


Staff Briefing Papers

Meeting Date	March 27, 2025	Agenda Item 3*
Company	Northern States Power Co. d/b/a Xcel Energy	
Docket No.	E-002/GR-12-961; E-002/GR-13-868; E-999/AA-13-599; E-999/AA-14-579; E-999/AA-16-523; E-999/AA-17-492; E-999/AA-18-373	
	In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota, et. al (Sherco 3 outage-related issues)	
Issues	Should the Commission approve the timing and methodology proposed by Xcel Energy for Commission ordered refunds related to the 2011-2013 Sherco 3 outage?	
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 Relevant Documents	Date
Commission Order – Adopting ALJ Report as Modified	December 24, 2024
Xcel Energy – Refund Compliance Filing	January 23, 2025
Department of Commerce – Letter	February 7, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



I. BACKGROUND

On November 19, 2011, at the Northern States Power Company d/b/a Xcel Energy (Xcel Energy, or the Company) Sherburne County Generating Station (Sherco), a catastrophic failure of a turbine (the Event) forced the shutdown of generating unit 3 (Sherco Unit 3, or Sherco 3) until October 28, 2013. In response to the prolonged outage, Xcel Energy purchased replacement power and additional fuel from other sources, which the Company's customers paid for through the automatic fuel-clause adjustment (FCA).

On July 13, 2022, the Minnesota Public Utilities Commission (Commission) referred this matter to the Office of Administrative Hearings for contested case proceedings. The matter was assigned to Administrative Law Judge (ALJ) Ann C. O'Reilly.

On November 1 and 2, 2023, the ALJ held evidentiary hearings.

On May 17, 2024, the ALJ issued her findings of fact, conclusions of law, and recommendation (the ALJ Report).

On October 15, 2024, the Commission met to consider the matter.

On December 24, 2024, the Commission issued its ORDER ADOPTING ADMINISTRATIVE LAW JUDGE REPORT AS MODIFIED, REQUIRING REFUND OF CERTAIN DISALLOWED REPLACEMENT POWER COSTS, AND REQUIRING FURTHER ACTION. Pursuant to ordering paragraphs (OP) 5 and 9, Xcel Energy was required to:

5. Within 30 days of the date of this order, Xcel must make a compliance filing detailing the final refund amount and recognizing the timing of the GE Settlement credit to customers.

9. Within 30 days of the date of this order, Xcel must make a final compliance filing that not only captures the revised Prime Rate but also incorporates both the Commission's decisions in this proceeding and Xcel's anticipated refund date.

II. DISCUSSION

A. Xcel Energy – Compliance Filing

Pursuant to OP 5 and 9 of the Commission Order, Xcel Energy submitted the required compliance filing noting that the total refund due to ratepayers as of December 2024 was



approximately \$47.1 million.¹

Xcel Energy proposed an April 1st refund implementation date and stated the Company would update the applicable interest rate for the first three months of 2025 in its March 1st FCA true up filing in Docket No. E-002/AA-23-153.² Specifically, Xcel stated:

Parties to this proceeding recommended that the appropriate refund mechanism is the 2024 Fuel Clause Adjustment (FCA) True-Up filing. Therefore, the Company plans to incorporate the refund in our FCA True-Up for 2024 to be filed by March 1, 2025 in Docket No. E002/AA-23-153. The refund will be applied consistent with how we have previously included refunds through the FCA and consistent with FCA class allocation. We will provide additional detail in the True-Up report. Our FCA True-Up will propose to implement the true-up factor changes with 30 days' notice on April 1, as allowed by the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802, to reduce customers' fuel charges as soon as possible.

Xcel Energy noted that it would make any ordered adjustments (if any) through Reply Comments in the FCA docket.

B. Department of Commerce – Letter

On February 7, 2025, the Department submitted a letter supporting Xcel Energy's proposed refund plan. The Department's comments in their entirety are shown below:

I write on behalf of the Minnesota Department of Commerce concerning the compliance filing by Northern States Power Company, d/b/a Xcel Energy, on January 23, 2025, in the above-referenced dockets. The Department has carefully reviewed the filing and has determined that the calculation of the amount of the required refund is accurate. Accordingly, the Department recommends that the Commission approve the filing.

Additionally, the Department requests that the Commission confirm that the refund will continue to accrue interest at the prime rate through the date that the refund is actually implemented, as has been the Commission's past practice for refunds.

¹ Attachment A provided the calculation of the refund total, recognizing the timing of the GE litigation settlement and showing the application of interest at the Prime Rate through December 2024.

² Xcel Energy filed the FCA True up on March 3, 2025. The Sherco 3 Replacement Power Cost Refund is discussed on pages 19-20, and Part A of Attachment 9. Staff notes that the amount of the refund increased by approximately \$888,066 (\$47,956,813 - \$47,068,747) since the Company's January 23, 2025, compliance filing.



C. Staff Analysis

The Commission's December 24, 2024 Order instructed Xcel Energy to refund imprudently incurred replacement power costs, however, its Order did not explicitly address *how* the Company would implement the refund.

In its 2024 FCA true-up filing, Xcel Energy proposed to refund Sherco costs over the 12-month true-up recovery period of April 2025 through March 2026. Staff suggests that, at the agenda meeting, the Commission may want to clarify its intent regarding the recovery period: did the Commission intend for Xcel Energy to refund in one lump sum or did it intend for the Company to recover over the twelve months. Regardless, the Commission may want to consider whether Xcel Energy's refund plan should include additional interest. Xcel Energy's interest calculation ends on March 31, 2025; however, under its refund proposal, it would take ratepayers an additional year before they receive the full refund.

Staff notes that FCA true-up costs are not subject to interest; however, the Sherco 3 refund is unlike other costs typically found in the FCA. Xcel Energy argued the Sherco 3 refund was added to the FCA true-up because ratepayers would receive those refunds faster. The Commission has already ordered Xcel Energy to pay interest on these funds so, if the Commission intended for the Company to pay interest until the full amount is refunded, then the Commission may want to order Xcel Energy to add the additional interest in the FCA true-up.



III. DECISION OPTIONS

1. Accept Xcel Energy's compliance filing as fulfilling the requirements set forth in ordering paragraphs 5 and 9 of the Commission's December 24, 2024 order in this proceeding. (Xcel Energy, Department)

And,

2. Authorize the refund method proposed by Xcel Energy. (Xcel Energy, Department)

Or,

3. Authorize the refund method proposed by Xcel Energy but require Xcel Energy to continue to calculate interest on any outstanding balance until such time that the entire refund amount is returned to ratepayers and, to reflect the additional interest, require Xcel Energy to update FCA true-up recovery factors in Docket No. E-002/AA-23-153. (Staff)

And,

4. Require Xcel Energy to submit a compliance filing within 30 days of completion of the refund providing the following information:
 - Attesting that all of the ordered refunds have been issued;
 - Noting the total amount of refunds issued;
 - Confirming the actual Prime Rate of interest used;
 - Providing a schedule showing the refunds.