



414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

August 10, 2020

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

—Via Electronic Filing—

Re: REPLY COMMENTS
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:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the Department of Commerce's (Department) July 21, 2020 Comments regarding the Company's 2019 Property Tax True-Up Report and Combined Refund Plan (Report) filed July 1, 2020 in the above-noted dockets pursuant to the Minnesota Public Utilities Commission's June 12, 2017 FINDINGS OF FACT, CONCLUSIONS AND ORDER in Docket No. E002/GR-15-826.

In our Report, we proposed a one-time bill credit that would combine refunds to Minnesota electric customers resulting from the 2019 actual property tax expense true-up and an annual incentive compensation refund due for 2019.

We appreciate the Department's review of the Report and provide this Reply to their comments regarding the refund components. We also summarize our proposed plan for the combined refund reflecting the Department's recommendations to revise the application of interest rates, as discussed below.

REPLY

A. Property Tax True-Up Refund for 2019

The Department concluded that using the property tax expense established for 2016 as a baseline to calculate our proposed 2019 refund to customers of \$12,977,746 was consistent with methodologies put forth in the Direct Testimony of Department witness Mr. Dale V. Lusti. The Department recommended we apply a 4.31 percent

interest rate, the Company's Commission-approved 2019 cost of short-term debt,¹ to the property tax component of the combined refund beginning June 1, 2020 through the month immediately preceding the billing cycle in which the Company issues the refund to ratepayers. Our Report proposed July 1, 2020 as the date to start applying interest. We have revised our calculations for the property tax component of the combined refund to reflect June 1 as the interest accrual start date, in consideration of the Department's recommendation.

We re-provide the allocation to customer class as Attachment A and the interest calculations and accruals as Attachment B. In light of the recommended June 1 interest accrual start date, the total revised calculated refund, including estimated interest of \$308,025, is \$13,285,771. The estimated revised average refund amount for a typical residential electric customer is approximately \$4.79 including interest.

B. Annual Incentive Compensation Refund for 2019

When comparing the amounts paid for the Company's 2019 incentive compensation plan (capped at 15 percent of an individual's base salary) to the amounts approved in base rates, we paid approximately \$2.2 million less in 2019 electric utility incentive compensation costs in Minnesota than we recovered through rates. The Department recommended in its June 26, 2020 Response Letter in the annual incentive compensation (AIP) dockets² that we apply the current prime interest rate of 3.25 percent to the approximate \$2.2 million one-time bill credit to electric customers from June 1, 2020 through the month immediately preceding the billing cycle in which the Company issues the refund to ratepayers. We had not proposed in our Report to include interest with the AIP component of the combined refund, but in this instance we accepted the Department's recommendation in our July 9, 2020 Reply Comments in the AIP dockets.

We have revised our calculations initially provided with our Report to include a 3.25 percent interest rate resulting in a total refund of \$2,205,342, including \$38,682 interest for the AIP component of the combined refund. Attachment C illustrates the allocations to customer class including this revision, and Attachment D provides the interest calculations and accruals. The revised estimated average AIP refund amount for a residential electric customer is approximately \$0.70.

C. Combined Refund Plan Summary

In light of the Department's recommended application of interest rates as discussed above, we provide a revised summary of each component of the proposed combined residential customer refund in Table 1 below.

¹ Docket No. E002/GR-15-826, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 11 (June 12, 2017).

² Docket Nos. E,G002/M-20-516² E002/GR-92-1185, G002/GR-92-1186.

We will refund customers based on their 2019 calendar-year kWh usage. The separate refund amounts are first allocated to class, with each class’s allocation combined to determine a separate credit factor for each class. The combined refund will appear as a single line item on customers’ billing statements. Customers with 2019 usage that are no longer active at the time we implement the refund and having a balance of \$2 or more will receive a check.

Table 1
Combined 2019 Property Tax and AIP Refund

Refund Item	Total Refund Amount (Including Interest)	Allocation to Class Methodology	Interest Rate	Estimated Average Refund to Residential Customers
Property Tax	\$13.3 million	2019 Property Tax Allocation	4.31%	\$4.79
AIP	\$2.2 million	2019 Revenues	3.25%	\$0.70
TOTAL	\$15.5 million	--	--	\$5.49

Attachment E provides the total amounts to be allocated to each customer class along with the estimated average refund per customer for the combined refund.

We continue to estimate that implementation of the combined property tax/AIP refund will occur in fourth quarter 2020 at the earliest. That timeframe allows for currently-approved refunds and those with ordered processing dates to be completed according to our commitments in various regulatory proceedings. We will file a compliance report summarizing the results of the combined customer refund within 30 days of completing the refund process.

E. Bill Message

In our Report, we proposed the following message for all customer classes be included on bills:

Your bill this month includes a refund due to lower actual property tax owed by Xcel Energy for 2019, and for lower employee incentive compensation for 2019 per the MN Public Utilities Commission. Your refund appears on your bill as "Elec Combined Refund CR".

We will work with the Commission’s Consumer Affairs Office to finalize the bill message in advance of implementing the combined refund.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service lists. Please contact me at gail.baranko@xcelenergy.com or (612) 330-6935 or Mary Martinka at (612) 330-6737 or mary.a.martinka@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

GAIL A. BARANKO
REGULATORY MANAGER

Enclosures
c: Service Lists

Minnesota Property Tax Refund for 2019

2019 Property Tax Refund	\$12,977,746
Interest ¹	<u>\$308,025</u>
Total Refund	\$13,285,771

	[1]	[2] = [1] %	[3] = Refund x [2]	[4]	[5] = [3] / [4]
	2018 Property Tax	Property Tax		Est. Average	Estimated
	<u>Allocator (\$000)</u> ²	<u>Refund</u>	<u>Refund</u>	<u>Customers</u>	<u>Average Refund</u>
		<u>Allocator</u>	<u>Allocation</u>	<u>Jan - Dec 2019</u>	<u>per Customer</u>
Residential	\$84,148	41.94%	\$5,572,563	1,163,537	\$4.79
Commercial Non Demand	\$7,235	3.61%	\$479,130	86,624	\$5.53
Commercial & Industrial Demand	\$106,729	53.20%	\$7,067,974	48,768	\$144.93
<u>Lighting</u>	<u>\$2,508</u>	<u>1.25%</u>	<u>\$166,104</u>	<u>27,504</u>	\$6.04
Total	\$200,621	100.00%	\$13,285,771	1,326,434	

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

² Docket No. E002/GR-15-826; Michael Peppin's Direct Testimony; Schedule 8; Page 9; Line 48.

**Minnesota Property Tax Refund for 2019
Interest Calculation¹**

Revenue Month	Beginning Balance	Curr Mo Int Rev Refund	Ending Balance	Average Balance	Days	Annual Interest²	Monthly Interest
Jun-20	\$0	\$12,977,746	\$12,977,746	\$6,488,873	30	4.31%	\$22,987
Jul-20	\$13,000,733	\$0	\$13,000,733	\$13,000,733	31	4.31%	\$47,590
Aug-20	\$13,048,323	\$0	\$13,048,323	\$13,048,323	31	4.31%	\$47,764
Sep-20	\$13,096,087	\$0	\$13,096,087	\$13,096,087	30	4.31%	\$46,392
Oct-20	\$13,142,479	\$0	\$13,142,479	\$13,142,479	31	4.31%	\$48,109
Nov-20	\$13,190,588	\$0	\$13,190,588	\$13,190,588	30	4.31%	\$46,727
Dec-20	\$13,237,315	\$0	\$13,237,315	\$13,237,315	31	4.31%	<u>\$48,456</u>
Total Interest							\$308,025

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

² Commission-ordered cost of short-term debt in Docket No. E002/GR-15-826 is 4.31% for 2019.

Minnesota Electric AIP Refund for 2019

2019 MN Electric AIP Refund	\$2,166,660
Interest ¹	<u>\$38,682</u>
	\$2,205,342

	[1] 2019 Ordered <u>Revenue (\$000)</u> ²	[2] = [1]% Revenue Refund <u>Allocator</u>	[3] = Refund X [2] AIP Refund <u>Allocation</u>	[4] Estimated Average Customers <u>Jan 2019 - Dec 2019</u>	[5] = [3] / [4] Estimated Average Refund <u>per Customer</u>
<u>Customer Class</u>					
Residential	\$1,175,496	36.736%	\$810,153	1,163,537	\$0.70
Commercial Non Demand	\$112,357	3.511%	\$77,437	86,624	\$0.89
C&I Demand	\$1,883,324	58.857%	\$1,297,989	48,768	\$26.62
<u>Lighting</u>	<u>\$28,676</u>	<u>0.896%</u>	<u>\$19,764</u>	<u>27,504</u>	\$0.72
Total	\$3,199,853	100.000%	\$2,205,342	1,326,434	

² Final Ordered Revenues Docket No. E002/GR-15-826.

**Minnesota AIP Refund for 2019
Interest Calculation¹**

Revenue Month	Beginning Balance	Curr Mo Int Rev Refund	Ending Balance	Average Balance	Days	Annual Interest ²	Monthly Interest
Jun-20	\$0	\$2,166,660	\$2,166,660	\$1,083,330	30	3.25%	\$2,894
Jul-20	\$2,169,554	\$0	\$2,169,554	\$2,169,554	31	3.25%	\$5,989
Aug-20	\$2,175,542	\$0	\$2,175,542	\$2,175,542	31	3.25%	\$6,005
Sep-20	\$2,181,547	\$0	\$2,181,547	\$2,181,547	30	3.25%	\$5,827
Oct-20	\$2,187,375	\$0	\$2,187,375	\$2,187,375	31	3.25%	\$6,038
Nov-20	\$2,193,413	\$0	\$2,193,413	\$2,193,413	30	3.25%	\$5,859
Dec-20	\$2,199,272	\$0	\$2,199,272	\$2,199,272	31	3.25%	<u>\$6,071</u>
Total Interest							\$38,682

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

² Federal Reserve Prime Interest Rate recommended by the Department of Commerce on page 4 of its June 26, 2020 Response Letter in AIP Docket No. E,G002/M-20-516.

Combined Minnesota

Property Tax and AIP Refunds for 2019

	<u>Refund</u>
2019 Property Tax Refund with Interest	\$13,285,771
<u>2019 AIP Refund with Interest</u>	<u>\$2,205,342</u>
Total Combined Refund	\$15,491,113

	[1]	[2]	[3] = [1] + [2]	[4]	[5] = [3] / [4]	[6]	[7] = [3] / [6]
	Property Tax Refund with Interest ¹	AIP Refund ²	Total Refund	2019 Estimated kWh Sales	Refund Factor	2019 Estimated Average Customers	Est Average Refund per Customer
Residential	\$5,572,563	\$810,153	\$6,382,716	8,551,715,308	\$0.000746367	1,163,537	\$5.49
Commercial Non Demand	\$479,130	\$77,437	\$556,566	845,708,783	\$0.000658106	86,624	\$6.43
Commercial & Industrial Demand	\$7,067,974	\$1,297,989	\$8,365,963	19,612,066,100	\$0.000426572	48,768	\$171.55
<u>Lighting</u>	<u>\$166,104</u>	<u>\$19,764</u>	<u>\$185,867</u>	<u>126,711,766</u>	<u>\$0.001466852</u>	<u>27,504</u>	<u>\$6.76</u>
Total	\$13,285,771	\$2,205,342	\$15,491,113	29,136,201,958		1,326,434	

¹ See Attachment A Column 3.

² See Attachment C Column 3.