

July 21, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: 2019 Property Tax True-Up Report and Combined Refund Plan
Docket Nos. E002/GR-15-826, E002/GR-92-1185, G002/GR-92-1186, E,G002/M-20-516

Dear Mr. Seuffert:

On July 1, 2020 Northern States Power Company, d/b/a Xcel Energy (Xcel or the Company), submitted its 2019 Property Tax True-Up Report (2019 Property Tax Report) pursuant to the Minnesota Public Utilities Commission's (Commission's) June 12, 2017 *Findings of Fact, Conclusions and Order* in Docket No. E002/GR-15-826. Xcel submitted this 2019 Property Tax Report following its June 1, 2020 filing of the Company's Annual Report for its 2019 Incentive Compensation Plan refund (2019 Incentive Compensation Report) and the corresponding June 26, 2020 Response Letter of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the instant dockets.

The Department's June 26, 2020 Response Letter recommended that the Commission accept Xcel's 2019 Incentive Compensation Report and indicated that we do not object to the Company's proposal to combine its 2019 property tax and incentive compensation refunds.¹ Accordingly, Xcel included in its 2019 Property Tax Report a proposed plan for issuing a one-time bill credit that would combine the Company's 2019 property tax and incentive compensation refunds to Minnesota electric customers.

The Department reviewed Xcel's 2019 Property Tax Report with the objective of answering the following questions:

- Should the Commission approve Xcel's 2019 property tax refund?
- Should the Commission allow Xcel to combine the Company's 2019 property tax and incentive compensation refunds?
- Is the proposed combined refund date reasonable?
- How should interest be applied to the combined refunds?

The following sections discuss each of these questions.

¹ Department's June 26, 2020 Response Letter, pages 3 – 4, Docket Nos. E002/GR-15-826, E002/GR-92-1185, G002/GR-92-1186, E,G002/M-20-516.

A. SHOULD THE COMMISSION APPROVE XCEL'S 2019 PROPERTY TAX REFUND?

The Department reviewed Xcel's proposed property tax refund for 2019 and concludes that it is consistent with methodologies discussed in the Direct and Surrebuttal Testimony of Mr. Charles Burdick on behalf of Xcel, the Direct Testimony of Mr. Dale Lusti on behalf of the Department, and the Commission's June 12, 2017 *Findings of Fact, Conclusions and Order* in Docket No. E002/GR-15-826. The difference between the actual 2019 Minnesota jurisdictional electric property tax expense of \$138,575,896 and the 2016 test year property tax expense of \$151,553,642, which is charged to ratepayers in base rates, results in a \$12,977,746 property tax refund that is due to Xcel's Minnesota electric ratepayers, prior to application of interest.² The Department recommends that the Commission approve Xcel's 2019 property tax refund.

B. SHOULD THE COMMISSION ALLOW XCEL TO COMBINE THE COMPANY'S 2019 PROPERTY TAX AND INCENTIVE COMPENSATION REFUNDS?

As stated in our June 26, 2020 Response Letter in the instant dockets, the Department does not object to Xcel combining its 2019 property tax and incentive compensation refunds, as long as the Company informs ratepayers about both reasons for the refund.³ The Company's currently proposed refund combination is consistent with that approved by the Commission for Xcel's 2018 property tax and incentive compensation refunds.⁴ The Department recommends that the Commission (1) approve the Company's proposed plan to combine the 2019 property tax and incentive compensation refunds and (2) require that Xcel's finalized refund message included on customer bills alert ratepayers to the reasons for the refund. The Department notes that prior to issuing its 2019 combined refund, Xcel intends to finalize the relevant customer bill message in consultation with the Commission's Consumer Affairs Office.⁵

C. IS THE PROPOSED COMBINED REFUND DATE REASONABLE?

In general, the Department supports processing refunds to ratepayers as soon as reasonably possible. Xcel stated that it "expect[s] to begin implementation work for the combined property tax and AIP [Annual Incentive Plan] refund to electric customers in fourth quarter 2020" and will "file a compliance report summarizing the results of the combined customer refund within 30 days of completing the refund process."⁶ According to Xcel, this proposed refund schedule will "allow for currently-approved refunds and those with ordered processing dates to be completed according to [the Company's] commitments in various related proceedings."⁷ The Department believes that Xcel's proposed refund

² 2019 Property Tax Report, Attachment B, page 1.

³ Department's June 26, 2020 Response Letter, page 4.

⁴ Commission's May 7, 2020 *Order*, page 5 - 6, in Docket Nos. E002/GR-92-1185, G002/GR-92-1186, E002/GR-10-971, E002/GR-15-826, E,G002/M-19-375, E002/M-20-112.

⁵ 2019 Property Tax Report, page 4.

⁶ *Id.*

⁷ *Id.* The Commission's May 7, 2020 *Order*, page 6, in Docket Nos. E002/GR-92-1185, G002/GR-92-1186, E002/GR-10-971, E002/GR-15-826, E,G002/M-19-375, E002/M-20-112 required Xcel to issue a combined refund to ratepayers in a single monthly billing cycle, beginning June 23, 2020. Xcel's June 24, 2020 *Notice*, page 2, in the same dockets, provides an

timetable is reasonable and that the Company's suggested compliance filing is appropriate under the circumstances. Therefore, the Department recommends that the Commission require Xcel to implement the issuance of its 2019 combined property tax and incentive compensation refund in the fourth quarter of 2020 and file a compliance report summarizing the results of the combined customer refund within 30 days of completing the refund process.

D. HOW SHOULD INTEREST BE APPLIED TO THE COMBINED REFUNDS?

Xcel agreed to apply a 4.31 and 3.25 percent annual interest rate, beginning June 1, 2020, to its 2019 property tax⁸ and incentive compensation refund,⁹ respectively. The proposed 4.31 percent interest rate represents the short term cost of debt approved by the Commission for 2019 in Docket No. E002/GR-15-826 and matches the interest rate approved for the Company's 2018 combined property tax and incentive compensation refunds.¹⁰ The proposed 3.25 percent interest rate is the prime rate recommended by the Department on page 4 of its June 26, 2020 Response Letter in the instant dockets. The Department recommends that the Commission require Xcel to apply, on a monthly, compounding basis, a 4.31 and 3.25 percent annual interest rate to its 2019 property tax and incentive compensation refund, respectively, from June 1, 2020 through the month immediately preceding the billing cycle in which the Company actually issues this refund to ratepayers.

E. SUMMARY OF RECOMMENDATIONS

The Department recommends that the Commission take the following actions:

- Approve Xcel's 2019 property tax refund.
- Approve the Company's proposed plan to combine the 2019 property tax and incentive compensation refunds.
- Require that Xcel's finalized refund message included on customer bills alert ratepayers to the reasons for the refund.
- Require Xcel to implement the issuance of its 2019 combined property tax and incentive compensation refunds in the fourth quarter of 2020.
- Require Xcel to file a compliance report summarizing the results of the 2019 combined property tax and incentive compensation refunds within 30 days of completing the refund process.
- Require Xcel to apply, on a monthly, compounding basis, a 4.31 and 3.25 percent annual interest rate to its 2019 property tax and incentive compensation refund, respectively, from

updated refund issuance start date (June 29, 2020) for its Commission-approved combined refunds, including those for a net operating loss, 2018 property taxes, 2018 incentive compensation, and the U.S. Department of Energy nuclear settlement.

⁸ 2019 Property Tax Report, Attachment D, shows Xcel's calculation of interest on its 2019 property tax refund.

⁹ Xcel's July 9, 2020 Reply Comments, Attachment A, page 2, shows Xcel's calculation of interest on its 2019 incentive compensation refund.

¹⁰ The Commission's May 7, 2020 *Order*, page 5, in Docket Nos. E002/GR-92-1185, G002/GR-92-1186, E002/GR-10-971, E002/GR-15-826, E, G002/M-19-375, E002/M-20-112.

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June 1, 2020 through the month immediately preceding the billing cycle in which the Company actually issues this refund to ratepayers.

Sincerely,

/s/ GEMMA MILTICH
Financial Analyst, CPA

GM/ja
Attachment