

The Commission met on **Thursday, March 26, 2015**, with Chair Heydinger, and Commissioners Lange, Tuma, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA MEETING

E-002/GR-13-868

In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota

1. *Qualified Pension Discount Rate*

Commissioner Wergin moved that the Commission

- Direct the Company to use a five year average of discount rates (5.05 percent) determined under Financial Accounting Standard (FAS) 87 as the approved discount rate to determine its XES Plan pension costs for ratemaking purposes.
- Direct the Company to apply the Commission-approved discount rate point of reference when determining the XES Plan cost subject to deferral (or reversal) in subsequent years (i.e., non-rate case test-years) as the 2012 mitigation is continued (Docket E-002/GR-12-96).
- Delete the entire sentence “For that reason, use of the FAS 87 bond-matching discount rate will help ensure that the XES Plan, which is subject to FAS 87, is fully funded.” from ALJ Report Finding 126.

The motion passed 4 – 0.

2. *Qualified Pension Fund 2008 Market Loss*

Commissioner Lange moved that the Commission

- Decline to adjust the 2008 Market Loss amount included in the test-year pension cost when determining the allowable pension cost level.
- Determine that the 2008 Market Loss inclusion in determining approved recoverable pension costs was qualified as limited to the Company’s 2012 rate case, Docket No. E-002/GR-12-961, in that it was subjected to future case filing requirements to improve transparency and to substantiate its inclusion in future test years. This decision reserved the opportunity for the Commission and the parties’ to revisit the issue in any utility’s rate case.
- Expand the generic pension inquiry, from the Commission’s October 28, 2014 Order in Docket G-011/GR-13-617, to include discussion on pension investment risk/rewards and ratepayer impacts.

- Adopt an alternative revision to ALJ Finding 157, as follows:

157. ~~Finally, contrary to the Department's assertion, there is no benefit to the shareholders from this longstanding approach to calculating pension expense because the Company~~ The pension fund does not pay out the gains to shareholders. Instead, the gains help to reduce rate increases by limiting the future pension expense. [citation omitted]

The motion passed 4 – 0.

3. *Qualified Pension Mitigation Alternatives*

Commissioner Wergin moved that the Commission

- Permit the 2012 rate case (Docket No. E-002/GR-12-961) qualified pension mitigation to continue (XES Plan capped at 2011 qualified pension cost level) .
- Approve a 2014 Xcel qualified pension expense level in rates calculated using the Commission-approved discount rate. Direct that the excess of the 2014 amount allowed in rates over future years' qualified pension expense, also calculated using the Commission approved discount rate point-of-reference, is to be applied toward the recovery of the accumulated deferred XES Plan costs resulting from the 2012 rate case mitigation cap. Clarify that "future years" is to mean 2015 and each subsequent year's qualified pension expense if not a rate case test-year. Clarify that the recoverable XES Plan expense amount is to be calculated using the proximate measurement date appropriate for each operating year (12/31/2013 for 2014; 12/31/2014 for 2015, etc.) until the next rate case. Require the Company to file annual compliance reports which provides its pension plans' cost calculation reports, the XES Plan accumulated deferred balance and the excess rate level recovery applied toward satisfying the deferral. Deferred amounts are not included in rate base.

The motion passed 4 – 0.

4. *Prepaid Pension Asset*

Commissioner Tuma moved to determine that the qualified pension asset and associated deferred tax amounts, should be included in rate base. For rate base purposes, the pension asset is to reflect the cumulative difference between actual cash deposits made by the Company reduced by the recognized qualified pension cost determined under ACM/FAS 87 method since plan inception, not to exceed the Company's filed request. The Company shall provide a detailed compliance filing which explains the calculated amount within 10 days of the Commission's decision.

The motion passed 4 – 0.

5. *Pension-Related Future Case Filing Requirements*

Commissioner Lange moved that the Commission

- Direct the Company in the initial filing its next rate case to address why the Company's target asset allocations for its pension fund are reasonable, including ages of retirees and employees. The Company must provide an update to its existing Exhibit 31, Schedule 1 (Tyson Rebuttal) and expand it to include this demographic information.
- Direct the Company in the initial filing of its next rate case to provide testimony on its investment strategies and target asset allocations for the qualified pension fund and the justifications for those decisions, for the period from 2007 to the date of its next filing.
- Direct the Company in the initial filing its next rate case to provide copies of the actuarial reports used to determine employee benefit costs, including its schedules denoting each subsidiary's cost assignments for each benefit. The Company must also include workpapers that show the derivation of the jurisdictional portion of each benefit cost.
- Direct the Company in the initial filing its next rate case to provide testimony that identifies and discusses each non-qualified employee benefit cost included in its test years.
- Direct the Company in the initial filing of its next rate case to include testimony identifying the basis used for its requested rate base impact related to pensions. Additional schedules must be included that reflect the underlying calculation of the qualified pension asset (or liability) balances requested for rate base inclusion.

The motion passed 4 – 0.

6. *Retiree Medical Expenses (FAS 106)*

Commissioner Wergin moved that the Commission

- Determine that the requested 2008 Market Loss amortized amount may be included in the calculated retiree medical benefit cost.
- Determine that the discount rate used to calculate retiree medical benefit costs for ratemaking purposes shall be set to equal 5.08 percent, the five year average of the FAS 106 based discount rates.
- Approve the retiree medical benefit cost level in rates that is the calculated average of the annual projected benefit cost over the expected two-year rate life. Each year's projected cost amount subject to averaging must be calculated using the Commission-approved assumptions and the most proximate measurement date applicable to each year. Direct the Company to provide schedules for each year's retiree medical benefit cost calculation within 10 days of the Commission's decision to assist in preparation of the Order.

- Direct the Company in the initial filing of its next electric rate case to discuss the cost components of the postretirement benefits plans cost (other than pensions) affecting Minnesota rates, particularly the drivers of the amortization of net gain/loss amount and the reasons this component amount has varied since its last rate case (E-002/GR-13-868).
- Direct the Company in the initial filing of its next electric rate case to provide the report of future years' actuarial cost projections of the postretirement benefits (other than pensions), clearly identifying the assumptions and measurement point used to develop these projections.

The motion passed 4 – 0.

7. *Paid Leave / Total Labor (2014)*

Commissioner Tuma moved that the Commission adopt the ALJ's finding that the Company has shown its total labor test year cost is reasonable and no adjustment is necessary.

The motion passed 4 – 0.

8. *Corporate Aviation Costs (2014)*

Chair Heydinger moved that the Commission

- Determine that the Company's 50-percent cost reduction to the jurisdictional corporate aviation costs does not capture the removal of flight costs that were incurred for reasons other than for the provision of utility service and the Commission shall strike ALJ Finding 559.
- Find that corporate aviation costs shall be further adjusted by the cost of flights categorized by the following business purpose reasons (Table 12):
 - Personal Travel (34 total company flights);
 - Investor Relations (45 total company flights)
- Determine that the following reported corporate flight travel business purposes are insufficient and do not permit the Commission to determine if the expense was reasonably and necessarily incurred for the provision of utility service, and therefore fails to meet the requirements of Minnesota Statute § 216B.16 Subd. 17:
 - Business Area Travel;
 - Director Travel;
 - Manager Travel;
 - Xcel Executive Business Travel.

- Strike ALJ Findings 562 and 563 and replace ALJ Finding 562 to read:

562. Minnesota law requires Xcel to provide information about the “business purpose” of each flight before recovery is permissible. Xcel did not meet this requirement because the “business purpose” descriptions in Xcel’s flight log do not provide any information to determine the true business purpose of the flights. Because Xcel has not demonstrated that the flights coded as Executive Business Travel, Director Travel, Manager Travel and Business Area Travel have a “business purpose” that indicates they are necessary for the provision of utility service, they must be disallowed. The Company is required to conduct an annual shareholders’ meeting and documentation shows the designated “Shareholders Meeting” travel occurred close in time to the annual meeting.
- Require the Company to adjust the corporate aviation costs further by the cost of flights for each flight with the stated description (Table 12):

Business Area Travel (1,668 total company flights);
 Director Travel (615 total company flights);
 Manager Travel (55 total company flights);
 Xcel Executive Business Travel (831 total company flights)
- Modify ALJ Finding 564 to read:

The Commission orders the Company in future rate cases seeking recovery of corporate aviation to provide more detailed, accurate records of the actual business purpose for flights that are scheduled, rather than reducing all flights to a generic “code.”

The motion passed 4 – 0.

9. Pleasant Valley and Border Winds – 2015 Step

Commissioner Wergin moved that the Commission

- Determine that cost recovery for the Pleasant Valley and Border Winds facilities shall be reflected in the Renewable Energy Standard (RES) Rider and modify ALJ Finding 586 to read:

586. The determination of whether to include the Pleasant Valley and Borders Wind project costs in the 2015 Step or RES rider depends upon whether the Commission seeks to limit the amount of funds recovered through riders or whether the Commission seeks to moderate the effects of the 2015 Step by including these costs in the RES rider. Either approach would result in Because RES rider recovery reduces 2015 costs for ratepayers it results in most reasonable treatment of these costs and shall be used in this case.

- Clarify that the recoverable Pleasant Valley and Border Winds project costs through the Renewable Energy Standard Rider may begin with these projects' 2015 revenue requirements and that Xcel shall not include project activity from prior years in the rider.
- Direct the Company to adjust Construction Work in Progress and other rate case components to remove the Pleasant Valley and Border Winds project costs from base rates.
- Direct the Company in its next rate case filing to include the Pleasant Valley and Border Winds projects in base rates and to adjust the Renewable Energy Standard Rider accordingly.
- Require the Company to notify the Commission and to report and capture potential cost reductions or other forms of compensation that may be granted to Xcel Energy due to contract changes or contractors' failure to meet contract terms for either the Pleasant Valley or the Border Wind projects. Clarify that such cost reductions and compensation payments will be subject to Commission review for potential credits or refunds to ratepayers.
- Require the Company in its next Renewable Energy Standard (RES) Rider filing, or by September 1, 2015, to report the results of stakeholder discussions and proposals for alternative cost-recovery formulas for the Pleasant Valley and Border Winds project designed to allocate risks and create incentives.

Commissioner Wergin withdrew her motion.

Chair Heydinger moved that the Commission

- Determine that cost recovery for the Pleasant Valley and Border Winds facilities shall be reflected in base rates
- Direct the Company to include in base rates the Production Tax Credits associated with the operation of the Pleasant Valley and Border Winds facilities, in the amount disclosed in non-public Exhibit 432, Schedule NAC-7, which reduces the 2015 Step revenue requirement by \$11.093 million. Permit true-up of the Production Tax Credits for these facilities in the Renewable Energy Standard Rider.
- Decide that the Pleasant Valley and Border Winds facilities rate base is to be determined using the average of the beginning- and end-of-year plant balances (consistent with other capital treatment).
- Require the Company to notify the Commission and to report and capture potential cost reductions or other forms of compensation that may be granted to Xcel Energy due to contract changes or contractors' failure to meet contract terms for either the Pleasant Valley or the Border Wind projects. Clarify that such cost reductions and compensation payments will be subject to Commission review for potential credits or refunds to ratepayers.

- Require the Company in its next Renewable Energy Standard (RES) Rider filing, or by September 1, 2015, to report the results of stakeholder discussions and proposals for alternative cost-recovery formulas for the Pleasant Valley and Border Winds project designed to allocate risks and create incentives.

The motion passed 4 – 0.

10. Annual Incentive Compensation Program

Commissioner Lange moved that the Commission

- Determine that the Company has adequately complied with Order Point 30 issued in the prior electric rate case (Order issued September 3, 2013 in Docket No. E-002/GR-12-961).
- Direct the Company in its future rate cases to provide Annual Incentive Program (Plan) documents when rate recovery is sought.

The motion passed 4 – 0.

11. FERC Cost Comparison Study – KPI Benchmarks

Commissioner Tuma moved that the Commission

- Make no determination as to whether the Company’s KPI target to restrict increases in its recoverable non-fuel O&M costs sufficiently addresses concerns raised by the parties.
- Require the Company, in the next rate case, to present a new key performance indicator (KPI) for transmission O&M costs
- Require the Company, in the next rate case, to provide a comparison study of its transmission O&M costs by using appropriate peer companies, along with justification for why certain utilities were included or excluded

The motion passed 4 – 0.

12. Transmission Business Area – Cost Controls

Commissioner Wergin moved that the Commission take no action on capping transmission project cost recovery in this proceeding.

Commissioner Wergin withdrew her motion.

13. Active Health Care and Welfare Costs (2014)

Commissioner Wergin moved that the Commission direct the Company in its next rate case to provide historical active health care costs since 2011 for each calendar year, including both the per book amount and the actual claims expense. Require the Company to include information detailing the annual year-end Incurred But Not Reported (IBNR) accruals and subsequent reversals.

The motion passed 4 – 0.

14. Cost of Capital; Cost of Long-Term Debt; Cost of Short-Term Debt

Commissioner Lange moved that the Commission

- Use the Company’s proposed capital structure comprised of 52.50 percent common equity, 45.60 percent long-term debt, and 1.90 percent short-term debt for 2014 and 52.50 percent common equity, 45.61 percent long-term debt, and 1.89 percent short-term debt for 2015.
- Adopt the Company’s proposed cost of long-term debt of 4.90 percent for 2014.
- Adopt the Company’s proposed cost of long-term debt of 4.94 percent for 2015.
- Adopt the Company’s proposed cost of short-term debt of 0.62 percent for 2014.
- Adopt the Company’s proposed cost of short-term debt of 1.12 percent for 2015.

The motion passed 4 – 0.

15. Cost of Equity

Commissioner Lange moved that the Commission determine that the cost of equity should reflect the cost of equity for electric companies only and adopt 9.72%, the midpoint of the Department’s TGDCF/DCF analysis for its final electric comparison group, as the appropriate cost of equity in this proceeding.

The motion passed 4 – 0.

16. Flotation Cost

Commissioner Lange moved that the Commission find that the flotation cost adjustment of 2.926 percent used by the Department and Xcel is appropriate.

The motion passed 4 – 0.

17. Overall Cost of Capital

Commissioner Wergin moved that the Commission determine that some other overall cost of capital is appropriate, consistent with the Commission's decisions above, and to direct the staff calculate the proper value, based on the component parts, for inclusion in the order.

The motion passed 4 – 0.

18. Sales Forecast and Class Cost of Service Study—Classification of Fixed Production Plant - Plant Stratification Method versus Straight Fixed Variable Method)

Commissioner Wergin moved that the Commission

- Adopt the weather-normalized sales data in the January 16, 2015 compliance filing for rate-making purposes.
- Adopt the ALJ's conclusion - the Company's continued use of the Plant Stratification method is reasonable.

The motion passed 4 – 0.

19. Class Cost of Service Study—Classification of Nobles and Grand Meadow Wind Facilities' Costs

Commissioner Lange moved that the Commission

- Adopt the ALJ's findings and recommendation.
- Find the Company's use of the Plant Stratification method for the proper classification and allocation of the Company's production plant, including costs of Company-owned wind generation. Determine that the application of the Plant Stratification method to wind generation continues to be the most reasonable alternative shown in the record.
- Require the Company to modify its 2014 and 2015 Step CCOSs to classify the costs of the Grand Meadow and Nobles wind farms on the same basis as its other fixed production plant costs using the Plant Stratification method.

The motion passed 4 – 0.

20. Class Cost of Service Study—Use of the D10S Capacity Allocator for Allocating the Capacity-Related Portion of Fixed Production Plan

Chair Heydinger moved that the Commission adopt the ALJ's conclusion in finding 717, and for the next rate case, encourage Xcel to work with MISO and other parties to find a way to recalculate D10S on the basis of MISO peak for purposes of comparison with NSP's peak.

The motion passed 4 – 0.

21. Class Cost of Service Study— Allocation of Other Production Operation and Maintenance (O&M) Costs

Commissioner Wergin moved that the Commission

- Adopt the ALJ’s finding and recommendation and require the Company to modify its 2014 and 2015 CCOSSs to use the Location method rather than the Predominant Nature method.
- Retain the present requirement established in docket, E-002/GR-12-961, In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota, Findings of Fact, Conclusions, and Order, September 3, 2013, ¶ 49:

In the initial filing of its next rate case, Xcel shall refine its Class Cost of Service Study cost allocation method by identifying any and all Other Production O&M costs that vary directly with the amount of energy produced based on Xcel’s analysis. If Xcel’s analysis shows that such costs exist, then Xcel should classify these costs as energy-related and allocate them using appropriate energy allocators, while allocating the remainder of Other Production O&M costs on the basis of the Production Plant.

- Incorporate the following language from the Findings of Fact, Conclusions, and Order in the Matter of an Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas For Authority to Increase Natural Gas Rates in Minnesota, G-008/GR-13-316, June 9, 2014, ¶ 23:

In its next rate case the Company’s class cost of service study shall include an explanatory filing identifying and describing each allocation method used in the study and detailing the reasons for concluding that each allocation method is appropriate and superior to other allocation methods considered by the Company, whether those methods are based on the Manual of the National Association of Regulatory Utility Commissioners or the Company’s specific system requirements, its experience, and its engineering and operating characteristics. The Company shall also explain its reasoning in cases in which it did not consider alternative methods of allocation or classification.

The motion passed 4 – 0.

22. *Class Cost of Service Study—Minimum Distribution System*

Chair Heydinger moved that the Commission adopt the ALJ's findings and recommendation, and Require that the Company, in its next rate case, provide parties with data sufficient to verify and reproduce its minimum system study and file a zero-intercept analysis of distribution costs, or explain why it was not able to collect the necessary data to do so.

The motion passed 4 – 0.

23. *Allocation of Economic Development Discounts*

Commissioner Wergin moved that the Commission adopt the ALJ's conclusion and recommendation.

Commissioner Wergin withdrew her motion.

24. *Implementation of a Decoupling Mechanism*

Commissioner Lange moved that the Commission approve Xcel's proposed revenue decoupling mechanism with modifications.

The motion passed 3 – 1. Commissioner Wergin voted no.

25. *Design of the Decoupling Mechanism—Three-Year Pilot vs. Ongoing Program*

Commissioner Tuma moved that the Commission Approve Xcel's RDM as an ongoing program.

Commissioner Tuma withdrew his motion.

Commissioner Tuma moved that the Commission approve Xcel's revenue decoupling mechanism as a three-year Pilot.

The motion passed 4 – 0.

26. *Design of the Decoupling Mechanism—Billing Rate Increases if Xcel Fails to Achieve Energy Savings Equal to 1.2 Percent of Retail Sales*

Commissioner Lange moved that the Commission disallow revenue decoupling mechanism billing rate increases if Xcel fails to achieve energy saving equal to 1.2 percent of retail sales.

The motion passed 4 – 0.

27. *Design of the Decoupling Mechanism—Full vs. Partial Decoupling*

Commissioner Tuma moved that the Commission Approve Xcel’s proposed partial revenue decoupling mechanism.

Commissioner Tuma withdrew his motion.

Chair Heydinger moved that the Commission modify Xcel’s proposed partial revenue decoupling mechanism to be a full revenue decoupling mechanism.

The motion passed 3 – 1. Commissioner Tuma voted no.

28. *Design of the Decoupling Mechanism—Decoupling Billing Rate Increase Cap*

Commissioner Wergin moved that the Commission approve a cap on revenue decoupling mechanism billing rate increases as a percentage of base revenues, excluding fuel and all applicable riders.

The motion passed 4 – 0.

29. *Design of the Decoupling Mechanism—Type of Cap – Hard Cap vs. Soft Cap*

Commissioner Tuma moved that the Commission approve a soft cap on revenue decoupling mechanism billing rate increases. If the company seeks to recover the RDM Rider portion above the cap the following year, the company must submit a request for approval by the commission. For the request to be approved the company must show that the company’s demand-side management (DSM) programs and/or other company initiatives were a substantial contributing factor to the declining energy consumption and that other non-conservation factors were not the primary factors for the under-recovery.

The motion passed 4 – 0.

30. *Design of the Decoupling Mechanism—Size of Cap*

Commissioner Tuma moved that the Commission approve a 3% cap.

The motion passed 4 – 0.

31. *Decoupling Deferral Effective Date*

Chair Heydinger moved that the Commission authorize the Company to begin calculating the deferral after the final compliance order authorizing implementation of final rates in this proceeding, but not before new rates are in effect, and no sooner than January 1, 2016.

The motion passed 4 – 0.

32. *Decoupling—Customer Education*

Commissioner Lange moved that the Commission require the Company to file a plan for implementing an education and outreach program for its customers on the goals and operations of its revenue decoupling mechanism program.

The motion passed 4 – 0.

33. *Decoupling—Annual Reports*

Commissioner Tuma moved that the Commission

- Require the Company to submit an annual report to the commission by February 1 of each year prior to any application of a revenue decoupling mechanism rider factor on April 1. The report shall contain the following:
 1. total over or under collection of allowed revenues by class;
 2. total collection of prior deferred revenue;
 3. calculations of the RDM deferral amounts;
 4. the number of customer complaints;
 5. the amount of revenues stabilized and how the stabilization impacted the Company's overall risk profile;
 6. a comparison of how revenues under traditional regulation would have differed from those collected under partial and full decoupling;
 7. a description of all new and existing Demand-side management (DSM) programs and other conservation initiatives the company had in effect for the year covered by the report;
 8. a description of the effectiveness of all new and existing Demand-side management (DSM) programs and other conservation initiatives the company had in effect for the year covered by the report; and
 9. other factors that may have contributed to a decline in energy consumption including weather and economic factors.

The motion passed 4 – 0.

34. *Class Revenue Apportionment*

Chair Heydinger moved that the Commission reject the ALJ's recommendation, require Xcel to rerun the CCOSS in accordance with all Commission decisions in this docket that affect the CCOSS, and set the class revenue apportionment by applying the following methodology to the revised CCOSS:

- Maintain the current level of Lighting class revenues;
- Set the C&I Non-Demand class apportionment at the cost-based level;
- If the revised CCOSS shows the Residential class is currently contributing more than its share of cost, set the Residential class apportionment at the cost-based level;
- If the revised CCOSS shows the Residential class is currently contributing less than its share of cost, move the Residential class 75 percent closer to cost;
- Recover the remaining revenue requirement from the C&I-Demand class.

The motion passed 4 – 0.

35. *Customer Charge*

Commissioner Wergin moved that the Commission adopt the ALJ’s recommendation to maintain the existing customer charges for Residential and Small General Service customers.

The motion passed 4 – 0.

36. *Interruptible Service Discount*

Commissioner Lange moved that the Commission adopt the ALJ’s recommendation to increase the Level C Performance Factor interruptible service discounts by three percent, and institute corresponding increases for the other performance factors to maintain the current relationship between tiers.

The motion passed 4 – 0.

37. *Inclining Block Rates*

Commissioner Lange moved that the Commission

- Adopt the ALJ’s recommendation to approve the process and substance outlined in the IBR Stipulation Agreement (Exhibit 135) with the following additional modifications:
 - In addition to IBR, the process should consider other possible alternative rate designs that result in rates that promote energy conservation, reduce peak demand, and/or send more accurate, useful price signals to customers;
 - In order to allow a potential proposal to be informed by the stakeholder meetings and the Department’s resulting report, the process should begin with stakeholder meetings convened by the Department;

- In order to enable a thorough examination of other possible rate designs, the Department will be allotted 180 days to complete stakeholder meetings and issue a report to the Commission on the stakeholder process; and
 - After the Department’s report is filed, the Commission will determine whether to require the Company to file a proposal for an IBR rate structure or any alternative rate design proposals that further the goals identified above.
- Delegate to the Executive Secretary the authority to modify the timelines set forth above as necessary.
 - Do not adopt Finding 841 of the ALJ Report to the extent that it is inconsistent with this determination.

The motion passed 4 – 0.

38. *Coincident Peak Billing*

Commissioner Tuma moved that the Commission adopt the ALJ recommendation to deny the Chamber’s proposal for coincident peak billing.

The motion passed 4 – 0.

39. *Definition of Contiguous Property*

Commissioner Wergin moved that the Commission reject the ALJ’s recommendation and require the Company to file a definition of the term “contiguous property” for application in the Company’s Electric Rate Book, Section No. 6, Sheet No. 19.3.

The motion passed 4 – 0.

40. *Renewable Energy Purchase Option*

Commissioner Tuma moved that the Commission reject the ALJ’s recommendation and require the Company to work with the XLI and other interested stakeholders to develop a renewable energy purchase option program that addresses the goals outlined by XLI in the record of this case, such as increasing the competitiveness of industrial rates. The program should also address the goals of creating demand for renewable energy over and above that required by renewable energy standards (RES), and meeting the requirements of Minn. Stat. 216B.03 (Reasonable Rate statute). The final tariff may, but need not, comply with the specific recommendations provided by XLI in Exhibit 260 (Pollock Direct) at pages 61-62.

The motion passed 4 – 0.

41. Conservation Cost Recovery Charge (CCRC) and the CIP Adjustment Factor

Commissioner Lange moved that the Commission reject the ALJ's recommendation and reject Xcel's proposal to zero out the CCRC from base rates and recover all CIP program costs through the monthly CIP Adjustment Factor.

The motion passed 4 – 0.

42. Windsorcer Rider; Standby Service Tariff

Commissioner Wergin moved that the Commission

- Require Xcel Energy to not change historical data in Windsorcer and FCA filings without identifying and providing a justification for the changes. (Department, Xcel)
- Require Xcel Energy to clarify in each FCA and Windsorcer filing what costs are included in the Windsorcer Contract Payments.
- Require Xcel Energy to address the issues raised by Mr. Schedin in his testimony in this case as part of the Commission's generic proceeding on standby service (in Docket No. E-999/CI-15-115).

The motion passed 4 – 0.

43. Prairie Island EPU Cost Recovery

Commissioner Tuma moved that the Commission allow the Company to recover the \$78.9 million cost less \$10.1 million previously written off and less \$9.2 million of AFUDC over the 20.3 year life of the plant with no return.

Commissioner Tuma withdrew his motion.

Commissioner Wergin moved that the Commission allow the Company to recover the \$78.9 million cost over the 20.3 year life of the plant with a debt return of 2.24%.

The motion passed 3 – 1. Commissioner Tuma voted no.

44. Babcock & Wilcox Nuclear Energy, Inc. Lawsuit

Commissioner Tuma moved that the Commission

- Require the Company to make a compliance filing providing all relevant information as to costs and interest paid to BWNE once the lawsuit is resolved and discuss what costs were included as plant in service in the current rate case.
- Require that any costs included in rate base but not paid be refunded as part of either the 2014 or 2015 refunds. If the lawsuit is not resolved at either of those times, then the refund should be made within 60 days after the lawsuit is resolved.

- Direct the Company to make a compliance filing within 30 days of completing the refund. The compliance filing should provide information detailing the refund and about the resolution of the lawsuit. The compliance filing should describe the amount not paid to Babcock and Wilcox that remains in rate base and the revenue requirement effect of that amount so the Commission can consider whether to require Xcel to track that amount for return to ratepayers in Xcel's first rate case subsequent to the resolution of the lawsuit.

The motion passed 4 – 0.

45. *Nuclear Refueling Outage Cost Amortization (2015 Step)*

Commissioner Lange moved that the Commission determine that no adjustment is required in the 2015 step for the \$5.5 million reduction in nuclear refueling outage cost in 2015.

The motion passed 4 – 0.

46. *CWIP/AFUDC*

Commissioner Wergin moved that the Commission determine that the Company's calculation of the AFUDC rate complies with FERC requirements and that its policies and procedures for AFUDC are reasonable and the Company should be allowed to continue using those policies and procedures.

The motion passed 4 – 0.

47. *Return on Nuclear Refueling Outage Costs*

Commissioner Tuma moved that the Commission allow the Company to include the unamortized nuclear refueling outage costs in rate base and earn the overall allowed rate of return on that balance.

The motion passed 4 – 0.

48. *Rate Moderation Proposals—DOE Settlement Funds (2015 Step)*

Commissioner Lange moved that the Commission allow the Company to use the excess of the 2013 and 2014 DOE settlement payments over the 2013 and 2014 decommissioning accruals of \$27,843,837 to moderate the rate increase for the 2015 step.

The motion passed 4 – 0.

49. Nuclear Theoretical Depreciation Reserve

Chair Heydinger moved that the Commission not authorize the Company to amortize the difference between the actual and theoretical depreciation reserves for the nuclear plant and allow the difference to self-correct over the life of the plant.

The motion passed 4 – 0.

50. Rate Moderation Proposals—TDG Theoretical Depreciation Reserve Surplus

Commissioner Lange moved that the Commission approve accelerated usage of the Theoretical Depreciation Reserve split as a rate moderation tool in this case and determine that the 50/30/20 split should be used.

The motion passed 4 – 0.

51. Depreciation and Plant Retirements in the 2015 Step – Passage of Time (2015 Step)

Commissioner Lange moved that the Commission find that no 2015 Step Year adjustments for Depreciation, Plant Retirements, and Passage of Time are required.

Commissioner Lange withdrew her motion.

Chair Heydinger moved that the Commission

- Find that no 2015 Step Year adjustments for Depreciation and Passage of Time are required.
- Find that a 2015 Step Year reduction of \$535,552 is required to reflect 2015 capital retirements of transmission and distribution facilities.

The motion passed 4 – 0.

52. Changes to In-Service Dates for Capital Projects (2014 and 2015 Step)

Commissioner Lange moved that the Commission allow inclusion of 2014 Test Year and 2015 Step Year replacement projects specified in Ms. Perkett’s Rebuttal Testimony Schedule 11.

The motion passed 4 – 0.

53. Fuel Cost Recovery Reform

Commissioner Wergin moved that the Commission determine that Fuel Cost Recovery Reform decisions should be made in the AAA docket.

The motion passed 4 – 0.

54. *Sherco 3 Outage – Replacement Fuel Costs*

Commissioner Wergin moved that the Commission find that recovery of the Sherco 3 Outage's Replacement Fuel Costs should be addressed in the AAA docket.

The motion passed 4 – 0.

55. *Black Dog Units 2 and 5 Outage Costs*

Commissioner Lange moved that the Commission determine that no disallowance for investments or operating costs is needed.

The motion passed 4 – 0.

56. *Amortization of Rate Case Expenses*

Commissioner Wergin moved that the Commission

- Determine that the appropriate amortization period for the rate case expenses is two years (2014 – 2015).
- Require that, in the event the Company does not file its next rate within the two-year time period, the Company must return any over-recovery to its customers in its next rate case.

The motion passed 4 – 0.

57. *Rate Case and Monticello Prudency Review Expense Amortization (2014)*

Commissioner Lange moved that the Commission allow the Company to recover \$950,000 in prudency review costs.

The motion passed 3 – 1. Commissioner Tuma voted no.

58. *Interim Rates*

Chair Heydinger moved that the Commission

- Require the Company to make a filing within 30 days of the final determination in this case if final authorized rates are higher or lower than interim rates. The filing shall contain a proposal to make adjustments of interim rates consistent with the Commission's decision in this proceeding, to affected customers.
- Require the Company to calculate the following:
 1. The refunds due for 2014, based on the interim rate collections during 2014 and final rates in effect as of January 1, 2014; and,

2. The amount of under-collection or over-collection for 2015, based on the interim rate collections in 2015 through the date of the Commission's final determination, compared with each of the following:
 - a. the final dates for 2015, if effective on January 1, 2015; and
 - b. the final rates for 2015, if effective on the date of the Commission's final determination.
- Require that within 20 days of the Company's interim rates proposal filing, comments from interested parties be filed. Comments should address the Company's proposal, including whether the proposal is consistent with:
 1. The Interim rate statute, Minn. Stat. § 216B.16, subd. 3, including the provision in Minn. Stat. § 216B.16, subd. 3(c), for implementation of the new revenue requirement. ("if, at the time of its final determination, the commission finds that the interim rates are less than the rates in the final determination, the commission shall prescribe a method by which the utility will recover the difference in revenues between the date of the final determination and the date the new rate schedules are put into effect.")
 2. Minn. Stat. § 216B.16, subd. 3(b), prohibiting changes in rate design while interim rates are in effect. ("the interim rate schedule shall be calculated using the proposed test year cost of capital, rate base, and expenses, except that it shall include [. . .] (3) no change in the existing rate design.")
 3. The Multiyear rate plan statute, Minn. Stat § 216B.16, subd. 19, and the Commission's June 17, 2013 Order Establishing Terms, Conditions, and Procedures for Multiyear Rate Plans (Docket No. E,G-999/M-12-587).
 4. The various extensions to the length of this proceeding.

The motion passed 4 – 0.

59. Xcel's Interim Rate Proposal; Interest Rate on Interim Rates Refund

Chair Heydinger moved that the Commission defer any action on these items.

The motion passed 4 – 0.

60. General Housekeeping and Compliance Issues

Commissioner Lange moved that the Commission

- State that the final order in this docket shall contain summary financial schedules including: a calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues.
- Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.

The motion passed 4 – 0.

Commissioner Lange moved that the Commission

- Require Xcel to make the following compliance filings within 30 days of the date of the final order in this docket:
 1. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - a. Breakdown of Total Operating Revenues by type;
 - b. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 - i. Total revenue by customer class;
 - ii. Total number of customers, the customer charge and total customer charge revenue by customer class; and
 - iii. For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
 - c. Revised tariff sheets incorporating authorized rate design decisions;
 - d. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
 2. A revised base cost of energy, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
 3. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.

4. Direct Xcel to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct Xcel to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
- Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on the Company's proposed customer notice.

The motion passed 4 – 0.

61. Corporate Aviation Costs (2014)

Chair Heydinger moved that the Commission clarify and confirm its previous vote on this issue (see paragraph 8, above).

The motion passed 4 – 0.

62. ALJ Report

Chair Heydinger moved that the Commission adopt the ALJ's Report and recommendation with modification to one or more of the issues and to the extent the ALJ's Report is consistent with the decisions made by the Commission at this meeting.

The motion passed 4 – 0.

63. Staff Direction

Chair Heydinger moved that the Commission direct the staff to draft an order consistent with the Commission's decisions with such changes necessary for organization, consistency, and clarity.

The motion passed 4 – 0.

64. Multi-Year Rate Plan Refund Plan

Chair Heydinger moved that the Commission

- Require the Company to provide a refund to ratepayers if the Company's actual capital related revenue requirement is less in total in 2014 than the Commission authorizes or the 2014 test year. Such a refund would be based on the Company's total actual capital revenue requirements compared to the Commission's authorized amount, but would not be done on a project-by-project basis.

- Require that the true-up for capital costs in 2015 be conducted on a project-by-project basis for those project costs included in the 2015 Step. If the total actual 2015 Step revenue requirement is lower than the total test year 2015 Step authorized by the Commission, require the Company to provide a refund to customers.

The motion passed 4 – 0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: May 27, 2015

A handwritten signature in black ink that reads "Daniel P. Wolf". The signature is written in a cursive style with a large, stylized 'D' and 'W'.

Daniel P. Wolf, Executive Secretary