



STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

LORI SWANSON
ATTORNEY GENERAL

SUITE 1400
445 MINNESOTA STREET
ST. PAUL, MN 55101-2131
TELEPHONE: (651) 296-7575

May 7, 2015

Mr. Daniel Wolf, Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

**Re: April 24, 2015 Compliance Filing
MPUC Docket No. E-002/GR-13-868**

Dear Mr. Wolf:

The Office of Attorney General, Residential Utilities and Antitrust Division ("OAG") submits this letter to alert the Commission to a matter of importance related to the April 24, 2015 Compliance Filing and Preliminary Schedules ("Filing") of Xcel Energy in the matter referred to above. Because this information could affect the Commission's ruling in Xcel's rate case, the OAG submits this information for the Commission's consideration.

The OAG is reviewing the Filing and has requested additional information from the company. Specifically, it is unclear at this time whether all of the costs included in Xcel's Preliminary Schedules are appropriate to include in the 2014 Capital True-Up. For example, Xcel has indicated elsewhere that its Filing incorporates savings related to higher than expected insurance proceeds related to the Sherco 3 Event.¹ By including the additional savings related to higher than expected insurance proceeds into its 2014 Capital True-Up, instead of providing a refund to ratepayers, it appears that some repair costs reimbursed by insurance will also be recovered from ratepayers. In Xcel's 2012 rate case, however, the Commission's Order stated that:

Xcel agreed to provide a full accounting of repair costs and insurance recovery in its next case *to ensure that no repair costs reimbursed by insurance are recovered from ratepayers.*²

Based on this commitment, the Commission:

¹ See March 31, 2015 Sherco 3 Compliance Filing — Final Report at 4.

² *Finding of Fact, Conclusions, and Order*, In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota, Dkt.No. E-002/GR-12-961 at 20 (Sept. 3, 2013) (emphasis added).

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accept[ed] Xcel's offer to provide a full accounting of repair costs and insurance recovery in its next rate case *to ensure that no repair costs reimbursed by insurance are recovered from ratepayers.*³

Based on this information, there are significant questions as to why Xcel included the Sherco 3 insurance surplus in the Capital True-Up, which has the effect of allowing Xcel to retain a significant double-recovery from ratepayers, contrary to the Commission's order.⁴ I also note that Xcel's Capital True-Up submission does not contain any line-item detail to even suggest that the Sherco 3 insurance proceeds had been handled in this manner. The OAG discovered this issue only recently by asking questions about Xcel's Filing and by asking for specific information about how the Sherco 3 recovery has been handled.

The OAG has requested detailed accounting records of Xcel's Capital True-Up Summary—Schedule B1 of the Filing. This was necessary because it is not clear from the Filing which costs are included in the company's proposed True-Up. If certain costs included in the Filing are not appropriate, then Xcel's ratepayers may be entitled to additional rate refunds. After receiving Xcel's responses to the OAG's requests, the OAG intends to inform the Commission of any concerns it has with the Filing. The OAG anticipates being able to provide this information by May 24, 2015. Based on the timing and content of Xcel's response, however, the OAG may request additional time to inform the Commission of any concerns.

The OAG recognizes that the Commission is scheduled to rule on Xcel's rate request by May 8, 2015. Therefore, the Commission's ruling on the rate case will occur before the OAG has completed its review and before the Commission can rule on Xcel's compliance filings. Accordingly, the OAG understands that, pursuant to the company's agreement, Xcel's final rates for its 2014 test year will reflect all Commission decisions related to Xcel's compliance filings. This is consistent with the fact that Xcel has also agreed to a true-up process for its 2015 capital projects, which would necessarily implicate the possibility of an adjustment to final rates after the Commission's Order is issued. This information is provided in the event the Commission deems it necessary to make that clear in its order.

Sincerely,



IAN DOBSON

Assistant Attorney General

(651) 757-1432 (Voice)

(651) 296-9663 (Fax)

³ *Id.* at 23 (emphasis added).

⁴ The amount of the surplus has been designated as trade secret information. March 31, 2015 Sherco 3 Compliance Filing — Final Report at 4-5.