

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger  
David C. Boyd  
Nancy Lange  
J. Dennis O'Brien  
Betsy Wergin

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Application of Northern  
States Power Company for Authority to Increase  
Rates for Electric Service in the State of  
Minnesota

ISSUE DATE: January 2, 2014

DOCKET NO. E-002/GR-13-868

ORDER SETTING INTERIM RATES

**PROCEDURAL HISTORY**

On November 4, 2013, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition to increase its electric rates in Minnesota. The Company asked to increase Minnesota retail electric rates in 2014 by \$192,708,000, or 6.9 percent, and by an additional \$98,535,000, or 3.5 percent, in 2015; combined, these proposals would increase Xcel's Minnesota revenues by a total of \$291,243,000 per year, or approximately 10.4 percent.

Under Minn. Stat. § 216B.16, subd. 3, the Commission must order an interim rate schedule into effect within 60 days from the filing of a general rate case unless the Commission allows the proposed final rates to go into effect. The Company included proposed interim rate schedules in its November 4 filing; these schedules would permit the Company to recover an interim rate increase of approximately \$127,400,000, or 4.57%, on an annualized basis.<sup>1</sup>

On December 12, 2013, the rate case filing, including the proposed interim rate schedule, came before the Commission.

By separate orders the Commission has suspended the proposed rate change and referred the general rate case to the Office of Administrative Hearings for contested case proceedings.<sup>2</sup> In this order the Commission sets interim rates.

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<sup>1</sup> Because the increase would not be applied to the fuel clause and other riders, the interim rate increase would appear as a uniform 6.61% surcharge to the base rates portion of customers' bills.

<sup>2</sup> See Order Accepting Filing and Suspending Rates and Notice and Order for Hearing, both entered in this docket on today's date.

## FINDINGS AND CONCLUSIONS

### **I. The Legal Standard**

Under Minn. Stat. § 216B.16, subd. 3, interim rates are established in expedited proceedings conducted *ex parte*. Except under exigent circumstances, the following principles control:

Interim rates are based on the proposed test year cost of capital, the proposed test year rate base, and proposed test year expenses. They are calculated using existing rate design and the rate of return on common equity authorized in the company's last general rate case. Only rate base and expense items similar in nature and kind to those allowed under the company's last general rate case order can be included in interim rate calculations.

Interim rates are collected subject to refund. If the company collects more in interim rates than it would have collected in final rates, it refunds the difference to ratepayers. If it collects less, it can recover the difference only for the time period between the final determination in the rate case and the date on which final rates go into effect.<sup>3</sup>

### **II. Xcel's Proposal**

- Xcel proposes an interim rate increase to cover a revenue deficiency of approximately \$127,406,000 per year, to be implemented by January 3, 2014 – that is, 60 days after its November 4, 2013 filing.
- Xcel's interim rates calculation generally followed the statutory template, with two items meriting special mention. First, Xcel calculated the deficiency assuming that it would again be authorized to recover costs related to its Sherburne County Generating Station Unit 3 (Sherco 3). The Commission barred recovery of most of these costs in Xcel's last rate case because the plant had stopped operating.<sup>4</sup> With the plant functioning again, Xcel argues that these costs are once again of a like nature and kind with other costs recovered via interim rates, and thus should be included when calculating the new interim rates.
- Second, Xcel offers a rate moderation proposal, altering the manner in which Xcel would otherwise calculate its revenue deficiency with the goal of reducing that calculated deficiency. In particular, Xcel proposes altering an amortization schedule. In Xcel's last rate case the Commission directed Xcel to amortize its surplus accumulated depreciation over a period of eight years. Xcel now proposes to pay these funds back over three years. Because these changes would increase the operating income Xcel would impute to the rate case's test year, they would offset the amount of revenue Xcel would seek from ratepayers.

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<sup>3</sup> Minn. Stat. § 216B.16, subd. 3(c).

<sup>4</sup> See *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. GR-12-961, Findings of Fact, Conclusions, and Order (September 3, 2013) at 22-23.

Xcel asks the Commission to find that exigent circumstances exist if such a finding is necessary to permit implementation of the proposed interim rates.

### **III. Commission Action**

The Commission has examined the Company's interim rates proposal and finds that it complies with the requirements of Minn. Stat. § 216B.16, subd. 3. The Commission will therefore approve the proposal and authorize the collection of interim rates for service rendered on and after January 3, 2014. Rates will be based on the new base cost of energy set in conjunction with this rate case filing.<sup>5</sup>

While Xcel's interim rate calculation incorporates some changes to its last rate case, the Commission is not persuaded that those changes require a finding of exigent circumstances. The fact that Sherco 3 is now back on line as an operating plant means that the costs of that plant are of the same nature and kind as for any other preexisting plant. Consequently Xcel is justified in including those costs when calculating interim rates. And the Commission may alter an amortization schedule without altering the nature and kind of costs being amortized. Consequently the revised surplus depreciation schedule may be incorporated into interim rates without a finding of exigent circumstances.

The Commission will direct the Company to take appropriate steps to implement this decision. The Company must submit to the Commission's Executive Secretary a draft notice designed to inform customers of the rate change under the interim rates schedule, and secure his approval. The Company must file interim rate tariff sheets reflecting the terms of this order, together with documentation demonstrating compliance, and must include the approved customer notice. The Company must then display the interim rate increase on each customer's bill using a single, line-item interim rate adjustment. And the Company must include the approved notice with each customer's first bill incorporating the new interim rates, and certify when it has done so.

Finally, the Commission will direct the Company to keep appropriate records. For example, the Company recovers from ratepayers the cost of its Conservation Improvement Programs (CIP) via current rates; the Company must track the recovery of these costs to ensure that they are appropriately recorded. And the Company must collect the records necessary to permit a prompt refund of any excess interim rates at the end of the rate case.

### **ORDER**

1. The Company's interim rates proposal is hereby approved. The Company is authorized to put this rate increase into effect for service rendered on and after January 3, 2014.
2. The Company shall promptly file with the Commission and the Department interim tariff sheets and supporting documentation demonstrating compliance with the decisions made in this order.

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<sup>5</sup> See *In the Matter of Xcel Energy's Request for Approval of a New Base Cost of Energy*, Docket No. E-002/GR-13-869.

3. The Company shall include in its interim rate tariff sheet filing a customer notice, approved by the Executive Secretary, informing customers of the rate change under the interim rates schedule.
4. The Company shall include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary, and shall make a filing certifying its compliance with this requirement as soon as compliance is complete.
5. Throughout the interim rate period, the Company shall display the interim rate increase on customer bills using a single, line-item interim rate adjustment.
6. The Company shall keep such records of sales and collections under interim rates as would be necessary to calculate a potential refund; such refund should be made within 120 days of the effective date of the Commission's final order and in a manner approved by the Commission.
7. Throughout the interim rate period, the Company shall keep records of Conservation Improvement Program costs and collections to ensure that it can be ascertained that recoveries dedicated to CIP are properly recorded as CIP.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary



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