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June 8, 2015

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VIA E-FILING

Dan Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

Re: Minnesota Chamber of Commerce Comments
      In the Matter of the Application of Northern States Power Company, d/b/a
       Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota
      PUC Docket No. E002/GR-13-868
      OAH Docket No. 68-2500-31182
      Our File No. 2021-13

Dear Mr. Wolf:

MCC is submitting these brief reply comments in response to DOC's comments filed on May 28th regarding Xcel Energy's Compliance Filing on revenue apportionment filed on May 1, 2015. MCC did not submit comments regarding the Company's May 1st compliance filing regarding this matter because we believe that Xcel complied with the *intent* of the relevant order points. However, DOC concluded in its comments that the Company had not complied – MCC disagrees. As the discussion below indicates, MCC believes that Xcel Energy's interpretation of the Order regarding revenue apportionment is reasonable and consistent with the intent of the Order and recommends that the Commission approve Xcel Energy's methodology.

The Commission's Order points regarding class revenue apportionment were as follows:

48.   The Company shall rerun the CCOSS in accordance with all Commission decisions in this docket and the Monticello docket that affect the CCOSS, and set the class revenue apportionment by applying the following methodology to the revised CCOSS:

      a.   Maintain the current level of Lighting class revenues;
      b.   Set the C&I Non-Demand class apportionment at the cost-based level;

c. If the revised CCOSS shows that the Residential class is currently contributing more than its share of cost, set the Residential class apportionment at the cost-based level;

d. If the revised CCOSS shows the Residential class is currently contributing less than its share of cost, move the Residential class 75% closer to cost; and

e. Recover the remaining revenue requirement from the C&I Demand class.

See Commission Order, Docket 13-868, Page 104

Xcel Energy's methodology to comply with the Order points regarding revenue apportionment consists of a two-step approach:

1. In the first step, the Company calculates the revenue requirement increase by establishing an across-the-board increase of 5.94% to all customer classes.
2. In the second step, the Company calculates the mitigation to the residential class and revenue apportionment as prescribed in the Commission's Order.

This two-step approach complies with the Commission Order due to the following:
1. First, this methodology is consistent with the Commission's objective of moving classes closer to cost. Indeed the Commission noted that "In this case, the Commission believes that the classes can reasonably be set at—or significantly closer to—their CCOSS-indicated cost." *See* page 84, Commission Order. The table below illustrates that Xcel's method moves all classes closer to costs to serve with under recovery from the residential class of $880,000 and over recovery from the C&I demand metered class of $550,000. The PUC method as interpreted by DOC results in significant deviations from cost – a shifting of nearly $16 million in costs to the C&I demand metered class and a subsidy of nearly the same amount to the residential class. It would seem unreasonable that the Commission's actual intent was to create rate shock for one class at the expense of another, by shifting millions of dollars from the class to another without cost causative basis. DOC's PUC method results in the unintended consequences of inequity, unfairness and significant deviations from cost.

Table 1: Final Increases By Class – Xcel v. PUC Methods

	From Table 1 of DOC Comments ($000)						Calculated from Table 1 DOC Comments ($000)	
	A	B	C	D	E	F	G= Col C - Col B	H= Col D - Col B
Class	Current Revenues	CCOSS	Xcel Proposal	PUC Proposal	Xcel Increase	PUC Increase	Deviation from Cost - Xcel Method	Deviation from Cost - PUC Method
Residential	$1,023,121	$1,087,369	$1,086,489	$1,071,307	6.19%	4.71%	($880)	($16,062)
Non-Demand	$108,086	$113,601	$113,601	$113,601	5.10%	5.10%	$0	$0
C&I Demand	$1,669,134	$1,767,681	$1,768,031	$1,783,213	5.93%	6.83%	$350	$15,532
Lighting	$26,319	$25,789	$26,319	$26,319	0.00%	0.00%	$530	$530
Total	$2,826,660	$2,994,440	$2,994,440	$2,994,440	5.94%	5.94		

2. Second, the Commission indicated that it was going to "adopt a slightly modified version of the apportionment method described by the Company." *See* Commission Order, page 84. The PUC method as interpreted by DOC does not result in a slight modification – rather, as noted above, the modification is very significant and has a material and adverse impact on the C&I demand metered class.

3. Third, Xcel reasonably and appropriately followed the Commission Order with respect to the mitigation for the residential class. In order to comply with the Commission's Order, the key point is that the ***revenue neutral*** amounts and percentages need to be calculated in order to isolate the differences in costs from the revenue requirement increases by class. Table 2 uses data from Xcel Energy's May 1st filing (Appendix 4) to calculate the revenue neutral amounts and percentages. Xcel isolates the revenue neutral amounts by first establishing an equal across the board increase by class. The revenue neutral amounts in Column G are calculated by taking the difference between the revenue at cost percent (column D) and the equal percent increases (Column F). Once these percentages are derived, the revenue neutral amounts are calculated in Column H – these amounts reflect the cost differentials. Xcel appropriately used these amounts as the base to (a) calculate the residential mitigation, (b) keep C&I non demand metered class at cost, (c) have no increases for lighting class and (d) make the remaining change to the C&I demand metered class. Thus, the Company's approach is successful in complying with the Order as well as accomplishing the overall objective of setting revenue requirements closer to cost.

Table 2: Xcel Energy May 1st Revenue Apportionment Compliance

	A	B	C	D	E	F	G	H	I	J	K	L
			B - A	C / A			D - F	G X A		I X A	F + I	E + J
	Present Revenue	Ordered Revenue at Cost Total	Amt Incr	Pct Incr	Revenue Increase Amt Incr	Pct Incr	Revenue Neutral Change Percent	Revenue Neutral Change Amount	Commission Order Point Compliance Results Percent	Commission Order Point Compliance Results Amount	Final Ordered Increase Percent	Final Ordered Revenue Amount
Res	$1,023,121	$1,097,369	$64,248	6.28%	$60,728	5.94%	0.34%	$3,520	5% of Col G=0.258%	$2,640	6.19%	$63,368
Com	$108,086	$113,601	$5,515	5.10%	$6,416	5.94%	-0.83%	-$901	-0.83%	-$901	5.10%	$5,515
All Dmd	$1,669,134	$1,767,681	$98,547	5.90%	$99,073	5.94%	-0.03%	-$526	Remainder -.01%	-$176	5.93%	$98,897
Ltg	$26,319	$25,789	-$530	-2.01%	$1,562	5.94%	-7.95%	-$2,092	No increase	$0	0.00%	$0
Retail	$2,826,661	$2,994,440	$167,779	5.94%	$167,779	5.94%		$0			5.94%	$167,779

In contrast, the PUC method result implies that the revenue requirement increase including cost and revenue differentials for the residential class should be only 75% or $48.186 million of the $64.248 million to be recovered from this class, which has at least two major and adverse impacts: (a) the residential class subsidy would materially increase and the class revenues would deviate further from costs to serve to the detriment of the C&I demand metered class and (b) this result contradicts the Commission's objective of principally getting class revenues closer to costs to serve.

In light of the above, MCC recommends that the Commission find that Xcel Energy's methodology regarding class revenue apportionment as submitted in the Company's May 1st filing is reasonable and complies with the intent of the Commission's Ordering points regarding this matter.

Very truly yours,

/e/ Richard J. Savelkoul
Richard J. Savelkoul

RJS:wsl
Attachments
cc: Service List
        Larry Schedin (via email)
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