, the annual reviews of FCAs address the utility's energy costs during the relevant fiscal year, not the fluctuations around the base cost of energy set in a rate case. The Commission approved the base rates in the rate case and the FCA rate designs, so the total fuel rates charged to utilities each month are allowed to be the sum of recovery in base rates and recovery in the FCA.

II) Comparison of \$/kWh costs and rates

With the context above, energy costs/kWh and energy recovery/kWh are in the record as indicated below.

MP's FYE12, FYE13 and FYE14 energy cost and recovery data is available in:

1. DOC's June 5, 2013 public comments-attachments for FYE12 (12-757) at page 100 of 122, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B6B6A3A8-18BE-4E45-9CF5-70310111D5B7}&documentTitle=20136-87893-03>

2. DOC's September 16, 2016 public comments for FYE13 (13-599) at page 124 of 140, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={8F4704DF-FF11-4E08-9DC4-4DA65EBD8FAD}&documentTitle=20149-103105-02>

3. DOC's May 19, 2015 comments for FYE14 (14-579) at page 185 of 221, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={58985132-8599-4031-A311-EA7D9016DAB5}&documentTitle=20155-110569-02>

OTP's FYE12, FYE13 and FYE14 energy cost and recovery data is available in:

1. DOC's June 5, 2013 public comments-attachments for FYE12 (12-757) at page 107 of 122, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B6B6A3A8-18BE-4E45-9CF5-70310111D5B7}&documentTitle=20136-87893-03>

2. DOC's September 16, 2016 public comments for FYE13 (13-599) at page 131 of 140, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={8F4704DF-FF11-4E08-9DC4-4DA65EBD8FAD}&documentTitle=20149-103105-02>

3. DOC's May 19, 2015 comments for FYE14 (14-579) at page 192 of 221, available at: <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={58985132-8599-4031-A311-EA7D9016DAB5}&documentTitle=20155-110569-02>

Xcel's FYE12, FYE13 and FYE14 energy cost and recovery data is available in:

1. DOC's June 5, 2013 public comments-attachments for FYE12 (12-757) at page 90 of 122, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={B6B6A3A8-18BE-4E45-9CF5-70310111D5B7}&documentTitle=20136-87893-03>

2. DOC's September 16, 2016 public comments for FYE13 (13-599) at page 137 of 140, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={8F4704DF-FF11-4E08-9DC4-4DA65EBD8FAD}&documentTitle=20149-103105-02>

3. DOC's May 19, 2015 comments for FYE14 (14-579) at page 198 of 221, available at:

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={58985132-8599-4031-A311-EA7D9016DAB5}&documentTitle=20155-110569-02>

Due to Xcel's monthly true-up mechanism, the Department only provides Xcel's over/under recovery at the end of each fiscal year. Again, this is just a snapshot of Xcel's recovery at a given point in time. As explained in a footnote at 29 of the Department's May 19, 2015 public comments, Xcel is not financially impacted by the over/under recovery at any given point in time.