

Staff Briefing Papers

Meeting Date	January 25, 2018	Agenda Item **1
Company	Northern States Power Company d/b/a Xcel Energy (Xcel)	
Docket No.	E-002/M-15-1089	
	In the Matter of the Petition of Northern States Power Company for Approval of a Credit Mechanism to Return to Customers Department of Energy Settlement Payments	
Issues	1. Should the Commission order Xcel to refund the proceeds of the eighth Department of Energy (DOE) settlement payment to ratepayers?	
Staff	Jorge Alonso jorge.alonso@state.mn.us	651-201-2258

Relevant Documents

Date

Xcel Energy – Compliance Filing	December 8, 2017
Department of Commerce – Comments	January 4, 2018
Xcel Energy – Reply Comments	January 16, 2018

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I. Statement of the Issues

Should the Commission order Xcel to refund the proceeds of the eighth Department of Energy (DOE) settlement payment to ratepayers?

II. Background

Under the Nuclear Waste Policy Act, utilities, such as Xcel, were required to enter into contracts for the disposal of spent nuclear fuel. Utilities contributed 1.0 mil (\$0.001) for every nuclear power-generated kilowatt-hour of electricity. In exchange, the DOE committed to transport and dispose of the spent nuclear fuel beginning no later than January 31, 1998.

Since, to date, the DOE has never accepted any spent nuclear fuel, Xcel filed two lawsuits seeking to recover damages associated with storage of spent nuclear fuel at Prairie Island and Monticello nuclear generation plants. The first lawsuit sought damages through 2004 and the second sought damages through 2008. On July 7, 2011, the Company reached a settlement on both lawsuits which provided a mechanism for Xcel to recover its spent nuclear fuel storage damages through December 31, 2013. The Settlement has subsequently been repeatedly extended with the latest extension allowing for recovery of spent fuel storage damages through December 31, 2019.

On August 5, 2011, Xcel submitted a petition¹ requesting approval of a credit mechanism for funds received from the 2011 Settlement Agreement and, in its December 16, 2011 Order, the Commission approved a credit mechanism to return the funds in the form of one-time bill credits.

Subsequent to the December 16, 2011 Order, in Xcel's 2012-2014 Triennial Nuclear Plant Decommissioning Accrual filing², the Company proposed and the Commission approved that future DOE settlement payments be used for the nuclear decommissioning accrual. After funding the nuclear decommissioning accrual, the excess funds from the fourth and fifth payments were used for rate moderation in Xcel's 2013 electric rate case³.

The sixth and seventh payments were returned to ratepayers in the form of refunds.

¹ Docket E-002/M-11-807

² Docket E-002/M-11-939

³ Docket E-002/GR-13-868

Table 1 – Historical Usage of DOC Settlement Funds

Payment No.	Damage Period	Initial Notice of Payment Compliance Filing Date	MN Allocated \$ Amount, in millions	Bill Credit to Customers	Nuclear Decommissioning Trust Account Deposits	Rate Moderation	PUC-Approved Expenses
1	Jan 31, 1998 - Dec 31, 2008	August 5, 2011	\$74.122	\$70.516	\$0.000	\$0.000	\$3.900 ⁴
2	Jan 1, 2009 - Dec 31, 2010	April 3, 2012	\$13.671	\$13.671	\$0.000	\$0.000	\$0.000
3	Jan 1, 2011 - Dec 31, 2011	November 14, 2012	\$15.321	\$0.000	\$14.189	\$0.000	\$0.000
4	Jan 1, 2012 - Dec 31, 2012	December 6, 2013	\$31.544	(\$0.267)	\$14.189	\$17.622	\$0.000
5	Jan 1, 2013 - Dec 31, 2013	January 12, 2015	\$24.392	\$2.090	\$14.189	\$8.113	\$0.000
6	Jan 1, 2014 - Dec 31, 2014	December 31, 2015	\$9.742	\$9.742	\$0.000	\$0.000	\$0.000
7	Jan 1, 2015 - Dec 31, 2015	November 21, 2016	\$13.831	\$13.831	\$0.000	\$0.000	\$0.000

III. Parties' Comments

A. Xcel's Compliance Filing

Xcel confirmed that, on November 13, 2017, the Company received the eighth DOE payment totaling \$15,180,484.80, (\$11,206,535 MN-jurisdiction) and, consistent with the Commission's June 3, 2016 Order in this docket, the Company deposited the funds into the external interest bearing account.

Consistent with the Company's recent 2019-2021 Triennial Nuclear Decommissioning Study & Assumptions⁵ ("2019-2021 Study") filing and the Commission's prior decision in Dockets No. E-002/M-11-807 and 11-939, Xcel proposed that the eighth payment be held in an interest bearing account until our 2019 Integrated Resource Plan is resolved. However, if the Commission decides these funds should be credited back to customers, Xcel requested the implementation of the bill credit begin within 90-days from the date of the Commission's Order.

B. Department of Commerce Comments

The Department confirmed that Xcel's use of a 73.822% allocator to calculate the MN-jurisdiction portion of the refund is correct⁶; however, consistent with the prior DOE refunds, the DOC recommended that the eighth payment⁷ also be refunded to ratepayers. The

⁴ As ordered in Docket No. E-002/M-807, \$2 million was set aside for the Power On program (Order Point No. 5) and \$1.9 million was used for litigation expense (Order Point No. 9).

⁵ Docket E-002/M-17-828

⁶ 15,180,484.80 x 73.822% = \$11,206,535.

⁷ Including all accumulated interest, net of related bank fees or charges specific to these funds.

Department concluded that withholding the refund would be unreasonable for the following reasons:

- For the calendar years of 2016 through 2018, the Commission approved an annual accrual of \$14,030,831 for nuclear decommissioning and a \$2,020,602 accrual for end-of-life nuclear fuel.
- In the Company's recent 2019-2021 Nuclear Decommissioning Triennial Filing⁸, Xcel requested that a new decommissioning accrual not be established until 2019 and possibly as late as 2021.
- The DOE refund relates to 2016 and, currently, there is no support for a higher annual decommissioning accrual.
- Procedurally, the Department will not be reviewing Xcel's new decommissioning study until the spring of 2018.

The Department recommended that the Commission:

- Approve the one-time bill credit method for refunding the \$11,206,535 to Minnesota customers, including all interest accumulated net of related bank fees;
- Require the Company to provide refunds within 60 days of the Commission's order;
- Require the Company to provide a compliance filing within 30 days after completing the bill credits; and
- Require the Company to continue to file information and documentation consistent with the Commission's Order Point 11 in Docket No. E-002/M-11-807 within 30 days of receiving future DOE payments pursuant to the Extended Settlement Agreement.

C. Xcel's Reply Comments

Xcel continued to propose that a decision regarding the disposal of the DOE refund be deferred until a decision is made in the 2019-2021 Study or until a final decision regarding the nuclear fleet is made at the end of the Company's 2019 IRP.

Xcel also reaffirmed its request that, if a refund is ordered, it be allowed 90 days to complete that process.

⁸ Docket E-002/M-17-828

IV. Staff Analysis

Currently, Xcel annually recovers \$14.0 million for nuclear decommissioning costs and, in its recently filed 2019-2021 Study, Xcel proposed to continue collecting the same amount through 2019. In that Study, in docket 17-828, Xcel stated that, keeping that recovery amount unchanged would not only allow rates to remain consistent with those approved in the Company's 2015 Multi Year Rate Plan (MYRP)⁹ but it would also allow for the accrual amount to be reassessed based on decisions made in Xcel's 2019 IRP.

The 2019-2021 Study states that, based on decisions to be made regarding the future of its nuclear fleet, the updated annual decommissioning accrual could range from negative \$16.0 million to \$115.9 million. Since the range between those two outcomes, at the opposite ends of the ranges, is over \$130 million, the Commission, as an alternative, may want to consider ordering that the \$11.2 million be immediately deposited into the Nuclear Decommissioning Trust (NDT). Investing the \$11.2 million would not deprive ratepayers from "getting" the refund since that investment should ultimately result in a lower future annual nuclear decommissioning accrual.

V. Decision Options

Class Allocation Methodology

1. Approve Xcel's proposed Class Allocation Methodology. (Xcel, DOC)

Minnesota-Jurisdiction Refund Amount

2. Approve Xcel's Minnesota-Jurisdiction calculation of \$11,206,535. (Xcel, DOC)

Interest

3. Approve Xcel's proposal that the credit include the actual amount of interest earned by the Company, net of any bank fees. (Xcel, DOC)

Handling of Refund

4. Order Xcel to maintain the Minnesota-Jurisdiction refund amount in an external interest bearing account until a final decision is made in the 2019-2021 Triennial Nuclear Decommissioning Study & Assumptions. (Xcel)
5. Order Xcel to refund the \$11,206,535 plus interest, net of any bank fees. Require Xcel to provide the refunds within 90 days of the Commission Order. (Xcel, secondary alternative)

⁹ Docket E-002/M-15-826

6. Order Xcel to refund the \$11,206,535 plus interest, net of any bank fees. Require Xcel to provide the refunds within 60 days of the Commission Order. (DOC)
7. Order Xcel to deposit the \$11,206,535 plus interest, net of any bank fees into the Nuclear Decommissioning Trust. Require Xcel to make the deposit within 30 days of the Commission Order. (Staff)

Miscellaneous

8. Require Xcel to make a compliance filing within 30 days after completing the bill credits in this docket. (DOC)
9. Require Xcel to make a compliance filing that provides information and documentation consistent with the Commission's Order Point 11 in Docket E-002/M-11-807 within 30 days of receiving future DOE payments. (Xcel, DOC)