

December 8, 2015

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

RE: **Follow-up of the Minnesota Department of Commerce, Division of Energy Resources,**
Docket No. E002/MR-15-827

Dear Mr. Wolf:

This letter is a brief follow-up to the November 19, 2015 comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) regarding the request by Northern States Power d/b/a Xcel Energy (Xcel or the Company) to set a new Base Cost of Energy in conjunction with the Company's general rate case in Docket No. E002/GR-15-826.

The Department's *Comments* recommended that the Minnesota Public Utilities Commission (Commission) set Xcel's base cost of energy at \$2.354/MWh, rather than increasing the rate to \$2.714/MWh. As explained further in those comments, the Department's recommendation at the time was based on the conclusions that: 1) Xcel's information (at a high level) in its *Petition* and rate case did not match and 2) the calculation included an estimate of sales lost to Community Solar Gardens (CSG) that cannot be verified at this time, due to material uncertainties.

In its November 25, 2015 *Reply Comments*, Xcel provided its reconciliation of the data in its *Petition* and rate case. On December 4, 2015, Xcel filed supplemental information (in its Attachments A and B) that was helpful and provided further clarification reconciling the data in Xcel's *Petition* and rate case. The Department appreciates Xcel's reconciliation and supplemental information and now recommends that the Commission set Xcel's overall base cost of energy at \$2.67930 per MWh.

In its *Reply Comments*, Xcel also provided information on CSG. On page 5 of its *Reply Comments*, Xcel in part stated the following:

While we have not performed a precise forecast of the net impact of "backing out" all CSG costs and replacing them with other energy, Exhibit B provides a preliminary estimate of this impact. This estimated impact on the BCOE, in turn, yields a revenue requirement impact of less than ten thousand dollars, as shown in Exhibit C. At these levels, the Company's interim rate request would not change.

Using information from Xcel's *Reply Comments* Exhibit B, removing the costs for the Community Solar Gardens, the effect of this change is a revised cost of \$1,122,784,000 divided by sales of 41,905,852 MWh, for a base cost of fuel at \$2.67930 per MWh.

Given that Xcel has reconciled the information in its base cost of gas filing, the only difference between the Department and Xcel is on the issue of how to handle Community Solar Gardens in the base cost of fuel at this time. While the Department agrees that the effects of solar gardens should be included in setting the base rates, the estimated amount should reflect the known level of Community Solar Gardens. According to Xcel's most recently filed fuel clause adjustment (Docket No. E002/AA-15-1012), the level of Community Solar Gardens is \$445 in unsubscribed energy purchases and \$0 in credits. Thus, the Department concludes that Xcel's proposal to add \$10,501,000 in costs for Community Solar Gardens is not substantiated.

Thus, the Department continues to recommend that the costs and lost sales due to Community Solar Gardens not be included in setting Xcel's base cost of fuel at this time. However, final rates in this case should reflect the then-current levels of Community Solar Garden costs and sales.

The Department recommends that the Commission set Xcel's overall base cost of energy at \$2.67930 per MWh. The Department also recommends that the Commission determine the effective date for interim rates and require Xcel to file a final base cost of energy filing when the rate case is completed, to reflect the Commission's decisions in the rate case, the then-current level of costs, appropriate sales, Community Solar Gardens, and any other relevant factors.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/lt

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
Follow-up Letter**

Docket No. E002/MR-15-827

Dated this 8th day of December 2015

/s/Sharon Ferguson

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