

March 8, 2023

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

RE: **Response to Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/M-22-578

Dear Mr. Seuffert:

The Minnesota Department of Commerce, Division of Energy Resources (Department) attached its Response to Reply Comments in the following matter:

In the Matter of the Petition of Northern States Power Company, doing business as Xcel Energy, for Approval of Gas Utilities Infrastructure Cost Rider (GUIC Rider) True-up Report for 2021, Updated Costs for 2022, Revenue Requirement for 2023, and Revised Adjustment Factors (Petition).

Lisa R. Peterson, with Xcel Energy, filed [Reply Comments](#) on February 10, 2023, addressing the Comments of the parties.

The Department recommends the Minnesota Public Utilities Commission (Commission) **continue to allow Xcel Energy to recover eligible project costs in its GUIC Rider, with modifications.**

The Department is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ FELICIA CULLEN
Financial Analyst

/s/ HOLLY SODERBECK
Financial Analyst

FC/HS/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G002/M-22-578

I. INTRODUCTION

[Minnesota Statutes § 216B.1635](#) established the Gas Utility Infrastructure Costs (GUIC) Recovery Rider. Northern States Power Company, doing business as Xcel Energy (Xcel, Xcel Energy or the Company) has filed GUIC recovery requests annually since 2014.

On January 26, 2023, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed [Comments](#)¹ on Xcel's November 1, 2022 [Petition](#) in the current Docket.

Fresh Energy filed [Comments](#) on January 30, 2023, and the Office of the Attorney General – Utilities Rate Division (OAG-RUD) filed [Comments](#) on January 30, 2023.

On February 10, 2023, Xcel filed [Reply Comments](#) regarding the parties' comments.

The Department provides Response Comments to Xcel's Reply Comments to address the additional information requested from the Company and to summarize our recommendations to the Minnesota Public Utilities Commission (Commission).

The Department also provides response to the Comments of OAG-RUD and Fresh Energy.

II. DEPARTMENT'S POSITION ON REPLY TOPICS

In its February 10, 2023 Reply Comments, the Company covered the following topics:

- A. Expiration of Recovery of the GUIC Statute²
- B. Plan to wind-down GUIC Rider
- C. Cancelled/Deferred GUIC projects
- D. Report on Casing Renewal project cost effectiveness

OAG-RUD comments focused on the expiration of the GUIC statute. Fresh Energy comments focused on winding down the GUIC rider following expiration of the GUIC statute and also considerations for accelerated system replacement investments.

¹ Trade secret link.

² Minn. Stat. § 216B.1635.

Fresh Energy filed Comments on May 31, 2022, addressing the level of capital spending as part of the GUIC Statute, energy and policy concerns, and considerations for winding down accelerated system replacement investments.

A. EXPIRATION OF THE RECOVERY OF THE GUIC STATUTE

In its January 26, 2023 Comments, the Department stated it believes if the Commission approves a GUIC Rider petition by June 30, 2023, the statute's expiration date, the Commission is within the statutory authority. The Department also noted it does not believe the Company could file a true-up in a subsequent GUIC Rider Petition for the Commission to consider after June 30, 2023. The Commission may approve another alternative, such as deferred accounting or another mechanism to approve the true-up within its statutory authority.³

OAG-RUD stated in its comments:

[T]he GUIC Statute is the source of the Commission's authority to approve a GUIC rider. Once the statute expires, that approval authority no longer exists, and the Commission is no longer empowered to act on GUIC petitions even if they were filed before the statute expired. (And, arguably, the GUIC Rider itself should terminate, and the cost recovery cease, after June 30, 2023, since the statutory authority for "a rate schedule for the automatic annual adjustment of charges for gas utility infrastructure costs" will no longer exist.)⁴

OAG-RUD also states in its comments:

Costs incurred after the GUIC Statute expires are not eligible for GUIC rider recovery since they would not be legally cognizable as "gas utility infrastructure costs" under the existing statute. Had the Legislature intended to allow Xcel to recover these costs through the end of 2023, it could have set a sunset date of December 31. It did not. Therefore, assuming the GUIC Statute's sunset date is not extended again, Xcel can only recover through the GUIC Rider its GUIC revenue requirements for the first six months of 2023.⁵

Fresh Energy asked the Commission to wind down the GUIC rider following the expiration of the GUIC Statute, meaning the Company would not be allowed to use the GUIC statute in subsequent petitions.⁶

³ Department Comments at 19 (January 26, 2023).

⁴ OAG-RUD Comments at 2 (January 30, 2023).

⁵ OAG-RUD Comments at 2 (January 30, 2023).

⁶ Fresh Energy Comments at 2 (January 30, 2023).

Xcel stated it believes the Commission may consider GUIC requests filed before the expiration of the statute. Xcel also states if the Commission could not approve recovery of Xcel's request using the GUIC Statute, nothing prevents the Commission from establishing a rider and granting recovery of a utility's reasonable and prudent costs. Xcel does not agree with the OAG-RUD's positions. Xcel also does not agree with the Department's position that the Commission would need to approve the position prior to the statute's expiration.⁷

Xcel agrees with the Department's position that the Commission may approve a different mechanism to recover the costs previously recovered under the GUIC statute.⁸

The parties' positions and additional comments did not change the Department's position in our initial comments on the GUIC Statute expiration.

B. PLAN TO WIND DOWN GUIC RIDER

Regarding a wind down plan, Fresh Energy stated:

The concerns raised in Fresh Energy's May 31, 2022 Comments in the 2022 GUIC docket⁹ remain: after more than a decade of increasing spending on the accelerated replacement of the Company's distribution system, it is time to take stock, refocus, and reset these efforts. The accelerated level of infrastructure spending we have experienced causes concerns for both current and future Minnesotans. This spending has increased rates year-over-year for current ratepayers and it increases the stranded asset risk facing the gas distribution system, as alternative gas and on-gas resources begin to emerge. The impending expiration of the GUIC's authorizing statute later this year only underscores the need to reassess this program.¹⁰

Fresh Energy asked the Commission to wind down the GUIC rider following the GUIC Statute expiration and to address the broader issues related to accelerated infrastructure replacement programs in policy proceedings.¹¹

Fresh Energy also notes a pending settlement agreement in the Company's 2021 rate case follows a recommendation based on the Clean Energy Organizations testimony calling for the Company to file a wind-down plan for its GUIC rider. Fresh Energy asks the Commission to have the Company file the wind-

⁷ Xcel Reply Comments at 2-5 (February 10, 2023).

⁸ Xcel Reply Comments at 5 (February 10, 2023).

⁹ Fresh Energy [Comments](#) in Docket No. G002/M-21-765 (May 31, 2022)

¹⁰ Fresh Energy Comments at 1 (January 30, 2023).

¹¹ Fresh Energy Comments at 2 (January 30, 2023).

down plan in this docket if the Commission approves the rate case settlement prior to the resolution of this docket.¹²

Xcel confirmed it will prepare a wind-down report and file it within a GUIC Rider docket.¹³

Xcel also stated it believes Fresh Energy's recommendation to continue the discussion related to accelerated infrastructure replacement programs in another policy proceeding makes sense, with a holistic discussion of potential future scenarios.¹⁴

However, Xcel notes its continued concerns with Fresh Energy's characterization of the necessity of continued investment in Xcel's natural gas system infrastructure.¹⁵

The Department looks forward to reviewing Xcel's GUIC rider wind-down plan and also agrees a continuation of the discussion related to accelerated infrastructure replacement programs in another policy proceeding is appropriate.

C. CANCELLED/DEFERRED GUIC PROJECTS

In its Comments, the Department requested the Company provide updated financial schedules, removing delayed or canceled projects.¹⁶

In its Reply Comments, Xcel stated, "The total estimated 2023 capital costs for the four cancelled or delayed projects, including both service and main costs, is about \$674,000. The estimated 2023 revenue requirement impact of these projects not occurring in 2023 is about \$37,000."¹⁷

The Company stated:

With the cancellation of these projects for 2023, the Company will have increased bandwidth to complete other high-risk Programmatic Mains and Service Replacement projects during the 2023 construction season. The Company is currently in the process of identifying additional work that will be completed this year instead but anticipates that the total costs of the replacement projects will be comparable to the projects being replaced. As such, we do not anticipate any financial impact at this time and believe that the financial schedules we provided with our initial filing do not need to be updated. As has been customary with previous filings, the Company will only recover actual costs for the requested year and will provide details

¹² Fresh Energy Comments at 1 (January 30, 2023).

¹³ Xcel Reply Comments at 6 (February 10, 2023).

¹⁴ Xcel Reply Comments at 6 (February 10, 2023).

¹⁵ Xcel Reply Comments at 6 (February 10, 2023).

¹⁶ Department Comments at 16 (January 26, 2023).

¹⁷ Xcel Reply Comments at 7 (February 10, 2023).

on the final actual costs incurred once they are fully known. The Company normally provides updated financial schedules after all costs are known and plans to do so with this request.¹⁸

The Department understands the Company may be able to substitute other projects for the delayed or canceled projects. However, if the GUIC rider statute is not extended by the Legislature or the Commission does not approve an alternative mechanism for the true-up process, the Department does not agree with allowing the Company to recover costs for delayed or cancelled projects, estimated to be \$674,00 in capital costs or an estimated \$37,000 revenue requirement, on the premise the Company may be able to substitute with other similar projects.

D. REPORT ON CASING RENEWAL PROJECT COST EFFECTIVENESS

The Department's comments requested the Company report on the cost metric for the casing renewable program in its Reply Comments, as required by the Commission's November 18, 2022 [Order](#) in Docket No. G002/M-20-799.

Xcel provided a cost metric report for the casing renewal in Attachment A of its Reply Comments. Xcel's Casing Renewal Cost Effectiveness Report stated:

Pipeline casings were a common installation method for road and railroad crossings. Casings serve as an oversized conduit to allow the pipeline to be installed without distributing the road or railroad, while also providing structural and mechanical load protection to the pipeline. Improvements in horizontal directional drilling methods now give utilities the ability to install pipelines under roads and railroads without the need for casings or open cutting of ground surfaces.¹⁹

Casing can be shorted in three ways (or a combination of ways), but the type of short is not known until work is undertaken. Shorted casings need to be remedied. There are two methods to remediate shorted casings: 1. Replacement or 2. Excavate both ends, inspect, and re-center the pipe inside the casing, remove any electrolyte, and repair or replace damaged casing spacers and end seals.²⁰ The only guaranteed method to remediate a shorted casing is replacing it. Excavation can be less costly in the short-term, but over the long-term, replacement is more cost effective.²¹

The Department appreciates the additional information provided by Xcel regarding the casing renewal project cost effectiveness and does not have further questions regarding the Company's report at this time.

¹⁸ Xcel Reply Comments at 7 (February 10, 2023).

¹⁹ Company Reply Comments, Attachment A at 1 (February 10, 2023).

²⁰ Company Reply Comments, Attachment A at 2 (February 10, 2023).

²¹ Company Reply Comments, Attachment A at 2 (February 10, 2023).

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department appreciates the Company's Reply to our comments and the comments provided by OAG-RUD and Fresh Energy.

The Department recommends the Commission take the following actions:

- Approve the Company's proposed 2023 GUIC Rider factor, as filed, subject to a true-up mechanism.
- Require the Company to provide true-up information for 2021, 2022, and 2023, once known, using deferred accounting or an alternative mechanism.
- Require the Company to report reimbursements as offsets in future true-up financials.
- Require the Company to provide a compliance filing, based on Commission decisions, within 10 days of Commission Order, including electronic files with formulae intact of the revenue requirement and corresponding rate factor schedules.
- If the GUIC rider statute is not extended by the Legislature or the Commission does not approve an alternative mechanism for the true-up process, the Department does not agree with allowing the Company to recover costs for delayed or cancelled projects, estimated to be \$674,00 in capital costs or an estimated \$37,000 revenue requirement, on the premise the Company may be able to substitute with other similar projects.

The Department is available for any questions the Commission may have.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response to Reply Comments**

Docket No. G002/M-22-578

Dated this 8th day of **March 2023**

/s/Sharon Ferguson

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