BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of the Petition of Northern States Power Company for Approval of the 2017 Renewable Development Fund Annual Report, Tracker Account True-Up, and 2018 Rate Rider Factor

ISSUE DATE: September 25, 2018

DOCKET NO. E-002/M-17-712

ORDER APPROVING RATE RIDER FACTOR AND REQUIRING COMPLIANCE FILING

PROCEDURAL HISTORY

On September 29, 2017, Xcel Energy (Xcel) filed a petition for approval of its proposed Renewable Development Fund rate rider factor and its 2017 Renewable Development Fund annual report.

By November 22, 2017, the Commission had received comments on the filing from: Minneapolis City Council Member Jacob Frey, who is now the Mayor of Minneapolis; the Mississippi Park Connection; former State Representative Phyllis Kahn; Minneapolis Parks Foundation; St. Anthony Falls Heritage Board; Park Watch; the Great River Coalition; Friends of the Riverfront; the Metropolitan Council; the Department of Commerce, Division of Energy Resources (the Department); Crown Hydro, LLC; Hennepin County Commissioner Peter McLaughlin; Friends of the Lock and Dam; Xcel Energy; and St. Anthony Falls Alliance.

By December 15, 2017, the Commission received reply comments from Tom Dimond; Minneapolis Park and Recreation Board; National Parks Conservation Association; Friends of the Riverfront; Crown Hydro, LLC; Minnesota State Senators Kari Dziedzic and Bobby Joe Champion; Friends of the Mississippi River; the City of Minneapolis; Friends of the Lock and Dam; and Xcel Energy.[1]

On August 10, 2018, the Department filed a clarification to its initial comments.

On August 16, 2018, the petition came before the Commission.

[1] Comments on whether the Crown Hydro RDF Grant Project should continue to receive RDF support are addressed in a separate Commission order to be issued in this same docket.

FINDINGS AND CONCLUSIONS

I. Amendments to Minn. Stat. § 116C.779

Xcel filed its petition under Minn. Stat. § 116C.779, which governs the existing renewable development fund (RDF) and the establishment of a new renewable development account (RDA). The statute was enacted to require Xcel, as the public utility that owns the Prairie Island and Monticello nuclear power plants, to transfer funds (in dollar amounts determined by the number of dry casks containing spent fuel at each facility), into an account that is used to support the development of various innovative energy projects, such as renewable electric energy technologies.[2]

Under 2017 legislative changes to the statute, the Legislature established the RDA as a separate account to be administered by the Department of Management and Budget (MMB) and directed Xcel to transfer all funds, by July 1, 2017, from the RDF to the newly established RDA.[3] To facilitate this transition, the statute clarifies that certain funds are not subject to the transfer requirement, including "funds awarded to grantees in previous grant cycles that have not yet been expended and unencumbered funds required to be paid in calendar year 2017 under paragraphs (f) and (g) and sections 116C.7792 and 216C.41."[4]

Annually, Xcel is obligated to pay into the RDA $500,000 for each dry cask (sealed container storing spent fuel) at the Prairie Island power plant and $350,000 for each dry cask at the Monticello nuclear power plant and must make the required payments by January 15 each year, beginning in 2018.[5] The statute authorizes Xcel to withhold from these payments "the amount necessary to pay its obligations under paragraphs (f) and (g) and sections 116C.7792 and 216C.41, for that calendar year."[6]

II. Rate Rider Factor

Xcel collects its RDF costs through a rate rider factor (the RDF rider factor) that appears as a line item on customers' bills. The Company is authorized to recover its expenditures once project-related costs have been approved by the Commission.[7]

To increase billing accuracy and avoid over-collection of costs from ratepayers, the RDF rider factor is adjusted annually to allow Xcel to recover actual costs, as well as forecasted costs of known and measureable amounts. The Commission previously established criteria for determining known and measureable costs, and those criteria are used in evaluating whether to

[2] Minn. Stat. § 117C.779, subd. 1.

[3] *Id*. at subd. 1 (b).

[4] *Id*. The mandated amounts under subdivisions (f) and (g) are for the City of Benson and Laurentian Energy Authority initiatives, and mandated amounts under sections 116.7792 and 216C.41 are for solar energy and renewable energy incentives.

[5] *Id*. at subd. 1 (c) and (d).

[6] *Id*. at subd. 1 (e).

[7] Minn. Stat. § 216B.1645, subd. 2.

authorize recovery of project-related costs.[8] Costs incurred are charged to the Company's tracker account, while revenue (collected from customers through the RDF factor) is reflected in the tracker as it is collected. A true-up of expenditures and revenues is conducted annually. The remainder of obligated funds are tracked as unencumbered or as deferred payments and are not yet collected from ratepayers.

Xcel's petition in this docket is its first under the amended statute. As an initial matter, Xcel stated that it did not transfer any funds from the RDF into the new RDA by the statute's July 1, 2017 deadline because those funds were either (1) awarded to grantees in prior grant cycles or (2) earmarked for legislative mandates and were therefore not subject to the transfer requirement. Under this approach, the existing unencumbered cumulative RDF balance would remain in the RDF on a going-forward basis until the Company incurs costs related to designated projects. The Company would then request changes to the RDF factor, in future annual filings, as necessary for cost recovery.

In its current filing, the Company proposed a new RDF factor to recover the costs of: payments made to fulfill legislative mandates ($31,500,000); payments made to RDF grant projects ($7,524,089); RDF administrative expenses ($28,009); and true-up expenses for under-recovered costs from the 2017 RDF factor ($393,687). According to the Company, these expenses total $39,445,785 and result in a higher RDF factor equal to $0.001318.

One of the items for which Xcel seeks cost recovery is its annual RDA obligation, which Xcel must transfer to MMB, the RDA administrator, by January 15 each year, beginning in 2018. To determine the 2018 amount, Xcel calculated the difference between the total owed (based on the number of dry casks at each nuclear power plant), and the cost of legislatively mandated projects, as authorized under Minn. Stat. § 116C.770, subd. 1 (e), and as shown in the table below.

TABLE 1

Xcel's 2018 Annual RDA Payment under Minn. Stat. § 116C.779, subd. 1 (e)	
2018 RDA Obligation	+ $31,500,000
Old Solar Rewards (116C.7791)	- $2,246,317
New Solar Rewards (116C.7792)	- $2,215,979
Renewable Energy Production Incentive (216C.41)	- $619,819
FY 2018 City of Benson Payment (116C.779) (1)(f))	- $4,000,000
FY2018 and FY 2019 Laurentian Payment (116C.779(1)(g))	- $13,600,000
2018 Transfer to MMB	= $8,817,885

[8] *In the Matter of a Petition by Xcel Energy for Approval of the Company's Renewable Development Fund Annual Report, Tracker Account True-up, and 2010 Rate Rider*, Order Approving 2010 Renewable Development Fund Rider Factor, Requiring Compliance Filing, and Revising Calculation of Future Rider Adjustments, Docket No. E-002/M-09-1145 (June 2, 2010).

Xcel proposed withholding costs for the Solar Rewards program under Minn. Stat. § 116C.7791 (the Old Solar Rewards program) from the transfer requirement because annual payments will be made to customers through 2020 under contracts entered into prior to March 2014. The Company explained that although this category of costs is not explicitly exempt from the transfer requirement, doing so is consistent with the Company's approach—and the statute's authorization—to withhold amounts related to the new Solar Rewards program under Minn. Stat. § 116C.7792. Withholding these amounts enables the Company to accurately track incurred and forecasted expenses for the current calendar year, thereby avoiding over-recovery of costs.

After a thorough analysis of Xcel's petition, the Department stated that the Company's calculations are reasonable but that there are various approaches to implementing the statutory changes. Those approaches include transferring either the amount proposed by Xcel, or the amount proposed by Xcel *and* the entire RDF unencumbered cumulative balance, with an option to terminate the Crown Hydro project and include the associated cost savings in the unencumbered balance that would be transferred to MMB. The Department's calculations of the various alternatives, along with the resulting 2018 RDF factor, are shown in the table below.

TABLE 2

Department RDF Factor Calculations				
	Forecast Transfer to MMB (Column A)	Other RDF Expenses included in 2018 RDF Factor (Column B)	Total 2018 RDF Expenses to be Recovered (Columns A+B)	Amount of 2018 RDF Factor ($/kWh)
Option 1	$ 14,925,034	$30,627,900	$45,552,934	**$ 0.001522**
Option 2	$ 8,817,885	$30,627,900	$39,445,785	**$ 0.001318**
Option 3	$ 30,548,413	$30,627,900	$61,176,313	**$ 0.002044**
Option 4	$ 34,109,822	$30,627,900	$64,737,722	**$ 0.002163**

In response, Xcel stated that Option 2, as shown above, accurately reflects the amounts the Company proposed to transfer to MMB and to recover from customers, along with the resulting 2018 RDF factor.[9] The Company recommended against Options 3 and 4, which would require the Company to transfer to MMB the entire unencumbered cumulative RDF balance as of December 31, 2017 (with and without amounts related to the Crown Hydro project). Xcel stated that transferring the unencumbered balance is not required by the statute and would unnecessarily result in the recovery of costs that the Company has not yet incurred.

III. Commission Action

The Commission concurs with the parties that the recently amended statute presents a new structure and set of obligations that require careful consideration. Under those changes, the

[9] The Company stated that Option 1, Column A, is based on an initial calculation that was subsequently updated and is accurately reflected in Option 2.

Company must make annual payments into the RDA based on the number of dry casks containing spent fuel at each of the Company's two nuclear power plants, minus the cost of legislative mandates. And separately, the statute directs the Company to make a one-time transfer of the RDF balance to the RDA, with the exclusion of costs previously awarded to grantees and unencumbered funds dedicated to legislative mandates that require payment in 2017.

No party disputed the Company's calculation of its annual RDA obligation, which excludes the cost of legislative mandates. Further, no one objected to the Company's demonstration that there were no RDF funds eligible for the one-time transfer requirement from the RDF to the RDA. The Company's approach to the one-time transfer underscores the importance of honoring two key policy objectives—that funds are available for designated projects and that costs recovered are only for costs incurred.

For these reasons, the Commission will approve the Company's proposal, Option 2 as shown in Table 2 above, including the RDA transfer payment and treatment of the unencumbered cumulative balance as of December 31, 2017. This approval includes the 2017 tracker account activity and the proposed 2018 RDF rate rider factor of $0.001318 per kWh. To facilitate a clear and accurate accounting of funds, the Commission will direct Xcel to separately itemize RDF and RDA expenses in future filings.

The Company's request to include $28,009 in administrative costs in its proposed 2018 Rider reflects the cost of administering 20 active RDF projects and four RDF contracts under negotiation. The Company acknowledged, however, that administrative responsibilities under the amended statute have been transferred to an advisory group that is directed to design a request for proposal and evaluate projects.[10] As a result, the Commission will direct Xcel to remove the $28,009 in administrative costs from the tracker balance.

The Commission will also direct Xcel to file, within 30 days of the date of this order, a compliance filing reflecting the decisions herein.

ORDER

1. The Commission hereby approves Option 2 in Table 2 above, including the assumptions in that option regarding the correct RDA transfer payment and treatment of the December 31, 2017 unencumbered cumulative balance, 2017 tracker account activity, and 2018 RDF rate rider factor of $0.001318 per kWh.

2. Xcel shall separately itemize RDF and RDA expenses in future filings.

3. Xcel shall remove the $28,009 in administrative costs from the tracker balance.

4. Within 30 days of the date of this order, Xcel must file a compliance filing reflecting the Commission's decisions herein.

[10] Minn. Stat. § 116C.779, subd. 1(l).

5. The 2018 RDF rate rider factor is effective for bills beginning October 1, 2018.

6. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf

Daniel P. Wolf
Executive Secretary

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