

March 26, 2018

PUBLIC DOCUMENT

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 300
St. Paul, Minnesota 55101

RE: **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E002/M-17-818

Dear Mr. Wolf,

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Northern States Power Company, doing business as Xcel Energy for Approval of the Renewable Energy Standards Rider Revenue Requirements for 2017 and 2018 and RES Adjustment Factors

The petition was filed on November 17, 2017 by:

Holly Hinman
Regulatory Manager
Xcel Energy
414 Nicollet Mall, 401 – 7th Floor
Minneapolis, MN 55401

The Department **requests that Xcel provide additional information in reply comments.** The Department will offer additional comments and recommendations in subsequent response comments after it has reviewed the additional information. The Department is available to answer any questions that the Minnesota Public Utilities Commission may have in this manner.

Sincerely,

/s/ Matthew Landi
Rates Analyst

/s/ Nancy Campbell
Analyst Coordinator

ML/NC/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/M-17-818

PUBLIC DOCUMENT

I. BACKGROUND

On November 17, 2017, Northern States Power d/b/a Xcel Energy (Xcel or the Company) filed a petition requesting approval of the Renewable Energy Standard Rider (RES Rider) revenue requirements for 2017 and 2018 and proposed RES Adjustment Factors. The RES Rider is designed to allow for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy Minnesota's Renewable Energy Standard Statute (the RES Statute),¹ provided those facilities were approved by the Commission and eligible for recovery under the Renewable Cost Recovery Statute (RES Rider Statute).² The RES Statute directs each public utility in Minnesota to acquire electricity from renewable sources sufficient to meet a specified percentage of the energy consumed by the utility's retail customers, and the percentage increases over time.³

Xcel's last RES Rider petition was filed on September 8, 2015.⁴ The Company received approval from the Minnesota Public Utilities Commission (Commission) to include the costs and expenses associated with the 200-megawatt (MW) Courtenay Wind Project in the RES Rider.⁵ The Commission also required that any benefits from the North Dakota Investment Tax Credits associated with the Courtenay Wind Project should be passed to Minnesota ratepayers in proportion to the costs borne by Minnesota ratepayers for the project.⁶ Additionally, the Commission deferred to the current petition the issue of whether forecasted, prorated accumulated deferred income taxes should be included in RES Riders.⁷

¹ Minn. Stat. §216B.1691

² Minn. Stat. §216B.1645, subd. 2a

³ *Supra* note 1.

⁴ While Xcel stated that their last RES Rider petition was filed on September 1, 2015 in Docket No. E002/M-15-805, the Department's review of that petition indicates that it was filed on September 8, 2015.

⁵ Commission's Order from Docket No. E002/M-15-805 dated April 11, 2017, Order Point #3, page 8.

⁶ *Id.*, Order Point #1.

⁷ *Id.*, Order Point #2.

On October 24, 2016, the Company filed a petition requesting to build, own and operate four projects totaling 750 MW under Minn. Stat. 216B.2422, subd. 5.⁸ In a supplemental filing dated March 15, 2017, the Company proposed to purchase an additional 800 MW of wind generation from three additional wind projects that were solicited through a Request for Proposal (RFP) process.⁹ In total, the Company requested approval of a 1,550-MW wind portfolio (Wind Portfolio). On September 1, 2017, the Commission approved the acquisition of this Wind Portfolio.¹⁰

The Company's RES Rider petition seeks to recover the 2017 and 2018 portions of the four self-build projects totaling 750 MW and two build-own-transfer (BOT) projects from the Wind Portfolio totaling 400 MW, as well as the ongoing capital costs associated with the Courtenay Wind Project. The Minnesota Department of Commerce, Division of Energy Resources (Department) notes that the other 400 MW originating from the RFP process are associated with two purchased power agreements (PPAs).¹¹ Xcel is not requesting recovery of the costs associated with the two PPAs in this proceeding.

Since the Company's RES Rider petition was filed, significant amendments were made to the Internal Revenue Code of 1986 through the passage of the Tax Cuts and Jobs Act of 2017 (TCJA) which was signed into law on December 22, 2017.¹² Generally speaking, the TCJA reduced the federal corporate income tax rate from 35.00% to 21.00%. During the subsequent months, the Company analyzed the impact that the TCJA had on its RES Rider petition. On March 14, 2018, the Company provided its analysis to the Department in its second supplemental response to DOC IR No. 3 (DOC Attachment 6).

II. SUMMARY OF FILING

On November 17, 2017, the Company filed a petition requesting approval of its proposed RES Rider revenue requirements for 2017 and 2018 and the associated RES Adjustment Factors. The 2017 and 2018 RES Rider revenue requirements include the costs and expenses associated with the Courtenay Wind Project and the non-PPA projects in the Company's Wind Portfolio, representing 1,150 MW of the 1,550 MW Wind Portfolio.¹³

⁸ Initial Filing from Docket No. E002/M-16-777 dated October 24, 2016.

⁹ Supplemental Filing from Docket No. E002/M-16-777 dated March 15, 2017.

¹⁰ Commission's Order from Docket No. E002/M-16-777 dated September 1, 2017, Order Point #1, page 10.

¹¹ See page 2 of the Commission's September 1, 2017 *Order Approving Petition, Granting Variance, and Requiring Compliance Filing* in Docket No. E002/M-16-777

¹² Tax Cuts and Jobs Act of 2017. Pub. L. 115-97.

¹³ 400 MW of the Wind Portfolio are secured through PPAs. Commission Staff identified this subset of the Wind Portfolio as applying to Minn. Stat. §216B.1645, subd. 2 in their *Staff Briefing Papers* filing in Docket No. E002/M-

Xcel's request can be summarized in three phases: (1) the original petition; (2) the updated petition in response to the Department's requests for additional information; and (3) the Company's update to the petition as a result of the TCJA. Each phase of the filing has produced different revenue requirements. The revenue requirements presented by the Company in the third phase of the filing are the revenue requirements that the Department is reviewing and analyzing in these comments. The revenue requirements of each phase are summarized in the table below.

Table 1: Xcel RES Rider Filing Revenue Requirements Tracker

Original		Update		TCJA Update	
2017	2018	2017	2018	2017	2018
\$(10,339,386)	\$10,469,054	\$(13,536,027)	\$10,469,054	\$(13,406,974)	\$22,726,8277

The reasons for the changing revenue requirements are two-fold: (1) Xcel replaced forecasted data with actual data for 2017 in response to the Department's information requests; and (2) the impact of the TCJA on the capital costs of the Wind Portfolio projects and Production Tax Credits (PTCs).

The original petition contained forecasted data for October through December of 2017. Xcel provided actual data for these months in the supplemental response to DOC IR No. 3 (DOC Attachment 1), which resulted in a 2017 RES Rider revenue requirement change of approximately negative \$3.2 million, decreasing from a negative \$10.3 million in the original filing to negative \$13.5 million. However, the 2017 RES Rider revenue requirements were adjusted upwards in Xcel's second supplemental response to DOC IR No. 3 (DOC Attachment 6) as a result of the Company having more accurate 2017 year-end data available for capital and operations and maintenance (O&M) costs.¹⁴ The 2017 RES Rider revenue requirements increased approximately \$130,000 to a negative \$13.4 million as a result of this updated 2017-year end information.¹⁵

Additionally, the 2018 RES Rider revenue requirements were adjusted upwards by over \$12.2 million to \$22.7 million. This net increase is a result of three primary elements related to the TCJA: (1) a decrease of capital revenue requirements for the Wind Portfolio projects in 2018; (2) a decrease in the value of the PTCs generated by the Courtenay Wind Project; and (3) a decrease in the value of the PTCs generated by the wind farms included in the Company's base

16-777 dated June 23, 2017, page 8. Accordingly, the Company is not proposing recovery for this subset of the Wind Portfolio in this filing.

¹⁴ Second Supplemental Response to Information Request No. DOC-3 (DOC Attachment 6) dated March 14, 2018, page 6.

¹⁵ *Id.*, page 6. See also Attachment 4, page 1, and Attachment B, for financial calculations.

rates (Grand Meadow, Nobles, Pleasant Valley, and Borders), whose PTCs are trued-up in the Company's RES Riders.¹⁶ In addition to these TCJA-related impacts, the Company provided a new forecast of 2018 capital expenditures related to the Wind Portfolio projects, which decreased revenue requirements slightly by \$0.7 million. Last, the TCJA reduced the Company's pro-rated Accumulated Deferred Income Tax (ADIT) balance from \$136,955, to \$44,183.¹⁷

The TCJA's substantial increase in Xcel's 2018 revenue requirements is a result of the devaluation of the Company's PTCs due to a lower tax gross-up. While the decreased capital costs have an offsetting impact on the 2018 revenue requirements of approximately negative \$4.1 million, the devaluation of PTCs result in an increase of \$17.1 million in revenue requirements, resulting in a net increase of \$13 million. When Xcel's updated forecast of 2018 capital expenditures is included, the resultant 2018 RES Rider revenue requirement totals \$22.7 million.

Table 2 below summarizes the various components of the 2017 and 2018 RES Rider revenue requirements.

Table 2: RES Rider Revenue Requirements

	2017	2018
Courtenay Wind Project Expenses	\$ 8,711,704	\$ 8,839,807
Wind Portfolio Project Expenses	\$ 133,758	\$ 11,049,672
Net Balance of:		
2017 PTC Balance	\$ (11,463,017)	
2018 PTC Forecast		\$ 2,793,214
REC Sales Proceeds Credit to Customers	\$ (10,552,000)	
ADIT Prorate	\$ -	\$ 44,183
2016 Carryover Balance	\$ 7,190,263	
Revenue Requirement Total	\$ (5,979,292)	\$ 22,726,877
Revenue Collections	\$ 7,427,683	
RES Rider Revenue Requirements	\$ (13,406,974)	\$ 22,726,877

Source: Attachment B of Second Supplemental Response to DOC IR No. 3, Annual Tracker Summary (See DOC Attachment 6 to these comments).

¹⁶ *Id.*, page 5.

¹⁷ *Id.*, page 4.

When there is a misalignment of the revenue Xcel collects from ratepayers and the RES Rider revenue requirements, adjustments are made to customer bills through an RES Adjustment Factor in order for the Company to recover prudently incurred expenses or to refund over-collections from customers. The Company proposed a two-step process to implement the RES Adjustment Factor through the 2017 RES Rider: a one-month refund to implement the first RES Adjustment Factor for the negative revenue requirements for 2017 due to a revenue over-collection, and a second RES Adjustment Factor in order to recover the Company's anticipated revenue requirements for 2018.

Xcel originally proposed a one-month refund rate of -6.384% in February 2018 to refund the 2017 over-collection to customers. Given the Company's reported change in the 2017 RES Rider revenue requirements to a negative \$13.4 million in the second supplemental response to DOC IR No. 3 (DOC Attachment 6), Xcel adjusted its proposed one-month RES Adjustment Factor refund rate to negative 8.278% in order to refund the 2017 over-collection to customers.¹⁸ The Company also originally proposed to reinstate its current RES Adjustment Factor of 0.497%¹⁹ in March 2018 to collect the 2018 revenue requirements over the remaining months of the year, or on the first day of the month following the Commission's order approving the Company's petition.^{20,21} The current RES Adjustment Factor of 0.497% was implemented on May 1, 2017.²² However, given the changes to the 2018 revenue requirements as a result of the TCJA, Xcel adjusted its proposed 2018 RES Adjustment Factor to 1.135%.

Xcel originally estimated that the first adjustment factor (the one-time bill credit) for a typical residential customer using 675 kWh per month would be a bill credit of \$4.40.²³ The Company did not include an estimate for how the revised first RES Adjustment Factor would impact a typical residential customer using 675 kWh per month. However, the Department's analysis concludes that the revised first RES Adjustment factor would result in a one-month bill credit of approximately \$5.71 for a typical residential customer using 675 kWh per month.

Xcel also originally estimated that the second adjustment factor (the rate increase for the remainder of 2018) for a typical residential customer would increase their bill by \$0.36 per month.²⁴ The Company did not include an estimate for how the revised second RES Adjustment Factor would impact a typical residential customer using 675 kWh per month. However, the

¹⁸ *Id.*, Attachment A.

¹⁹ Compliance Filing from Docket No. E002/M-15-805 dated April 21, 2017, page 2. The Company calculated an RES Adjustment Factor of 0.497% to recover the approved 2016 revenue requirement.

²⁰ Petition, page 2.

²¹ *Id.*, page 3.

²² *Id.*, page 4.

²³ *Id.*, page 19.

²⁴ *Id.*, page 20.

Department's analysis concludes that the revised second RES Adjustment Factor would result in a monthly increase of approximately \$0.82 for a typical residential customer using 675 kWh per month.

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS

The RES Rider Statute, Minn. Stat. §216B.1645, subd. 2a, states the following:

Subd. 2a. Cost recovery for utility's renewable facilities.

(a) A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243, or were determined by the commission to be reasonable and prudent under section 216B.243, subdivision 9. For facilities not subject to review by the commission under section 216B.2422 or 216B.243, a utility shall petition the commission for eligibility for cost recovery under this section prior to requesting cost recovery for the facility. The commission may approve, or approve as modified, a rate schedule that:

(1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including:

(i) return on investment;

(ii) depreciation;

(iii) ongoing operation and maintenance costs;

(iv) taxes; and

(v) costs of transmission and other ancillary expenses directly allocable to transmitting

electricity generated from a project meeting the specifications of this paragraph;

(2) provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism;

(3) allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market;

(4) allocates recoverable costs appropriately between wholesale and retail customers;

(5) terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates.

(b) A petition filed under this subdivision must include:

(1) a description of the facilities for which costs are to be recovered;

(2) an implementation schedule for the facilities;

(3) the utility's costs for the facilities;

(4) a description of the utility's efforts to ensure that costs of the facilities are reasonable and were prudently incurred; and

(5) a description of the benefits of the project in promoting the development of renewable energy in a manner consistent with this chapter.

Given the plain language of the RES Rider Statute, it is clear that in order for a renewable energy project to be eligible for recovery under the RES Rider Statute, the project must have been approved by the Commission as a project fulfilling the utility's obligations under the RES Statute.

B. RES RIDER RECOVERY ELIGIBILITY

The Department's analysis begins at determining whether the projects contained in Xcel's petition—the Wind Portfolio projects and the Courtenay Wind Project—are eligible for recovery under the RES Rider Statute.

1. WIND PORTFOLIO PROJECTS

In the petition, the Company stated the following:

The Company's Wind Portfolio includes four new self-build wind farms and two build-own-transfer projects that the Company identified through its September 2016 Request for Proposals (RFP) for additional wind resources. Ordering Point No. 6 of the Commission's September 1, 2017 Order in Docket No. E002/M-16-777 found that the Company's proposal is a reasonable and prudent approach to meeting its obligation under Minnesota's Renewable Energy Standard. We have therefore included the costs and expenses associated with these six wind farms in our calculation of the 2017 and 2018 RES Rider revenue requirements. We acknowledge that Ordering Point No. 1a holds the Company accountable for the prices and terms used to evaluate each of the selected projects for the purpose of cost recovery and that Ordering Point No. 1b requires that ratepayers will not be put at risk for any costs that are higher than bid.

Attachment F shows the current forecast of capital costs for these projects. Our four self-build projects total 750 MW. We plan to manage these projects as a portfolio, and the Commission approved our proposal to subject cost recovery to an aggregate, symmetrical capital cap (including AFUDC) of **[TRADE SECRET DATA HAS BEEN EXCISED]** for the entire self-build Wind Portfolio. In addition, our RES Rider request includes two build-own-transfer projects totaling 400 MW.

Table 3 below details the wind projects that are a part of the Company's Wind Portfolio as provided in Xcel's petition, including their size, estimated capital costs, estimated commercial operation date, and geographic location. The Company's petition seeks to recover the costs associated with this subset of the Xcel's Wind Portfolio.

Table 3: Wind Portfolio Projects and Project Cost

Project Name	Size	Capital Costs	Estimated COD	Location
		[TRADE SECRET DATA HAS BEEN EXCISED]		
Blazing Star I	200 MW		December 2019	Lincoln County, MN
Blazing Star II	200 MW		September 2020	Lincoln County, MN
Foxtail	150 MW		September 2019	Dickey County, ND
Freeborn	200 MW		December 2020	Freeborn County, MN and Worth and Mitchell Counties, IA
Crowned Ridge ²⁵	300 MW		December 2019	Codington County, SD
Lake Benton ²⁶	100 MW		December 2019	Pipestone County, MN

Each of these projects were approved by the Commission on September 1, 2017 in Docket No. E002/M-16-777 as a way, in part, for Xcel to comply with the RES Statute. According to the RES Rider Statute, projects approved under Minn. Stat. §216B.2422 and in order to satisfy the requirements of the RES Statute are eligible for cost recovery.²⁷ **Based on this analysis, the Department concludes that the projects listed in Table 2—the Company's Wind Portfolio—are eligible for recovery under the RES Rider Statute. (Conclusion 1a)**

2. COURTENAY WIND PROJECT

The Courtenay Wind Project was originally approved by the Commission on September 2, 2015 in Docket No. E002/M-15-401 (the Courtenay Wind proceeding), where the Commission "issued its order authorizing the Company to (a) buy, complete, and operate the Courtenay Wind project to help meet Xcel's RES obligations, and (b) use the RES Rider to recover the actual, reasonable, and prudently incurred costs for the Courtenay Wind project, up to a specified limit."²⁸ The Courtenay Wind Project was deemed eligible for recovery under the RES Rider

²⁵ Attachment E to DOC IR No. 10 Response from Docket No. E002/M-16-777 – Trade Secret (DOC Attachment 2).

²⁶ Attachment I to DOC IR No. 10 Response from Docket No. E002/M-16-777 – Trade Secret (DOC Attachment 3).

²⁷ Minn. Stat. §216B.1645, subd. 2a(a), states in relevant part: "A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422..."

²⁸ Commission's Order in Docket No. E002/M-15-805 dated April 11, 2017, page 2.

Statute per the Commission's Order on April 11, 2017 in Docket No. E002/M-15-805.²⁹ In the petition, the Company states the following regarding an update on the Courtenay Wind Project:

Since the time of our last RES Rider filing, the Courtenay Wind project went into service in December 2016 with a total capital expense of \$297.16 million, including AFUDC, which is less than the maximum amount authorized by the Commission in Docket No. E002/M-15-401.

Based on the prior approval by the Commission on the Courtenay Wind Project's eligibility for cost recovery under the RES Rider Statute, the Department concludes that the Courtenay Wind Project remains eligible for cost recovery under the RES Rider Statute. (Conclusion 1b)

C. COMPLIANCE WITH WIND PROJECT COST CAPS

One aspect of the Department's analysis of the RES Rider includes consideration of whether the wind projects are in compliance with Commission-ordered project cost caps. The Department takes the position that each of the wind projects included in the RES Rider have a project cost cap, but this issue does not need to be addressed at this time. The Department considers whether the project costs presented in the RES Rider are within the project cost caps that were ordered in each projects' respective origination proceeding.

Because the Wind Portfolio projects are at the beginning stages of development, and the BOT projects are more than a year from their projected in-service date, the respective cost caps for those projects will be considered more closely in future RES Rider proceedings. However, the Courtenay Wind project went into service in December of 2016, therefore the Department examined the derivation of the reported total project cost of \$297.16 million.

The 200 MW Courtenay Wind Project was approved by the Commission in Docket No. E002/M-15-401. In Docket No. E002/M-15-401, and as indicated by Xcel on page 9 of the petition, the project's costs were capped at \$300 million.³⁰ Xcel stated that the following on page 9 of the petition:

²⁹ *Id.*, Order Point #3, page 8.

³⁰ *Id.*, Order Point 2.

Since the time of our last RES Rider filing, the Courtenay Wind project went into service in December 2016 with a total capital expense of \$297.16 million, including AFUDC, which is less than the maximum amount authorized by the Commission in Docket No. E002/M-15-401.

Xcel's revenue requirement calculations include a current return on capital expenditures on the Construction Work in Progress (CWIP) balance in lieu of future recovery of Allowance for Funds Used During Construction (AFUDC).³¹ However, it is not clear from the spreadsheets provided that the total project cost for the Courtenay project of \$297.16 million includes a return on CWIP. The Department requests that Xcel provide supporting documentation showing the return on CWIP components of the total project costs.

D. REVENUE REQUIREMENTS CALCULATION

As Xcel is seeking recovery for the costs incurred to develop projects that the Department concludes are eligible for recovery under the RES Rider Statute, the Department's analysis turns toward whether these costs are just, reasonable, and consistent with the public interest given the RES Rider Statute, various Commission Orders, and previous Company filings.

The Commission's March 20, 2008 Order in Docket E002/M-07-872 sets the floor for the Department's analysis: this Order requires that costs recovered through RES Riders are incremental costs not recovered elsewhere in the Company's rates.³²

Other elements of the Department's analysis of the Company's 2017 and 2018 RES Rider revenue requirements involve review of the following components:

1. Actual and projected capital costs and project expenses for the Blazing Star I, Blazing Star II, Foxtail, Freeborn, Crowned Ridge, Lake Belton, and Courtenay Wind Projects;
2. The allocation of revenue requirements based on jurisdiction;
3. The revenue generated from sales of Renewable Energy Certificates;
4. CWIP and a return on CWIP in lieu of future recovery of AFUDC costs associated with the above-mentioned wind projects;
5. Depreciation of Wind Portfolio assets included in the 2017 RES Rider;

³¹ Petition, page 16.

³² Commission's Order in Docket No. E002/M-07-872 dated March 20, 2008, Order Point #2a.

6. Internal labor costs;
7. The RES Rider carryover balance from 2016;
8. Various tax credits and liabilities, including actual and forecasted production tax credits (PTCs), North Dakota Investment Tax Credits (NDITCs), Accumulated Deferred Income Tax (ADIT), and the Tax Cut and Jobs Act of 2017 (TCJA); and
9. The Company's requested Return on Equity (ROE).

Consistent with previous RES Rider proceedings, Xcel proposed to use the percentage of revenue methodology, establishing the percentage factor based on the quotient of the RES Rider cost over base revenues without fuel, riders, and taxes. This percentage would then be applied to existing base revenues.

Xcel's method of calculating the revenue requirements is detailed in the Trade Secret response to question #4 of DOC IR No. 1 (DOC Attachment 4). **The Department concludes that Xcel's method of calculating the revenue requirement for each wind project appears consistent with prior RES Rider proceedings and appears to include appropriate cost categories, and is therefore reasonable. (Conclusion 2)**

The Department's analysis now turns to the review of the 2017 and 2018 revenue requirements' individual components.

1. CAPITAL COSTS OF WIND PROJECTS

The Department reviewed Xcel's actual and projected capital costs for the Company's Wind Portfolio and the Courtenay Wind Project. This section analyzes whether the capital costs of Wind Portfolio and the Courtenay Wind Projects include the appropriate cost categories and are used correctly in the calculation of the revenue requirement.

a. WIND PORTFOLIO PROJECTS

i. SELF-BUILD PROJECTS

There are four self-build projects totaling 750 MW of wind energy. The first four projects listed in Table 2 are Xcel's self-build projects: Blazing Star I and II (each 200 MW); Foxtail (150 MW); and Freeborn (200 MW). Xcel is seeking to recover the actual 2017 capital expenditures and

the forecasted 2018 capital expenditures through the inclusion of a CWIP balance in the calculation of 2017 and 2018 revenue requirements for these four-self build projects.³³

1. APPROPRIATENESS

The Department examined the various CWIP expenditure line-item components of the total CWIP expenditures provided in Attachment F of the second supplemental response to DOC IR No. 3 (DOC Attachment 6) to determine whether the 2017 and 2018 capital costs of the four self-build projects include the appropriate cost categories. **While the various line-item components of the total CWIP expenditures for the four self-build projects appear to be related to capital expenditures, the Department asks that Xcel provide in reply comments a narrative explanation of the various line-item components. At this time, the Department declines to provide a conclusion as to whether the capital cost components of the 2017 and 2018 revenue requirements for the four self-build projects included the appropriate cost categories. (Recommendation 1)**

2. ACCURACY

The Department's analysis of the 2017 and 2018 capital costs of the four self-build projects also includes whether the capital costs were accurately included into the calculation of the 2017 and 2018 revenue requirements. The CWIP expenditure schedule provided in Attachment F should correlate to the Company's method of calculating the revenue requirement in Attachment G, if calculated correctly. Line item 18, 'CWIP', should equal the CWIP expenditure data provided in Attachment F. The table below provides a comparison of the CWIP expenditures of Attachment F and the line item 18 in Attachment G for 2017 and 2018.

Table 6: Comparison of the Self-Build Projects' CWIP Expenditures in Attachments F and G

Project	2017 CWIP Expenditures – Att. F	2017 CWIP Expenditure – Att. G	2018 CWIP Expenditures – Att. F	2018 CWIP Expenditures – Att. G
Blazing Star I	\$ 835,752	\$ 835,752	\$ 77,547,782	\$ 78,383,534
Blazing Star II	\$ 632,452	\$ 632,452	\$ 29,395,134	\$ 30,027,586
Foxtail	\$ 3,185,895	\$ 3,185,895	\$ 91,124,179	\$ 94,310,074
Freeborn	\$ 1,050,960	\$ 1,050,960	\$ 68,140,786	\$ 21,594,003
TOTAL	\$ 4,654,099	\$ 4,654,099	\$ 198,067,095	\$ 202,721,194

³³ Line item 18, 'CWIP,' in Attachment G.

As the table suggests, the 2017 CWIP Expenditures in Attachments F and G equal each other for the four self-build projects. However, the 2018 CWIP Expenditures in Attachments F and G do not.

The Department concludes that the capital components of the 2017 revenue requirements for the four self-build projects were calculated accurately. (Conclusion 3) However, the Department cannot conclude at this time that the capital component of the 2018 revenue requirement was calculated accurately. The Department asks that Xcel explain this discrepancy in reply comments, and to provide an updated calculation of the 2018 revenue requirements for these four self-build projects using the correct CWIP expenditure data. (Recommendation 2)

ii. BOT PROJECTS

Xcel's Wind Portfolio includes 400 MW of BOT projects. The last two projects listed in Table 2 are the Company's BOT projects: Crowned Ridge (300.6 MW) and Lake Benton (100.2 MW). Xcel is seeking to recover the actual 2017 capital expenditures and the forecasted 2018 capital expenditures through the inclusion of a CWIP balance in the calculation of 2017 and 2018 revenue requirements for these four-self build projects.³⁴

1. APPROPRIATENESS

The Department examined Attachment F of the second supplemental response to DOC IR No. 3 (DOC Attachment 6) to determine whether the 2017 and 2018 capital costs of the two BOT projects include the appropriate cost categories. **There is only one line-item component of the total CWIP expenditures for the two BOT projects, and it appears to be related to capital expenditures. Therefore, the Department concludes that the capital cost components of the 2017 and 2018 revenue requirements for the two BOT projects included the appropriate cost categories. (Conclusion 4)**

2. ACCURACY

The Department's analysis of the 2017 and 2018 capital costs of the two BOT projects includes whether the capital costs were accurately included into the calculation of the 2017 and 2018 revenue requirements. The CWIP expenditure schedule provided in Attachment F should correlate to the Company's method of calculating the revenue requirement in Attachment G, if calculated correctly. Line item 18, 'CWIP', should equal the CWIP expenditure data provided in

³⁴ Line item 18, 'CWIP,' in Attachment G.

Attachment F. The table below provides a comparison of the CWIP expenditures of Attachment F and the line item 18 in Attachment G for 2017 and 2018.

Table 7: Comparison of the BOT Projects' CWIP Expenditures in Attachments F and G

Project	2017 CWIP Expenditures – Att. F	2017 CWIP Expenditure – Att. G	2018 CWIP Expenditures – Att. F	2018 CWIP Expenditures – Att. G
Crowned Ridge	\$ 2,461,006	\$ 2,461,006	\$ 50,908,537	\$ 53,369,542
Lake Benton	\$ 60,477	\$ 60,477	\$ 20,833,031	\$ 20,893,509
TOTAL	\$ 2,521,483	\$ 2,521,483	\$ 71,741,568	\$ 74,263,051

As the table suggests, the 2017 CWIP Expenditures in Attachments F and G equal each other for the two BOT projects. However, the 2018 CWIP Expenditures in Attachments F and G do not.

The Department concludes that the capital components of the 2017 revenue requirements for the two BOT projects were calculated accurately. (Conclusion 3) However, the Department cannot conclude at this time that the capital components of the 2018 revenue requirements for the two BOT projects were calculated accurately. The Department asks that Xcel explain this discrepancy in reply comments, and to provide an updated calculation of the 2018 revenue requirements for these two BOT projects using the correct CWIP expenditure data. (Recommendation 2)

b. COURTENAY WIND PROJECT

Xcel reported on page 9 of the petition that the 200-MW Courtenay Wind Project went into service in December 2016. Xcel is seeking to continue recovery of the historical capital expenditures of the Courtenay Wind project through the inclusion of a Plant Investment balance in the calculation of the 2017 and 2018 revenue requirements for the Courtenay Wind project,³⁵ as well as the actual 2017 capital expenditures and the forecasted 2018 capital expenditures through the inclusion of a CWIP balance in the calculation of 2017 and 2018 revenue requirements for the Courtenay Wind project.³⁶ The historical capital expenditures include 2015 and 2016 capital expenditures, and were approved for inclusion in the Courtenay Wind project's revenue requirements in the last RES Rider proceeding.³⁷

³⁵ Line item 19, 'Plant Investment,' in Attachment G.

³⁶ Line item 18, 'CWIP,' in Attachment G.

³⁷ Order Point 3 of the Commission's Order in 2016 RES Rider proceeding (Docket No. E002/M-15-805) dated April 11, 2017.

i. APPROPRIATENESS

The Department's analysis of whether the historical capital expenditures of the Courtenay Wind Project (from 2015 and 2016) included the appropriate cost categories considered the various line-item components contained in Attachment D of the compliance filing of the last RES Rider dated April 21, 2017, which includes the capital expenditure schedule for the Courtenay Wind Project. These line-item components include capital expenditures related to production, transmission, transmission serving generation, and land rights. **The Department concludes that the historical capital expenditures of the Courtenay Wind project included appropriate cost categories. (Conclusion 3)**

The Department's analysis of whether 2017 and 2018 capital expenditures of the Courtenay Wind project included the appropriate cost categories considers the various CWIP expenditure line-item components of the total CWIP expenditures provided in Attachment F of the second supplemental response to DOC IR No. 3 (DOC Attachment 6). Based on the Department's review of Attachment D of the compliance filing of the last RES Rider, the Department was able to tie together the various line-item components of the total CWIP expenditures provided in Attachment F to the line-item components of the capital expenditure schedule provided in Attachment D of the compliance filing. **The Department concludes that Xcel the capital cost components of the 2017 and 2018 revenue requirements for the Courtenay Wind project included the appropriate cost categories. (Conclusion 4)**

ii. ACCURACY

The Department's analysis of the historical capital expenditures of the Courtenay Wind project includes whether the historical capital costs were accurately included into the calculation of the 2017 and 2018 revenue requirements. For the historical capital expenditures, the capital expenditure schedule for 2015 and 2016 in Attachment D of the compliance filing of the last RES Rider dated April 21, 2017 should ultimately correlate to the Company's method of calculating the revenue requirement in Attachment G, if calculated correctly. Line 19, 'Plant Investment,' is comprised, in part, of the 2015 and 2016 historical capital expenditures. The 2015 and 2016 components of line item 19, 'Plant Investment,' in Attachment G should equal the 2015 and 2016 capital expenditure schedule found in Attachment D of the last RES Rider's compliance filing.

These components are found in Attachment F, which is the disaggregation of line item 19 into the annual capital expenditure schedule for the Courtenay Wind project. The Department has reviewed the 2015 and 2016 historical capital expenditures of the Courtenay Wind project found in Attachment D of the last RES Rider's compliance filing and Attachment F of the second supplemental response to DOC IR No. 3, and found that they are equal to one another for both

years, totaling \$96,398,020 and \$187,733,992 for 2015 and 2016, respectively, in each instance. **Therefore, the Department concludes that the historical capital expenditures of the Courtenay Wind project were accurately factored into the calculation of the 2017 and 2018 revenue requirements. (Conclusion 3)**

The Department's analysis of the 2017 and 2018 capital costs of the Courtenay Wind project includes whether the capital costs were accurately included into the calculation of the 2017 and 2018 revenue requirements. The CWIP expenditure schedule provided in Attachment F should correlate to the Company's method of calculating the revenue requirement in Attachment G, if calculated correctly. Line item 18, 'CWIP', should equal the CWIP expenditure data provided in Attachment F. The table below provides a comparison of the CWIP expenditures of Attachment F and the line item 18 in Attachment G for 2017 and 2018.

Table 8: Comparison of the Courtenay Wind Projects' CWIP Expenditures in Attachments F and G

Project	2017 CWIP Expenditures – Att. F	2017 CWIP Expenditure – Att. G	2018 CWIP Expenditures – Att. F	2018 CWIP Expenditures – Att. G
Courtenay	\$ 44,958	\$ (76,486)	\$ 76,846	\$ -

As the table suggests, neither the 2017 nor 2018 CWIP expenditures found in Attachments F and G equal each other. **The Department cannot conclude at this time that the capital components of the 2017 and 2018 revenue requirements for the Courtenay Wind project were calculated accurately. The Department asks that Xcel explain this discrepancy in reply comments, and to provide an updated calculation of the 2017 and 2018 revenue requirements for the Courtenay Wind project using the correct CWIP expenditure data. (Recommendation 2)**

2. JURISDICTIONAL ALLOCATION

Due to the fact that the revenue requirements subject to true-up are only applicable to Minnesota retail customers, the Company must apply allocators to its total costs.

The Interchange Agreement Allocator allocates a share of total Xcel-Minnesota costs (for the Minnesota, North Dakota and South Dakota jurisdictions) to Northern States Power Wisconsin (NSPW). This allocator is applied by multiplying total eligible costs by the Company's demand factor under the FERC-approved Interchange Agreement between Xcel and NSPW. Next, the Jurisdictional Allocator excludes, from the Xcel-Minnesota costs, the portion of Company costs

not related to serving Minnesota retail customers.³⁸ This allocator is applied by multiplying the Company total by the Minnesota energy allocation factor.

On page 15 of its petition, the Company stated the following:

We have allocated costs incurred in a given year with that same year's allocators to properly align cost causation with cost recovery. The principle of matching a particular year's costs to that year's allocators is consistent with the allocation methodology approved in past RES Rider dockets.

While we have calculated the revenue requirements in this Petition using forecasted allocators for 2017 and 2018, we propose to true-up the tracker account to the actual allocators when they become available. The actual allocators used to true-up the tracker will be consistent with the allocators used to allocate variable costs (including PTCs) to the Minnesota jurisdiction in our annual jurisdictional reports filed on May 1 each year.

¹² The most recent examples are Docket Nos. E002/M-10-1066, E002/M-13-475, E002/M-14-773, E002/M-15-304, and E002/M-15-805.

The calculations used to derive allocators can be found in Attachment L of the Company's petition. **The Company will true-up the tracker account to the actual allocators, as mentioned above, and therefore the Department concludes that it is appropriate to apply the above allocators to the true-up calculators at this time. (Conclusion 5)**

3. REC SALES REVENUE

As detailed in Attachment I of the petition, Xcel included revenue from the sale of renewable energy certificates of approximately \$10.6 million in the revenue requirement calculations. In the petition, the Company stated the following:

On October 15, 2012, Xcel Energy filed a Petition with the Commission seeking approval to share proceeds from the sale of renewable energy credits.⁷ The Company proposed to return customers' portion of the proceeds through the Fuel Clause Rider. The Commission's Order in that docket requires the Company to return 100 percent of proceeds from the sales of RECs to customers through the RES Rider instead of the FCA, though the Order also allows the Company to submit

³⁸ This calculation allocates a share of the Xcel-Minnesota costs to the North Dakota and South Dakota retail jurisdictions.

subsequent proposals to share in REC sales proceeds to be review on a case-by-case basis by the Commission.⁸

⁷ Docket No. E002/M-12-1132

⁸ May 17, 2013 ORDER SETTING PROCEDURES FOR FUTURE PROPOSALS in Docket No. E002/M-12-1132

9

The Company has completed a number of sales of RECs since we submitted our last RES Rider Petition on September 1, 2015. We have not filed any proposal to share the proceeds from these sales with customers. We therefore propose to refund to customers 100 percent of the proceeds of these transactions.

We have credited to customers a total of \$10.6 million in REC sales proceeds in the RES Rider tracker which significantly decreases the total revenue requirements for the 2017 period.

The Company provided its calculation of the REC Sales Summary for MN Jurisdiction in its Petition Attachment I, as shown in the table below:

Table 9: REC Sales Summary for MN Jurisdiction

Counterparty	Transaction Execution Date	Total Volume Sold A	Sell Price B	Total Proceeds C = A x B	MN % of Transaction D	Proceeds to MN E = C x D
[TRADE SECRET DATA HAS BEEN EXCISED]						

As the table above shows, the Company's methodology for calculating REC sale revenue allocated to Minnesota varied based on use of different allocators. In response to DOC IR No. 2 (DOC Attachment 5), the Company provided the following explanation:

The Allocations [MN % of Transaction] presented in Attachment I are sales allocations based on which jurisdictions' RECs were included in each transaction. Upon generation, RECs are allocated to the NSP-system jurisdictions based on load share ratios and assigned to jurisdictional "pools." When Xcel Energy sells excess RECs, they can be from one jurisdiction's pool, or multiple, depending on when RECs are retiring and the need to meet specific state's compliance requirements. If the sale involves RECs from multiple states' pools, they can be split based on load share ratios to keep pool balances equal; however, they can also be split on some other percentage not related to jurisdictional allocators. Ultimately, the state of Minnesota pool is receiving its jurisdictional share of RECs generated and that pool will either be retired to meet Minnesota compliance requirements or be sold on the open market and proceeds are returned to customers through the RES Rider.

The Commission has previously addressed the issue of how to treat REC sale revenue from the same facility that generated the RECs in this Petition in Docket No. E002/M-12-1132. In that proceeding, the Commission required that 100% of the benefits of REC sales be credited to Minnesota ratepayers (unless the Company files a revenue-sharing request, which would be reviewed by the Commission on a case-by-case basis).³⁹ No such request has been made by the Company, and so the Department adopts the position that 100% of the REC sales revenue (Minnesota Jurisdictional portion) should be returned to ratepayers.

However, as noted above, the Company limited the allocation of REC sales revenue to Minnesota based on a methodology that seeks to determine the jurisdictional share of the RECs at the time they are generated by assigning them to NSP-system jurisdictional "pools" based on load share ratios. The total revenue generated from the sale of the RECs was **[TRADE SECRET DATA HAS BEEN EXCISED]**, which is **[TRADE SECRET DATA HAS BEEN EXCISED]** higher than the revenue credited to Minnesota ratepayers.

The Department has reviewed this methodology to determine if it is consistent with the Commission's Order in Docket No. E002/M-12-1132. The Company reasoned that if a REC is created as a result of meeting various NSP-system jurisdictions' demand at the time it is created, the benefits of the REC can be said to be originated from the load share ratio that led to the REC's creation. In some of the instances where RECs were created, Minnesota ratepayers did not induce 100% of the REC creation due to the load share ratio active at that time. Accordingly, it is more precise to say that the RECs created at any given time belong to

³⁹ Commission Order in Docket No. E002/M-12-1132 dated May 17, 2013, Order Point 1.

the various NSP-system jurisdictions' demand that led to its creation in proportion to the load share ratio at the time it was created.

The Department asks Xcel to provide in reply comments further support and justification for the four REC sales transactions where 100% of the proceeds were not provided to Minnesota jurisdiction⁴⁰ and why this is appropriate, including who bore the cost of the original RECs. After reviewing this additional information the Department will make a recommendation regarding the reasonableness of the \$10.6 million credit to the Minnesota Jurisdiction for REC sales. (Recommendation 3)

4. CWIP AND AFUDC

Xcel's revenue requirement calculations include a current return on capital expenditures on the Construction Work in Progress (CWIP) balance in lieu of future recovery of Allowance for Funds Used During Construction (AFUDC).⁴¹

The Company stated that the revenue requirement for the current return includes the cumulative CWIP balance for the Courtenay project per the Company's requested eligibility date of September 1, 2015 and for the self-build Wind Portfolio per the Company's requested eligibility date of September 1, 2017.⁴² The Department notes that it appears that the Company omitted the two BOT projects from its explanation of CWIP and AFUDC, but confirmed that CWIP balances for these two projects are included. In the updated Attachment G provided in the second supplemental response to DOC IR No. 3 (DOC Attachment 6), Xcel includes CWIP balances and the return on CWIP amounts for the purposes of calculating the 2017 and 2018 revenue requirements for each of the wind projects.

Xcel also stated that the beginning CWIP balance includes AFUDC incurred prior to the eligibility date, specifically for the Courtenay Wind project.⁴³ After that date, the Minnesota jurisdictional portion of costs does not include AFUDC, and a current return is calculated on the CWIP balance. Consistent with Minn. Stat. §216B.1645, Subd. 2a(2), the costs included in this adjustment mechanism are not to be recovered from customers under any other mechanism.

According to the Company, other jurisdictions affected by these projects do not apply the same ratemaking treatment of CWIP as provided in Minnesota. Xcel stated that it calculates AFUDC and removes the amount associated with the Minnesota jurisdiction. This offset reduces the amount of AFUDC, leaving only the portion that is allocated to the non-Minnesota jurisdictions

⁴⁰ Petition, Attachment I.

⁴¹ Petition, page 16.

⁴² *Id.*

⁴³ Petition, pages 16-17.

for ratemaking. In Docket No. E002/M-15-805, the Company clarified in its Reply Comments that this method “prevent[s] double recovery between AFUDC and a current return on CWIP [by utilizing] an accounting mechanism referred to as ‘Pre-funded AFUDC’ [which] is calculated based on the eligibility date and credited against the Minnesota jurisdictional amount of AFUDC related to the RES Rider.”⁴⁴ The Department concluded then, as it does now, that this appears to be reasonable. (Conclusion 6)

5. DEPRECIATION

Xcel stated that the remaining life assumptions used in this filing are consistent with the most recently approved remaining life filing (Docket No. E,G002/D-15-46). The Company assumed a depreciable life of 25 years for the Courtenay Wind Project and the Wind Portfolio projects. Given the fact that the 25-year life is consistent with the manufacturer’s estimated life of the specific model turbine selected for the Courtenay Project, and that a 25-year life is consistent with the initial remaining lives set for other Xcel-owned wind farms, **the Department concludes that the Company’s estimated 25-year life for the Courtenay Wind and Wind Portfolio Projects appears reasonable. (Conclusion 7)**

6. INTERNAL LABOR COSTS

Xcel stated that it had excluded internal labor costs from the Courtenay Wind project and the Wind Portfolio projects. **This is consistent with Commission precedent and the Department concludes that the removal of internal labor costs appears reasonable. (Conclusion 8)**

7. 2016 RES RIDER CARRYOVER BALANCE

Xcel reported a 2016 carryover balance of \$7,190,263.⁴⁵ This carryover balance is derived from the Company’s 2016 RES Rider petition in Docket No. E002/M-15-805, and specifically from the Company’s compliance filing dated April 21, 2017. The carryover balance is the Company’s 2016 RES Rider revenue requirements as reported in the 2016 RES Rider compliance filing. **The Department concludes that the Company’s reported 2016 carryover balance of \$7,190,263 is reasonable. (Conclusion 9)**

⁴⁴ Xcel’s Reply Comments in Docket No. E002/M-15-805 dated May 12, 2016, page 3.

⁴⁵ Petition, page 13.

8. TAX CREDITS AND LIABILITIES

a. PRODUCTION TAX CREDITS (PTCs)

i. FORECASTED PTCs

On pages 15 and 16 of its petition, the Company stated the following:

We estimate PTC benefits based on expected energy production. The Grand Meadow, Nobles, Border Winds, Pleasant Valley, and Courtenay wind projects are currently eligible for PTCs. The Wind Portfolio projects will be eligible for PTCs as each goes into service in 2019 and 2020.

The PTC forecast was updated in the Company's most recent electric rate case, which was approved by the Commission in its June 12, 2017 Order in Docket No. E002/GR-15-826.¹³ The PTC level was calculated by multiplying the expected kWh generated by the effective per kWh credit at that time. This filing true up the PTCs based on actual wind generation for January through September 2017 to the PTCs included in base rates. We include the forecasted PTCs for October through December 2017 and the forecasted PTCs for 2018 which will be true up in our next RES Rider filing. At that time we will also true up the January through September 2017 PTCs for the actual 2017 jurisdictional energy allocator.

¹³ See schedule 19 of the Direct Testimony of Company Witness Ms. Anne E. Heuer, Exhibit _____ (AEH-1)

PTCs are awarded to the Company-owned wind farms based on total actual energy production. Because energy production at wind farms is variable, expected PTCs must be forecast based on expected energy production. According to the Petition, the Commission approved the base rate levels that include the estimated PTC levels and thus are included in base rates established in the Company's most recent electric rate case (Docket No. E002/GR-15-826). The Company forecasted PTCs by multiplying expected kWh generated by the effective per-kWh credit at the time. The Company provided a true-up of the forecasted October through December 2017 forecasted PTCs with actual PTCs generated in its updated Attachment C in the second supplemental response to DOC IR No. 3 (DOC Attachment 6).

The Company also provided an updated forecast of 2018 and 2019 PTCs in its second supplemental response to DOC IR No. 3 (DOC Attachment 6).⁴⁶ This updated PTC forecast demonstrated the impact of the TCJA on the PTC revenue requirements: the 2018/2019 tax gross-up for the revenue requirement (notated by the red letter “D” in the 2018 PTC Tracker in Attachment H of DOC Attachment 6) is reduced from 1.705611462 to 1.403351203. This effectively reduces the value of the PTCs generated by the Courtenay, Grand Meadows, Nobles, Pleasant Valley, and Border Winds wind farms, which has the net effect of increasing the 2018 RES Rider revenue requirements.

The Department has reviewed the Company’s 2018 PTC Forecast and notes a minor discrepancy in the RES PTC Tracker balance for 2018: in Attachments B and D of the second supplemental response to DOC IR No. 3 (DOC Attachment 6), the RES PTC Tracker balance is \$2,973,214. However, in Attachment H, the RES PTC Tracker balance is \$2,971,561. While this is a relatively minor difference, the Department asks that the Company explain this discrepancy. If the Company supports use of the \$2,973,214 figure for the RES Tracker Balance in calculating its 2018 RES Rider revenue requirements, the Department requests that the Company provide documentation of the figure’s derivation. (Recommendation 4)

ii. ACTUAL PTCs

Actual PTCs are calculated based on actual production at the Company-owned wind farms in kWhs, which is then multiplied by the PTC value per kWh. This calculation is shown in Attachment H of the Petition.

Once actual PTCs have been calculated and allocators have been applied to both actual and forecasted PTCs, the forecasted PTCs are subtracted from actuals. One final calculation is performed on the resulting figure to adjust for the Company’s Composite tax rate. The resulting figure from this final calculation is the revenue requirement,⁴⁷ and the true-up amount for the year.

The Department reviewed Xcel’s calculations for the 2017 PTC true-up as provided in in the updated Attachment C (line 11, ‘RES PTC Tracker’) in the second supplemental response to DOC IR No. 3 (DOC Attachment 6). The Department was able to tie the total-Company PTC amounts in the updated Attachment C to the amounts included in Xcel’s most recent electric rate case

⁴⁶ Second Supplemental Response to DOC IR No. 3 (DOC Attachment 6) dated March 14, 2018, Attachment H, page 2.

⁴⁷ Revenues generated from the Company’s wind projects are subtracted from the revenue requirement to calculate the final amount as shown as line item 11 of the 2017 Tracker table in the updated Attachment C provided in the second supplemental response to DOC IR No. 3 (DOC Attachment 6).

(E002/GR-15-826)⁴⁸ by tying Attachment H's use of data from the electric rate case (lines 67 – 70) in the calculation of the PTC true-up found in Attachment C. **The Department concludes that the RES PTC Tracker balance is accurate. (Conclusion 10)** Additionally, the Company has provided tax documentation for the 2015 and 2016⁴⁹ PTCs in Attachments O and P of the Petition that ties to the PTC values provided in Xcel's April 21, 2017 compliance filing in the 2016 RES Rider proceeding (Docket No. E002/M-15-805). **The Department has reviewed these tax documents and concludes that they are consistent with the previous RES Rider proceeding. (Conclusion 10)** The Department also appreciates that the Company indicated that they will provide the 2017 and 2018 tax documentation in future RES filings when they are available.

b. NORTH DAKOTA INCOME TAX CREDITS

In Order Point 1 of the Commission's Order in 2016 RES Rider proceeding (Docket No. E002/M-15-805) dated April 11, 2017, the Commission ordered Xcel to:

...credit Minnesota ratepayers for their proportionate share of used North Dakota Investment Tax Credits [NDITCs] associated with the Courtenay Wind project, based on the pro-rata share of the costs of the Courtenay Wind project that is charged to Minnesota ratepayers.

However, in the petition, Xcel stated that the NDITCs associated with the Courtenay Wind project remained \$0 for the 2017-2018 period for which the Company is requesting recovery.⁵⁰ In response to DOC IR No. 5 (DOC Attachment 8), Xcel further explained that:

Although the Courtenay Wind project qualifies for the NDITC, the credit is limited by the Company's North Dakota taxable income. Since Xcel Energy is not forecasting to use any NDITC associated with the Courtenay Wind project in 2017 and 2018, the Company did not credit Minnesota Ratepayers for any NDITC in the 2017 and 2018 RES Rider revenue requirements.

This is consistent with the timing of tax credits. Before the NDITCs for the Courtenay Wind project (and other wind projects in North Dakota) are awarded, PTCs generated by the Courtenay Wind project (and other wind projects in North Dakota) must be used first. Since the 2017 Revenue Requirement request is a net refund to ratepayers, in part due to the large amount of PTCs generated by the Courtenay Wind project, the Company's North Dakota taxable income remains low enough such that they are not awarded any NDITCs, though they

⁴⁸ Docket No. E002/GR-15-826, Application, Vol 4A, Tab P8 Tax Credits, page P8-4.

⁴⁹ IRS Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit

⁵⁰ Petition, page 9.

remain eligible. **The Department concludes that application of NDITCs in the RES Rider is reasonable and consistent with Order Point 1 of the Commission's Order in Docket No. E002/M-15-805 dated April 11, 2017, which requires that any NDITCs created by the Courtenay Wind project to be credited to Minnesota ratepayers for their proportionate share based on the pro-rata share of the costs of the Courtenay Wind project that is charged to Minnesota ratepayers. (Conclusion 11) The Department recommends that the Commission maintain this requirement. (Recommendation 5)**

c. PRORATED ACCUMULATED DEFERRED INCOME TAXES

Order Point 2 of the Commission's Order in Docket No. E002/M-15-805 dated April 11, 2017 deferred any final decision regarding the need to prorate accumulated deferred income tax balances and true-ups and required the Company to address this matter in the instant RES Rider proceeding.

For 2017, the Company avoided the issue of whether to include prorated ADIT balances in its 2017 RES Rider revenue requirement request by only including the actual ADIT for the actual months of 2017.⁵¹ In other words, the Company did not include forecasted ADIT balances in the calculation of its 2017 RES Rider revenue requirements, resulting in no need for prorated ADIT.⁵²

For 2018, the Company included forecasted ADIT balances in its calculation of the 2018 RES Rider revenue requirement request. In support of their position, the Company provided the following explanation in both the petition and in the response to DOC IR No. 3 (DOC Attachment 1). From page 17 of the petition:

The Company calculated the forecasted portions of 2017 and 2018 revenue requirements in accordance with our understanding of the proration formula in IRS regulation section 1.167(1)-1(h)(6).[footnote omitted] However, we will continue to work with the Department and other stakeholders towards a reasonable resolution and will update these calculations, as needed.

From pages 3 and 4 of the Company's response to DOC IR No. 3 (DOC Attachment 1):

...PLR #201717008, provided as Attachment 3 to this response, specifically addresses rate riders and true-ups and provides the basis for the Company's

⁵¹ Petition, page 17.

⁵² The Company initially forecasted ADIT balances for October through December 2017. In the second supplemental response to DOC IR No. 3 (DOC Attachment 6), the Company provided actual ADIT balances for 2017, therefore obviating the need for prorated ADIT balances for 2017.

position. We note that PLR # 201739001 also provides key guidance for the Company's understanding of ADIT prorate, but is focused on forward-looking rate cases setting base rates and the treatment for interim rates.

We note that whenever a given rate is set, the months prior to that date can be treated as actuals, without proration. In the previous docket, E002/M-15-805, the Commission chose to set the rate after the "test year" had passed. We assume the current docket will be updated for 2017 actuals. Therefore 2016 and 2017...are not subject to proration.

The Company's position is that in a current docket, the rate representing forecast periods is set using the proration formula. In the next docket, the true-up for the previous docket will be based on the difference between the revenue requirements with the forecast ADIT un-prorated compared to the ADIT updated to actuals.

We note that PLR #201717008, page 11, explicitly disallows the true-up of forecasted ADIT with prorate and actuals with no-prorate because it would reverse the economic effect of the proration.

The method outlined above provides a reasonable approach that abides by the IRS normalization schedules, and does not significantly extend regulatory procedural schedules.

In numerous proceedings before the Commission, the Department's position has been consistent: **the Department does not agree that IRS regulations require proration of ADIT nor does the Department support the use of prorated ADIT for riders.**⁵³ (Conclusion 12) The Department concluded the following in Docket E002/M-15-891:

The Department provides the following reasons for why the Company should not be allowed to prorate its ADIT credits:

- First, Private Letter Rulings (PLRs) are not the same as IRS Regulations and every PLR states that they are only allowed to be used by the entity requesting the PLR and may not be used or cited as precedent.

⁵³ See DOC Additional Response Comments in Docket No. E002/M-15-891 dated November 7, 2016. See also DOC Comments in Docket No. E017/M-17-729 dated August 16, 2017.

- Second, providing ratepayers with an ADIT credit for rate base equal to the deferred tax expense that ratepayers are prepaying is a long-standing ratemaking policy.
- Third, under Xcel's proposal, debits and credits would no longer be equal, which violates a foundation accounting rule. The debit is to deferred income tax expense, which the Company still plans to fully charge customers, yet the ADIT credit would be reduced because of the proration, thus causing an inequity.
- Fourth, Xcel is not incurring any additional costs to warrant such a change in this long-standing ratemaking policy; in fact utilities are paying less income tax than ever due to bonus tax legislation. Thus, increasing costs to ratepayers is unsupported. (Note providing an ADIT credit equal to the deferred tax expense is no different than ratepayers paying depreciation expense and then getting the same amount as a reduction to rate base through accumulated depreciation.)
- Fifth, all components of forecasted rate base are calculated using an average of non-prorated beginning and end-of-year balances (average rate base). Thus, allowing the ADIT credit to be calculated on a prorated basis would result in an inconsistent treatment of rate base calculations and therefore would not be reasonable without adequate support for such a difference in accounting and ratemaking.

The Department concluded the following in Docket 15-891:

Based on our review of IRS Section 1.167(l)(h)(6), the Department concludes that the ADIT issue is simply a timing issue. Once actual non-prorated ADIT balances are known in the following year, they should replace the forecasted prorated ADIT balances in the beginning-of-year and end-of-year average ADIT balance calculations for true-up purposes.

...

Based on the above, the Department recommends that the Commission require Xcel to replace its forecasted prorated ADIT balances with actual non-prorated ADIT balances in its beginning-of-month and end-of-month average calculations for true-up purposes in future [Transmission Cost Recovery] TCR Rider filings. Alternatively, the Commission could require Xcel's riders to be based solely on historical costs, as Xcel acknowledges that the issue applies only in cases with forward-looking rates.

This issue has been addressed in Otter Tail Power's (OTP) Transmission Cost Recovery Rider (Docket No. E017/M-16-374). As noted in the DOC Comments in Docket No. E017/M-16-374 dated October 7, 2017 on page 8, OT's practice is as follows:

As the tracker is updated with actual results, the effect of proration is eliminated and the actual, non-prorated ADIT amounts are reflected in the TCRR.

The Department assumes that Xcel and OTP are equally concerned about abiding by IRS normalization schedules, yet unlike Xcel, OTP has concluded that it is appropriate to true-up previously prorated forecasted amounts. The Department supports OTP's approach.

In the instant proceeding, the Department maintains its recommendation that the Commission require Xcel to replace its forecasted prorated ADIT balances with actual non-prorated ADIT balances in its beginning-of-month and end-of-month average calculations for true-up purposes in future RES Rider filings. Alternatively, the Commission could require the Company's RES Rider to be based solely on historical costs by implementing recovery of rates one day after the rate recovery period. (Recommendation 6)

d. TAX CUTS AND JOBS ACT OF 2017

The Tax Cuts and Jobs Act of 2017 had material and significant impacts on Xcel's 2017 RES Rider revenue requirements. The TCJA amended the Internal Revenue Code of 1986 and was signed into law on December 22, 2017.⁵⁴ Generally speaking, the TCJA reduced the federal corporate income tax rate from 35.00% to 21.00%. The Company's analysis of the TCJA explained that the TCJA impacted the 2017 RES Rider in the following ways:

- a. A decrease in overall capital revenue requirements by \$4.1 million for 2018
- b. A reduction in income tax expenses and the revenue conversion factor as a result of the reduction in the corporate income tax rate from 35.00% to 21.00%.
- c. A reduction in the Accumulated Deferred Income Tax (ADIT) pro-rate due to an excess ADIT balance resulting from the reduced corporate income tax rate.
- d. The elimination of bonus depreciation for plant additions after the effective date of the TCJA, further reducing the ADIT balance while also increasing the rate base. This does not affect the RES Rider until 2019.
- e. A reduction in the value of Production Tax Credits (PTCs) forecasted to be generated from the Wind Portfolio projects and from the actual PTCs generated from the Courtenay Wind Farm. Since PTC values are grossed-up for taxes, the lower federal income tax rate results in lower PTC revenue which increases the revenue requirement.

⁵⁴ Tax Cuts and Jobs Act of 2017. Pub. L. 115-97.

- f. A reduction in the value of PTCs generated from four existing, older wind farms: Grand Meadow, Nobles, Pleasant Valley, and Borders. PTCs generated from these four wind farms are forecasted and included in the Company's base rates. The RES Rider is used to true-up the forecasted PTCs, so any under- or over-collection of PTCs appear in the RES Rider. Since the PTC values of these four wind farms are also grossed-up for taxes, the lower federal income tax rate results in lower PTC revenue which increases the revenue requirement.

The Department has reviewed the Company's analysis on each of the impacts that the TCJA had on the 2017 RES Rider and concludes that they are reasonable. (Conclusion 13)

9. RETURN ON EQUITY

The Department is addressing the appropriate Return on Equity (ROE) in Xcel's Transmission Cost Recovery (TCR) Rider (Docket No. E002/M-17-797). The Department's ROE analysis in the TCR Rider will be the Department's position on the Company's ROE in all rider proceedings for 2018. **Once the Commission approves the Company's ROE in the TCR Rider, the Department recommends that the Company include the approved ROE and its impact on this proceeding in a compliance filing. (Recommendation 7)**

E. CONCLUSIONS REGARDING THE REVENUE REQUIREMENTS

At this time, the Department declines to make a final determination as to whether the revenue requirements requested by Xcel are reasonable. Once the Department receives additional information from Xcel in reply comments regarding each of the issues identified in the preceding sections, the Department will be able to make a final determination.

F. THE RES ADJUSTMENT FACTORS

1. CALCULATION AND TIMING OF THE RES ADJUSTMENT FACTORS

Xcel calculates the RES Adjustment Factor by dividing the RES Rider costs by their projected revenues.

$$\text{RES Adjustment Factor} = \frac{\text{RES Rider Cost}}{\text{Revenues, excluding fuel, riders, and taxes}}$$

Based on the RES Rider costs and revenues calculated in Attachment B to the petition, the Company originally calculated a 2017 RES Adjustment Factor of -6.384%, to be applied in February 2018 to provide a one-time refund, and a 2018 RES Adjustment factor of 0.497%. The

Company originally indicated that the 2017 RES Adjustment Factor would result in an average one-time refund of \$4.40 and the 2018 RES Adjustment Factor would result in an average bill impact of \$0.36 per month for the remainder of 2018, each in terms of the impact on a typical residential customer using 675 kWh per month.

However, in response to the Department's information requests and in supplemental information provided by the Company, various changes have been made to Xcel's revenue requirement requests for 2017 and 2018. The one-time 2017 refund and the 2018 on-going RES Adjustment Factors have changed accordingly. The new 2017 and 2018 RES Adjustment Factors provided by the Company are: -8.278% and 1.135%, respectively. According to the Department's analysis, the 2017 RES Adjustment Factor would result in an average one-time refund of \$5.71 and the 2018 RES Adjustment Factor would result in an average bill impact of \$0.82 for the remainder of 2018, each in terms of the impact on a typical residential customer using 675 kWh per month.

Xcel provided the calculations for the 2017 and 2018 RES Adjustment Factors in Attachment A of the Company's second supplemental response to DOC IR No. 3 (DOC Attachment 6). **The Department has reviewed the Company's calculations and concludes that they are consistent with the Commission's Order in previous RES Rider proceedings.⁵⁵ (Conclusion 14)**

On page 20 of the Petition, the Company stated the following:

Should the Commission approve this Petition after February 1, 2018, we propose to recalculate the Adjustment Factors for implementation in compliance based on the timing of the Commission's decision.

The Department notes that riders have subsequent true-up periods and as such the tracker balance will show what Xcel will have collected in revenues. Any difference between the total 2017 and 2018 revenue requirements and the amount of revenues received from customers under this rider will be captured in the tracker balance going forward for the next true-up and RES Rider filing. Further, the 2018 revenue requirements are projected, and will also be trueed-up to actuals in the next RES Rider filing. **Therefore, the Department recommends that the Company implement the proposed 2017 RES Rider Adjustment Factor in the beginning of the month following the Commission's Order in this instant proceeding, and to subsequently implement the 2018 RES Rider Adjustment Factor in the beginning of the month following the implementation of the 2017 RES Rider Adjustment Factor. (Recommendation 8)**

⁵⁵ Docket Nos. E002/M-15-805 and Docket Nos. E002/M-14-733.

2. RATE SMOOTHING

On page 20 of the Petition, the Company explained its proposal to implement two separate Adjustment Factor rates:

First, the one-time credit will allow a more timely refund to the customers who were charged the RES Rider rate in 2017. If the refund is done in one billing period the refund should more closely match to the 2017 customers charged the RES Rider rate. If the credit is spread out over a longer period of time, there is greater mismatch in the customer population, and customers will wait longer to receive the credit.

Second, implementing the second on-going rate serves as a rate smoothing mechanism. Beginning in 2019, as the Wind Portfolio project construction begins in earnest and project in-servicing begins, the RES Rider revenue requirements are forecasted to increase.²⁰ We predict that this will still be the case even with some amount of not-yet-known additional PTC and REC sales off-sets. We propose this approach to smooth the changes in rates between 2017 and 2019 by issuing the credit for 2017 to restore balance to the tracker and then implementing a 2018 rate. The step between the 2018 rate and the future 2019 rate will be smoothed.

²⁰ See the Annual Tracker in Attachment B for the 2019 Forecast.

In the DOC IR No. 4 (DOC Attachment 7), the Department asked the Company to “calculate the impact on the RES Rider Adjustment Factor if the proposed refund is amortized over 2018 instead of provided to ratepayers in the form of a one-time refund in February 2018” and, further, to “explain the Company’s position on whether this would help smooth rate changes between the 2018 rate and the future 2019 rate.”

The Company provided the following response:

1. The Company provides Attachment 1 to this response to show the impact of netting the proposed 2017 refund with the 2018 revenue requirements and adjusting the rate over February-December of 2018. This produces a RES Rate Factor of negative 0.038%.
2. The Company does not believe this will help smooth rate changes between the 2018 and the future 2019 rate. The currently forecasted revenue requirements are \$43.5 million compared to \$10.5 million for 2018.

3. Amortizing the refund over 2018 creates an artificially low rate which then would spike to a RES Rate Factor of 1.920% [in 2019].

Additionally, if the 2019 petition is not heard and implemented by January 1, 2019, the artificially low 2018 rate could exacerbate the eventual rate factor increase for 2019 recovery as the Company would have a large carryover balance in addition to the new revenue requirements.

The Department reviewed the calculations provided by Xcel in Attachment 1 to the Company's response to DOC IR No. 4 (DOC Attachment 7). **Based on the Department's review and Xcel's reasoning provided above, the Department concludes that amortizing the proposed refund over 2018 would not result in a smoother rate than the Company's proposed rate implementation. (Conclusion 15) The Department recommends that the Commission approve the proposed rate implementation method provided by the Company and described in Section D.1 above. (Recommendation 9)**

G. REVISED TARIFF SHEETS AND CUSTOMER NOTICE

Xcel provided the redline and clean tariff pages to reflect the proposed RES Adjustment Factors. The Department has reviewed Attachment M of the petition and notes that the only changes proposed in the tariff are the change to the RES Adjustment Factor and administrative updates to the Revision No., Date Filed, Docket No., Issue by, Order Date, and Effective Date.

The Department has reviewed Xcel's proposed customer notice on page 21 of the Petition. Based on its review, the Department concludes that the Company's customer notice is acceptable. (Conclusion 16)

The Department recommends that the Company update the tariff pages in a compliance filing to reflect the 2017 and 2018 RES Rider Adjustment Factors as approved by the Commission. (Recommendation 10)

H. COMPLIANCE FILING, TRUE-UP REPORT, AND TRACKER BALANCES

1. COMPLIANCE FILING AND TRUE-UP REPORT

As with other rate adjustment mechanisms, the RES Rider uses a tracker account (RES Rider Tracker); Xcel's RES Rider Tracker also accounts for eligible PTCs. Each month, the Company tracks PTC recovery under the RES Adjustment Factor as compared to the amount included in base rates. Under-recovered amounts are tracked in FERC Account 182.3, Other Regulatory Assets, while over-recovered amounts are tracked in FERC Account 254, Other Regulatory

Liabilities. The over- or under-recovered balance from the previous year is included in the calculation of the RES Adjustment Factor.

With the addition of a capital project to the RES Rider, each month as revenues are collected from retail customers, Xcel tracks the amount of recovery under the RES rate adjustment and compares that amount with the actual costs including a return on investments, depreciation expense, federal and state income taxes, production taxes, O&M expenses and royalty payments. The differences are recorded in the RES Tracker account (FERC Account 182.3, Other Regulatory Assets) as the amount of over- or under-recovery. Any over- or under-recovery balance from the prior year is used in the calculation of the RES Adjustment Factor.

Consistent with a prior Commission Order,⁵⁶ Xcel reported the amount collected from retail customers and the PTCs in Attachment B of the Company's Compliance filing in Docket No. E002/M-15-805 dated April 21, 2017. **The Department reviewed the Company's 2016 True-up Report provided in Attachment B of the Company's April 21, 2017 Compliance Filing and concludes that it is reasonable. (Conclusion 17)**

2. TRACKER BALANCES

Xcel provided a summary of its 2016 RES Rider Tracker in Attachment B of the Petition. The Company also provided the 2017, 2018, and 2019 Trackers in Attachments C, D, and E, respectively, in the petition. In response to DOC IR No. 3 (DOC Attachment 1), the Company provided an updated version of Attachment C that replaced the forecasted amounts for October through December 2017 with actual amounts for October through December 2017.

The Department reviewed the Company's tracker balance calculations in the aforementioned Attachments and concludes that they are reasonable. (Conclusion 18)

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. Cost Recovery Eligibility: The Department concludes that:
 - a. the Wind Portfolio projects are eligible for cost recovery under the RES Rider Statute, and;
 - b. the Courtenay Wind Project remains eligible for cost recovery under the RES Rider Statute.

⁵⁶ Commission Order dated March 20, 2008 in Docket No. E002/M-07-872.

2. Revenue Requirement Calculation: The Department concludes that Xcel's method of calculating the revenue requirement for each wind project appears consistent with prior RES Rider proceedings and appears to include appropriate cost categories, and is therefore reasonable.
3. Accuracy of the Capital Costs: The Department concludes that Xcel accurately calculated the capital cost component of the 2017 revenue requirements of the Wind Portfolio projects. The Department also concludes that Xcel accurately calculated the historical capital expenditure component in the calculation of the Courtenay Wind project's capital costs.
4. Appropriateness of the Capital Costs: The Department concludes that Xcel included appropriate cost categories in determining the two BOT projects' and the Courtenay Wind Projects' capital costs and the Courtenay Wind project's historical capital expenditures
5. Jurisdictional Allocator: The Department concludes that Xcel's proposal to update the 2017 and 2018 forecasted jurisdictional allocators relied upon in calculating the revenue requirement and to true-up the RES Rider tracker once those allocators become available is reasonable.
6. CWIP: The Department concludes that the Company's treatment of the return on CWIP is reasonable.
7. Depreciation: The Department concludes that Xcel's estimated 25-year life for Courtenay Wind and the Wind Portfolio projects appears reasonable.
8. Internal Labor: The Department concludes that the Company appropriately removed internal labor costs.
9. 2016 Carryover Balance: The Department concludes that Xcel's transfer of the 2016 RES Tracker balance into the 2017 Tracker appears reasonable.
10. Production Tax Credits: The Department concludes that the RES PTC Tracker balance used in the calculation of the revenue requirements is accurate, and that the 2015 and 2016 PTCs were validated through the provision of IRS Form 8835 for 2015 and 2016.

11. North Dakota Income Tax Credits: The Department concludes that the reported unavailability of NDITCs, due to the Company's limited North Dakota taxable income, is reasonable.
12. Accumulated Deferred Income Taxes: The Department concludes that IRS regulations do not require proration of ADIT, and therefore the Department does not support the use of prorated ADIT for riders.
13. Tax Cuts and Jobs Act of 2017: The Department has reviewed Xcel's analysis on each of the impacts that the TCJA had on the 2017 RES Rider and concludes that they are reasonable.
14. RES Rider Adjustment Factor Calculation: The Department has reviewed the Company's RES Rider Adjustment Factor calculations and concludes that they are consistent with the Commission's Order in previous RES Rider proceedings.
15. Rate Smoothing: The Department concludes that amortizing the proposed refund over 2018 would not result in a smoother rate than the Company's proposed rate implementation.
16. Customer Notice: The Department concludes that the language of Xcel's proposed notice to customers regarding the changes to the RES Rider tariff is reasonable.
17. Compliance Filing and True-up Report: The Department concludes that the Company's 2016 True-up Report included in the April 21, 2017 compliance filing in Docket No. E002/M-15-805 is reasonable.
18. Tracker Balances: The Department concludes that Xcel's RES Rider tracker balances for 2017, 2018, and 2019 appear reasonable.

B. RECOMMENDATIONS

The Department recommends the following:

1. Appropriateness of the Capital Costs: The Department asks that Xcel provide in reply comments a narrative explanation of the various line-item components of the CWIP expenditures for the four self-build wind projects contained in Attachment F of the second supplemental response to DOC IR No. 3 (DOC Attachment 6).

2. Accuracy of the Capital Costs: The Department asks that Xcel explain in reply comments the discrepancy between Attachments F and G's 2018 CWIP Expenditures for the Wind Portfolio and the Courtenay Wind projects, and to provide an updated calculation of the 2018 revenue requirements for the Wind Portfolio and Courtenay Wind projects using the correct CWIP expenditure data.
3. REC Sales Revenue: The Department asks Xcel to provide in reply comments further support and justification for the four REC sales transactions where 100% of the proceeds were not provided to the Minnesota jurisdiction and why this is appropriate, including who bore the cost of the original RECs.
4. 2018 RES PTC Tracker: The Department asks the Company to resolve the minor discrepancy in the RES PTC Tracker Balance for 2018 used in the calculation of the Company's 2018 RES Rider Revenue requirement. If the Company supports use of the \$2,973,214 figure for the RES Tracker Balance in calculating its 2018 RES Rider revenue requirements, the Department requests that Xcel provide documentation explaining the derivation of this balance.
5. NDITCs: The Department recommends that the Commission continue to require that any NDITCs created by the Courtenay Wind Project to be credited to Minnesota ratepayers for their proportionate share based on the pro-rate share of the costs of the Courtenay Wind Project that is charged to Minnesota ratepayers (see Order Point 1 from the Commission's Order in Docket No. E002/M-15-805 dated April 11, 2017).
6. ADIT: The Department recommends that the Commission require Xcel to replace its forecasted prorated ADIT balances with actual non-prorated ADIT balances in its beginning-of-month and end-of-month average calculations for true-up purposes in future RES Rider filings. Alternatively, the Commission could require the Company's RES Rider to be based solely on historical costs.
7. Return on Equity: The Department recommends that the Company include the ROE and its impact on this proceeding in a compliance filing once the Commission approves the Xcel's ROE in the Company's TCR Rider (Docket No. E002/M-17-797).
8. RES Rider Adjustment Factors: The Department recommends that the Xcel implement the 2017 RES Rider Adjustment Factor in the beginning of the month following the Commission's Order in this instant proceeding, and to subsequently implement the 2018 RES Rider Adjustment Factor in the beginning of the month following the implementation of the 2017 RES Rider Adjustment Factor.

9. Rate Smoothing: The Department recommends that the Commission approve Xcel's proposed rate implementation method: a one-time refund for the 2017 RES Rider Adjustment Factor and a rate increase for the remainder of 2018 for the 2018 RES Rider Adjustment Factor.
10. Revised Tariff Sheets: The Department recommends that the Company update the tariff pages in a compliance filing to reflect the 2017 and 2018 RES Rider Adjustment Factors approved by the Commission.

/ja

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
Public Comments**

Docket No. E002/M-17-818

Dated this 26th day of March 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-818_M-17-818
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_17-818_M-17-818
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_17-818_M-17-818
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_17-818_M-17-818
James J.	Bertrand	james.bertrand@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-818_M-17-818
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-818_M-17-818
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_17-818_M-17-818
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd. St, Louis, MO 63119-2044	Electronic Service	No	OFF_SL_17-818_M-17-818
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-818_M-17-818

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Corey	Conover	corey.conover@minneapolismn.gov	Minneapolis City Attorney	350 S. Fifth Street City Hall, Room 210 Minneapolis, MN 554022453	Electronic Service	No	OFF_SL_17-818_M-17-818
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Joseph	Dammel	joseph.dammel@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St. Paul, MN 55101-2131	Electronic Service	No	OFF_SL_17-818_M-17-818
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-818_M-17-818
John	Farrell	jfarrell@ilsr.org	Institute for Local Self-Reliance	1313 5th St SE #303 Minneapolis, MN 55414	Electronic Service	No	OFF_SL_17-818_M-17-818
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-818_M-17-818
Edward	Garvey	edward.garvey@AESLconsulting.com	AESL Consulting	32 Lawton St Saint Paul, MN 55102-2617	Electronic Service	No	OFF_SL_17-818_M-17-818
Janet	Gonzalez	Janet.gonzalez@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Electronic Service	No	OFF_SL_17-818_M-17-818

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Jazynka	jjazynka@energyfreedomcoalition.com	Energy Freedom Coalition of America	101 Constitution Ave NW Ste 525 East Washington, DC 20001	Electronic Service	No	OFF_SL_17-818_M-17-818
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_17-818_M-17-818
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Sarah	Johnson Phillips	sarah.phillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South Burnsville, MN 55337	Electronic Service	No	OFF_SL_17-818_M-17-818
Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_17-818_M-17-818
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_17-818_M-17-818

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_17-818_M-17-818
Paula	Maccabee	Pmaccabee@justchangela.w.com	Just Change Law Offices	1961 Selby Ave Saint Paul, MN 55104	Electronic Service	No	OFF_SL_17-818_M-17-818
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Kavita	Maini	kmainsi@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_17-818_M-17-818
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_17-818_M-17-818
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_17-818_M-17-818
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_17-818_M-17-818
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office	1110 West Avenue Red Wing, MN 55066	Electronic Service	No	OFF_SL_17-818_M-17-818

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jeff	Oxley	jeff.oxley@state.mn.us	Office of Administrative Hearings	600 North Robert Street St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206 St. Paul, MN 551011667	Electronic Service	No	OFF_SL_17-818_M-17-818
Amanda	Rome	amanda.rome@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-818_M-17-818
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-818_M-17-818
Inga	Schuchard	ischuchard@larkinhoffman.com	Larkin Hoffman	8300 Norman Center Drive Suite 1000 Minneapolis, MN 55437	Electronic Service	No	OFF_SL_17-818_M-17-818
Zeviel	Simpser	zsimpser@briggs.com	Briggs and Morgan PA	2200 IDS Center80 South Eighth Street Minneapolis, MN 554022157	Electronic Service	No	OFF_SL_17-818_M-17-818
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-818_M-17-818
Byron E.	Starns	byron.starns@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-818_M-17-818
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-818_M-17-818
Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine	225 South Sixth Street, Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818
Cam	Winton	cwinton@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_17-818_M-17-818
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-818_M-17-818
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-818_M-17-818