

Staff Briefing Papers

Meeting Date May 31, 2018 Agenda Item * 1

Company Northern States Power Company d/b/a Xcel Energy (Xcel)

Docket No. **E-002/PA-17-529**

In the Matter of the Petition of Northern States Power Company for Approval to Sell Land and Tanks to Flint Hills Resources Pine Bend, LLC

Issues Should the Commission approve Xcel’s Compliance Filing for this docket (17-529) or should the Commission modify Xcel’s Compliance Filing by excluding the Federal and State Tax Gross-up from Xcel’s gain calculation?

Staff	Bob Brill	bob.brill@state.mn.us	651-201-2242
	Jorge Alonso	jorge.alonso@state.mn.us	651-201-2258

 **Relevant Documents**

Date

Commission – Order Approving Petition with Conditions, Approving Cost Recovery Proposal, and Granting Variances	February 16, 2018
Xcel – Compliance Filing	March 12, 2018
Commission – Notice of Comment Period	April 13, 2018
Department of Commerce (Department) Comments	April 25, 2018

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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. Statement of the Issues

Should the Commission approve Xcel's Compliance Filing for this docket (17-529) or should the Commission modify Xcel's Compliance Filing, by excluding the Federal and State Tax Gross-up from Xcel's gain calculation?

II. Background

On June 30, 2017, Xcel Energy (Xcel) filed its petition proposing to sell facilities consisting of land and tanks located close to the Flint Hills Resources Pine Bend, LLC facility (Flint Hills) near Rosemount, MN to Flint Hills. Because the value of this transaction was over \$100,000, it required Commission approval, pursuant to Minn. Stat. § 216B.50 - **Restrictions on Property Transfer and Merger**.¹

On February 16, 2018, the Commission issued its Order approving the transaction and granted certain variances to Minnesota Rules. The granted rule variances allowed Xcel to pass-back the customer's gain portion through a one-time credit through its fuel clause adjustment mechanism.² The Commission further approved Xcel's request to keep a portion of the transaction gain that was calculated in its initial petition on a Net Present Value (NPV) basis of the assets sold. Xcel estimated its portion of the transaction's gain would be \$1.058 million, which included the *debt* and *equity* return amounts associated with the assets being sold (see Attachment A, page 1 of 3).³

The Commission's February 16, 2018 Order required Xcel to submit a compliance filing with updated final journal entries for the transaction, including the final selling price for the fuel oil that was left in one of the tanks.⁴ See Order Points 8 and 9:

- Order Point 8 states - Xcel shall update its fuel oil loss calculation for fuel prices at the closing of this transaction and incorporate the information into the final calculation of the transaction's gain. Xcel shall file a letter within 10 days of closing on this transaction illustrating the Company's final calculations and that reflect the Commission's decisions in this docket.
- Order Point 9 states - Xcel shall file final journal entries for this transaction within 10 days of closing.

¹ See staff's December 21, 2017 briefing papers, p. 5 and pp. 6-8 for additional discussion on Minn. Stat. § 216B.50

² See staff's December 21, 2017 briefing papers, p. 6 and p. 9 for additional discussion regarding Xcel's variance request.

³ See the Commission's February 16, 2018 Order, *Order Approving Petition with Conditions, Approving Cost Recovery Proposal, and Granting Variances*, p. 4 and pp. 6-8. Also, see staff's December 21, 2017 briefing papers, pp. 10-12 and pp. 13-16.

⁴ See the Commission's February 16, 2018 Order, *Order Approving Petition with Conditions, Approving Cost Recovery Proposal, and Granting Variances*, p. 8.

On March 12, 2018, Xcel submitted its compliance filing.⁵ Xcel updated its NPV calculation of its retained portion of the transaction's gain.⁶ Xcel's retained transaction gain calculation changed from \$1.058 million to \$1.194 million. Both gain amounts included the *debt* and *equity* return components associated with the assets being sold.

There is a difference between the two calculations because Xcel modified its initial NPV calculation of the transaction's retained gain to include a federal and state tax gross-up component in its compliance filing as opposed to its initial petition which included only the *debt* and *equity* return amounts associated with the assets being sold. To address staff's concerns regarding the gain calculation methodology change, PUC staff issued information request No. 2, requesting Xcel to provide an explanation and the rationale supporting its gain calculation change. Staff received Xcel's responses and they are included as Attachment B.⁷

Xcel's information request no. 2 response stated:

During preparation of the compliance filing, we identified a correction to the return on investment calculation for the portion of the gain that Xcel Energy is retaining. We inadvertently omitted the tax gross-up on the equity portion of the return. As originally proposed, the intention was to calculate "the amount of the return on the assets and fuel inventory that the Company would have earned if the tanks were not sold and instead the Company maintained ownership of the one operational storage tank and associated facilities through the end of its Commission approved remaining life." Petition at page 2. If the tanks and associated facilities had continued to be in service, the equity portion of the return on investment would be grossed up for taxes.....

In closing, Xcel stated:

We apologize for the oversight in our initial calculation and are willing to work with parties on additional refinements if there is any disagreement in how we have calculated this.

To give parties the opportunity to comment on Xcel's proposed change to the gain calculation (Attachment A, page 2 of 3), the Commission issued its Notice of Comment Period on April 13, 2018. PUC staff estimates that Xcel's revised gain calculation results in Xcel receiving approximately \$0.253 million more as opposed to its initial petition's methodology (Attachment A, page 3 of 3, line 21). If Xcel had not changed its gain calculation methodology from its initial petition, Xcel's compliance filing would have reflected approximately \$0.941 million for Xcel's retained gain (Attachment A, page 3).

⁵ As required by the Commission's February 16, 2018 Order Points 8 and 9.

⁶ As directed by the Commission, Xcel's updated NPV calculation included years 2018 through 2026 and excluded year 2017 from the NPV calculation.

⁷ See Attachment B, pp. 4-5.

III. Parties' Comments

A. Department

On April 25, 2018, the Department responded and noted that Xcel's initial petition gain calculation was void of the federal and state income tax gross-up and that Xcel modified its compliance filing's retained gain calculation to include a federal and state tax gross-up component.

Generally, the Department believes that compliance filings (such as Xcel's) must be consistent with what was approved in the Commission's Order. However, in this docket, the Department argued that the Commission Order's overall goal was to provide Xcel an incentive to reduce customers' rates by keeping Xcel financially neutral while passing the remaining gain through to its customers. The Department review concluded that Xcel's changes are consistent with the overall revenue neutrality goal. The Department further noted that requiring Xcel to file another petition to correct the original calculation error could create a disincentive for Xcel to pursue projects that possibility reduce customer rates.

The Department recommended that the Commission take no action, allowing the compliance filing's revised journal entries to be implemented.

If the Commission decide to take action - the Department recommended that the Commission approve Xcel's compliance filing's revised gain calculation.

B. Xcel

Xcel did not submit a reply to the Department's comments and recommendation.

IV. Staff Analysis

Staff agrees with the Department's assertion that as matter of general Commission policy, compliance filings (such as Xcel's in this docket) should be consistent with what was approved in the Commission's Order.

The February 16, 2018 Order, Order Point 3 states:⁸

The Commission approves use of a gain-sharing concept in this docket as set forth in Attachment 1 to the Department's September 1, 2017 comments, and with a placeholder return on equity, subject to update to the return on equity established in the TCR Rider docket. [Emphasis Added]

⁸ See the Commission's February 16, 2018 Order, *Order Approving Petition with Conditions, Approving Cost Recovery Proposal, and Granting Variances*, p. 2 and pp. 7-8.

The Commission Order further states that “the Commission should allow Xcel to keep a portion of the transaction’s gain equal to the return it would have received if the assets had remained in service.”⁹

Prior to Xcel’s March 12, 2018 compliance filing, the docket’s record is void of any discussion of including a federal and state income tax gross-up in the transaction’s gain calculation. Xcel’s initial petition’s transaction gain calculation reflects only the return (*equity* and *debt*) on the assets that are being sold, even though, Xcel’s calculations and exhibits calculate a federal and state income tax gross-up.¹⁰

Staff agrees with the Department’s statement that the Commission Order’s goal is to provide Xcel an incentive to reduce customers’ rates by passing a portion of transaction gain through to its customers while keeping Xcel financially neutral. But, is it necessary to include the federal and state income tax gross-up in Xcel’s retained portion of the transaction’s gain calculation when Xcel no longer owns the assets in question?

Staff’s concern centers on Xcel’s inclusion of the federal and state income tax gross-up amount in its compliance filing because the assets have been sold to Flint Hills, thus Xcel will not owe any future tax liability on the assets.¹¹ Even if Xcel kept the assets, it would collect the federal and state income tax gross-up through its base rates, but that amount would eventually be payable to the various tax agencies thus creating no revenue requirement (income) benefit to Xcel. Staff questions whether it is necessary to include the tax gross-up in Xcel’s gain calculation to keep Xcel financially whole when there would be no tax liability.

If the initial petition had included the federal and state income tax gross-up in Xcel’s gain calculation, staff would have argued that Xcel’s gain calculation should exclude this tax gross-up amount because no future tax liability would exist from the sold assets. As previously stated, if the Commission approves Xcel’s compliance filing without modification or takes no action, Xcel’s retained gain increases by approximately \$253,000 (see Attachment A, p. 3), which in turn will lower the customer’s gain by the same amount.

The Commission will need to decide whether to approve Xcel’s compliance filing (or take no action) that includes the federal and state income tax gross-up amounts (a benefit to Xcel) or require Xcel to re-submit its compliance filing removing the federal and state income tax gross-up amounts from its calculation (a benefit to Xcel’s customers).

⁹ See the Commission’s February 16, 2018 Order, *Order Approving Petition with Conditions, Approving Cost Recovery Proposal, and Granting Variances*, p. 5.

¹⁰ See Xcel’s initial petition, Attachment D, p. 2, Lines 34-40 and Attachment D, p. 3, lines 34-40.

¹¹ It is staff’s understanding that the transaction with Flint Hills has closed.

V. Decision Options

1. Approve Xcel's compliance filing's revised journal entities and Xcel's revised gain calculation for both Xcel and its customers. Or
2. Take no action, allowing the compliance filing's revised journal entries to be implemented by Xcel. Or
3. Do not approve Xcel's compliance filing and require Xcel to resubmit its compliance reflecting its initial petition's transaction gain calculation – without using the federal and state income tax gross-up.

Northern States Power Company (D.B.A. Xcel Energy)

Docket No. E-002/PA-17-529

Xcel's Facilities Sale to Flint Hills

Line No.	Description	(2018 - 2026 Amounts in \$000)								
		2018 (1) \$	2019 (2) \$	2020 (3) \$	2021 (4) \$	2022 (5) \$	2023 (6) \$	2024 (7) \$	2025 (8) \$	2026 (9) \$
1	Initial Petition Calculation - Retain Return on Investment (Minnesota Jurisdiction)									
2	<u>Facilities Sold</u>									
3	Ave. Rate Base	1/ 403	333	263	192	122	51	(19)	(90)	(160)
4	Debt Component	2/ 2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
5	Equity Component	3/ 4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
6	Debt Return	9	7	6	4	3	1	0	(2)	(4)
7	Equity Return	19	16	13	9	6	2	(1)	(4)	(8)
8	Total Return on Facilities	28	23	19	13	9	3	(1)	(6)	(12)
9	<u>Fuel Oil Sold</u>									
10	Ave. Rate Base	4/ 2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
11	Debt Component	2/ 2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
12	Equity Component	3/ 4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
13	Debt Return	47	47	47	47	47	47	47	47	47
14	Equity Return	104	104	104	104	104	104	104	104	104
15	Total Return on Facilities	151	151	151	151	151	151	151	151	151
16	<u>Debt and Equity on:</u>									
17	Facilities Sold	28	23	18	13	9	3	(1)	(6)	(12)
18	Fuel Oil	152	152	152	152	152	152	152	152	152
19	Total	180	175	170	165	161	155	151	146	140
20	Net Present Value at 7.03%	1,058								

1/ Xcel's Initial Petition, Attachment D, p. 2, ln 6.

2/ Xcel's Initial Petition, Attachment D, p. 2, lns. 44-45.

3/ Xcel's Initial Petition, Attachment D, p. 2, lns. 46-47.

4/ Xcel's Initial Petition, Attachment D, p. 3, ln 6.

Northern States Power Company (D.B.A. Xcel Energy)

Docket No. E-002/PA-17-529

Xcel's Facilities Sale to Flint Hills

Line No.	Description	(2018 - 2026 Amounts in \$000)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
<u>Xcel's Compliance Filing Calculation - Retain Return on Investment (Minnesota Jurisdiction)</u>											
1	<u>Facilities Sold</u>										
2	Ave. Rate Base	1/	403	333	263	192	122	51	(19)	(90)	(160)
3	Debt Component	2/	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
4	Equity Component	3/	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
5	Debt Return		9	7	6	4	3	1	0	(2)	(4)
6	Equity Return		19	16	13	9	6	2	(1)	(4)	(8)
7	Total Return on Facilities		28	23	19	13	9	3	(1)	(6)	(12)
8	Equity Return		19	16	13	9	6	2	(1)	(4)	(8)
9	Tax Gross-Up		40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%
10	Tax Gross-up Amount		8	7	4	4	2	1	(1)	(2)	(2)
11	Total Debt, Equity and Tax Gross-up Amount		36	30	23	17	11	4	(2)	(8)	(14)
12	<u>Fuel Oil Sold</u>										
13	Ave. Rate Base	4/	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892
14	Debt Component	2/	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
15	Equity Component	3/	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
16	Debt Return		42	42	42	42	42	42	42	42	42
17	Equity Return		92	92	92	92	92	92	92	92	92
18	Total Return on Facilities		134	134	134	134	134	134	134	134	134
19	Equity Return		92	92	92	92	92	92	92	92	92
20	Tax Gross-Up		40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%	40.3351%
21	Tax Gross-up Amount		36	36	36	36	36	36	36	36	36
22	Total Debt, Equity and Tax Gross-up Amount		170	170	170	170	170	170	170	170	170
23	<u>Debt, Equity, and Tax Gross-up on:</u>										
24	Facilities Sold		28	23	18	13	9	3	(1)	(6)	(12)
25	Fuel Oil		134	134	134	134	134	134	134	134	134
26	Tax Gross-up Amount		44	43	40	40	38	37	35	34	34
27	Total		206	200	192	187	181	174	168	162	156
28	Net Present Value at 7.03%		<u>1,194</u>								

1/ Xcel's Compliance Filing, Attachment B, p. 2, In 6.

2/ Xcel's Compliance Filing, Attachment B, p. 2, Ins. 44-45.

3/ Xcel's Compliance Filing, Attachment B, p. 2, Ins. 46-47.

4/ Xcel's Compliance Filing, Attachment B, p. 3, In 6.

Northern States Power Company (D.B.A. Xcel Energy)

Docket No. E-002/PA-17-529

Xcel's Facilities Sale to Flint Hills

Line No.	Description	(2018 - 2026 Amounts in \$000)								
		2018 (1) \$	2019 (2) \$	2020 (3) \$	2021 (4) \$	2022 (5) \$	2023 (6) \$	2024 (7) \$	2025 (8) \$	2026 (9) \$
<u>Xcel's Compliance Filing Calculation Without Tax Gross-up - Retain Return on Investment (Minnesota Jurisdiction)</u>										
1	<u>Facilities Sold</u>									
2	Ave. Rate Base	1/ 403	333	263	192	122	51	(19)	(90)	(160)
3	Debt Component	2/ 2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
4	Equity Component	3/ 4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
5	Debt Return	9	7	6	4	3	1	0	(2)	(4)
6	Equity Return	19	16	13	9	6	2	(1)	(4)	(8)
7	Total Return on Facilities	28	23	19	13	9	3	(1)	(6)	(12)
8	<u>Fuel Oil Sold</u>									
9	Ave. Rate Base	4/ 1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892
10	Debt Component	2/ 2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%	2.2000%
11	Equity Component	3/ 4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%	4.8300%
12	Debt Return	42	42	42	42	42	42	42	42	42
13	Equity Return	91	91	91	91	91	91	91	91	91
14	Total Return on Facilities	133	133	133	133	133	133	133	133	133
15	<u>Debt and Equity on:</u>									
16	Facilities Sold	28	23	19	13	9	3	(1)	(6)	(12)
17	Fuel Oil	134	134	134	134	134	134	134	134	134
18	Total	162	157	153	147	143	137	133	128	122
19	Net Present Value at 7.03% Without Tax Gross-up	941								
20	Net Present Value at 7.03% With Tax Gross-up	1,194								
21	Difference	(253)								

1/ Xcel's Compliance Filing, Attachment B, p. 2, ln 6.

2/ Xcel's Compliance Filing, Attachment B, p. 2, lns. 44-45.

3/ Xcel's Compliance Filing, Attachment B, p. 2, lns. 46-47.

4/ Xcel's Compliance Filing, Attachment B, p. 3, ln 6.

From: [Brill, Bob \(PUC\)](#)
To: [Bria Shea \(bria.e.shea@xcelenergy.com\)](mailto:bria.e.shea@xcelenergy.com)
Cc: [Harding, Bob \(PUC\)](#); [Alonso, Jorge \(PUC\)](#); [Johnson, Mark \(COMM\)](#); [Rakow, Stephen \(COMM\)](#); [Medhaug, Susan \(COMM\)](#)
Subject: Docket No. 17-529 - Compliance Filing for Xcel's Sale of Facilities to Flint Hills
Date: Wednesday, March 14, 2018 11:16:00 AM

Bria,

In response to Xcel's Docket No. 17-529 - Compliance Filing for Sale of facilities to Flint Hills, staff is requesting clarification to the following:

- 1) Xcel's Compliance Filing, Attachment B, Page 1 reflects a Pre-tax Gain on Sale of \$4.245 million (Total Company) and a Pre-tax Gain on the Sale of \$3.123 million (MN Jurisdiction) for a difference of \$1.122 million. On Attachment A, Xcel proposes to record the \$1.122 million amount to FERC Account 108 – Accumulated Reserve for Depreciation. Please provide an explanation as to why Xcel is accounting for the \$1.122 million amount in this manner, as opposed to passing the \$1.122 gain back to Xcel's other jurisdictions, such as North and South Dakota.
- 2) Xcel's Initial Petition dated June 30, 2017 calculates Xcel's Retain Return on Investment based on two components:
 - a) Asset Debt & Equity Return
 - b) Fuel & Debt & Equity Return

In its Compliance Filing, Xcel added a third component – Equity Tax Gross-up. Please provide an explanation and the rationale for why Xcel added this additional component, considering that the assets have been sold and Xcel will not be required to pay federal income taxes on the asset.

Please provide your responses to the above clarification questions by the close of business March 21, 2018. If there are any questions, please do not hesitate to contact me.

Bob Brill

Rate Analyst

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Xcel Energy

Docket No.: E002/M-17-529

Response To: MN Public Utilities Information Request No. 1
Commission

Requestor: Bob Brill

Date Received: March 14, 2018

Question:

Xcel's Compliance Filing, Attachment B, Page 1 reflects a Pre-tax Gain on Sale of \$4.245 million (Total Company) and a Pre-tax Gain on the Sale of \$3.123 million (MN Jurisdiction) for a difference of \$1.122 million. On Attachment A, Xcel proposes to record the \$1.122 million amount to FERC Account 108 – Accumulated Reserve for Depreciation. Please provide an explanation as to why Xcel is accounting for the \$1.122 million amount in this manner, as opposed to passing the \$1.122 gain back to Xcel's other jurisdictions, such as North and South Dakota.

Response:

Standard FERC guidance on the sale of plant assets requires gains or losses to be booked to FERC Account 108 – Accumulated Reserve for Depreciation, unless otherwise directed by the utility's governing commission. Now that the Minnesota Commission has approved the sale and the sale has closed, the Company will begin working with the other state commissions to determine how the gain related to their respective jurisdictions will be recorded. We note that the \$3.123 million gain was calculated solely for the Minnesota jurisdiction and any potential refunds to North or South Dakota would not impact the amount refunded to Minnesota customers.

Preparer: Jessica Helland/ Amber Hedlund

Title: Manager / Regulatory Case Specialist

Department: Capital Asset Accounting/ NSPM Regulatory Affairs

Telephone: 612.330.7861/ 612.337.2268

Date: March 20, 2018

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Xcel Energy

Docket No.: E002/M-17-529

Response To: MN Public Utilities Commission Information Request No. 2

Requestor: Bob Brill

Date Received: March 14, 2018

Question:

Xcel's Initial Petition dated June 30, 2017 calculates Xcel's Retain Return on Investment based on two components:

- a) Asset Debt & Equity Return
- b) Fuel & Debt & Equity Return

In its Compliance Filing, Xcel added a third component – Equity Tax Gross-up. Please provide an explanation and the rationale for why Xcel added this additional component, considering that the assets have been sold and Xcel will not be required to pay federal income taxes on the asset.

Response:

During preparation of the compliance filing, we identified a correction to the return on investment calculation for the portion of the gain that Xcel Energy is retaining. We inadvertently omitted the tax gross-up on the equity portion of the return. As originally proposed, the intention was to calculate “the amount of the return on the assets and fuel inventory that the Company would have earned if the tanks were not sold and instead the Company maintained ownership of the one operational storage tank and associated facilities through the end of its Commission approved remaining life.” Petition at page 2. If the tanks and associated facilities had continued to be in service, the equity portion of the return on investment would be grossed up for taxes. Below are the calculations for the revenue requirements of the return on investment:

$$\begin{aligned}\text{Debt Return} &= (\text{Asset} + \text{Fuel Rate Base}) \times \text{Weighted Cost of Debt} \\ \text{Equity Return} &= (\text{Asset} + \text{Fuel Rate Base}) \times \text{Weighted Cost of Equity} \\ \text{Equity Tax Gross-up} &= \text{Equity Return} \times \text{Tax Gross-up Factor } [T/(1-T)]\end{aligned}$$

If we would have retained the assets, we would have collected revenues to cover the cost debt, the cost of equity, the cost of expenses (book depreciation, deferred taxes, and property taxes), and an additional amount to pay taxes on the revenue received (the tax gross-up). A portion of the tax gross-up is for taxes on the equity return. The debt return does not have a tax gross-up as debt interest is deductible for taxes. It is true that we will no longer retain these assets; therefore we won't have things like depreciation expense and tax expense related to these assets in the future. However, as Xcel Energy is retaining the portion that reflects the debt and equity return, we believe it is appropriate to include the equity tax gross-up as we will have to pay taxes today on this gain.

In the compliance filing we included updated book values as of the transaction date and the equity tax gross-up which is offset by lower tax rates due to tax reform. Below is a summary of these changes on Xcel Energy's portion of the gain:

Summary of Xcel's Portion of the Gain (\$ in Millions):

As of 1/2/2018 Compliance Update		\$1.057
Update for lower book values	- \$0.122	\$0.935
Include Equity Tax Gross-up	+ \$0.453	\$1.388
Adjust for Tax Reform	- \$0.194	\$1.194

We apologize for the oversight in our initial calculation and are willing to work with parties on additional refinements if there is any disagreement in how we have calculated this.

Preparer: Joanna Yugo
Title: Principal Rate Analyst
Department: Revenue Analysis
Telephone: 612.215.4633
Date: March 20, 2018