

**Minnesota Public Utilities Commission**  
*Staff Briefing Papers – Volume V of V*  
**Revenue Decoupling**

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**Meeting Date:** July 9, 2015 ..... **Agenda Item # 5 \*\***

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**Company:** Northern States Power Company d/b/a Xcel Energy (Xcel or the Company)

**Docket No.** 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

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**Issues:** Should the Commission reconsider the cap that applies to decoupling  
adjustments?

Should the Commission clarify how the Company should implement the  
decoupling mechanism outlined in the Order in the context of the 2016 rate case?

**Staff:** Andy Bahn (Revenue Decoupling – Vol. V) ..... 651-201-2258

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***Relevant Documents***

(This list is also on the list of relevant documents for Vol. I of the staff briefing papers.)

PUC – FINDINGS OF FACT, CONCLUSIONS, AND ORDER ..... May 8, 2015

Petitions for Reconsideration

Xcel – Petition for Reconsideration ..... May 28, 2015  
Department – Request for Reconsideration and Clarification ..... May 28, 2015  
OAG – Petition for Reconsideration ..... May 28, 2015

Answers to Petitions for Reconsideration

Xcel – Response to Petitions for Reconsideration and Comments ..... Jun. 8, 2015  
Department – Response to Xcel’s Request for Reconsideration and/or Clarification Jun. 8, 2015  
OAG – Answer to Petition for Reconsideration filed by Xcel ..... Jun. 8, 2015

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*July 2, 2015*

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## Statement of Issues

- Should the Commission reconsider the cap that applies to decoupling adjustments?
- Should the Commission clarify how the Company should implement the decoupling mechanism outlined in the Order in the context of the 2016 rate case?

## Reconsideration of the Decoupling Cap

### May 8 Order

In its May 8, 2015, Findings of Fact, Conclusions and Order, the Commission directed Xcel to implement a full decoupling mechanism with a cap on any upward rate adjustment to 3% of the customer group's revenues, excluding revenues from the fuel clause or other riders. If the 3% cap prevents Xcel from fully recovering its deferred costs, the Order allows Xcel to petition to recover these costs via the following year's adjustment, provided the Company can demonstrate that its demand-side-management programs and other company initiatives were a substantial contributing factor to the declining energy sales triggering the rate adjustment, and that other nonconservation factors were not the primary factors for the declining sales.<sup>1</sup>

Specifically, the Order stated the Following:<sup>2</sup>

In any year in which the revenue decoupling mechanism would authorize an upward adjustment to recover more than 3% of a customer group's base revenues (excluding consideration of Xcel's fuel clause or other riders), Xcel may implement a 3% adjustment. Xcel may also petition to use the following year's decoupling adjustment to recover costs that were excluded from recovery by this cap. In the petition, Xcel must demonstrate that Xcel's demand-side-management programs and other company initiatives were a substantial contributing factor to the declining energy sales triggering the rate adjustment, and that other nonconservation factors were not the primary factors for the declining sales.

The Commission disagreed that the cap should be based on total revenue for each customer group and required that the cap exclude fuel and all other applicable riders. Specifically, the Order states:<sup>3</sup>

... the Commission disagrees with the [Administrative Law Judge] ALJ and the Department about the merits of calculating the cap on the basis of all of a customer group's revenues, including revenues from riders. Part of the value of a cap is the assurance it provides ratepayers about the potential consequences of this

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<sup>1</sup> *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, Docket No. E002/GR-13-868 (May 8, 2015) ("Order"), p. 71.

<sup>2</sup> Order at Ordering ¶40(c), p. 102.

<sup>3</sup> Order, p. 80.

new rate design. Because the magnitude of revenues from the fuel clause and other riders is prone to large fluctuations, the magnitude of a cap calculated on this basis becomes more speculative—that is, it would no longer provide ratepayers with reassurance. The Commission prefers a cap formula that provides a greater degree of clarity.

The full decoupling model was approved on a vote of 3–1. The soft cap and 3 percent limit on adjustments was approved in separate votes of 4-0.<sup>4</sup>

#### ***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.

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

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.

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<sup>4</sup> *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Minutes from the March 26, 2015 Energy Agenda Meeting, Docket No. E002/GR-13-868, (May 27, 2015) (“Minutes”), pp. 11-12.

The motion passed 4 – 0.

## **Xcel - Petition for Reconsideration**

In its Petition, Xcel asked the Commission to reconsider the cap that applies to decoupling adjustments; and, instead set the decoupling cap at 10 percent of base revenue, or adopt partial decoupling as originally proposed by the Company. Xcel stated it had three concerns with the Commission's Order for the 3% cap on upward decoupling adjustments. According to Xcel, a 3% cap<sup>5</sup>

- 1) was not evaluated in the record;
- 2) differs from prior caps adopted by the Commission and national practice; and
- 3) is incompatible with other elements of the decoupling mechanism as set forth in the Commission's Order.

Xcel stated that, although the Commission agreed with the ALJ and the Department that the record does not demonstrate a need for a cap exceeding 3%, the Department did not analyze a 3 percent base revenue cap. According to Xcel, The Department analyzed four different caps:<sup>6</sup>

- 1) 2 percent cap calculated using base revenue *plus* fuel and all applicable riders;
- 2) 3 percent cap calculated using base revenue *plus* fuel and all applicable riders;
- 3) 5 percent cap calculated using base revenue only; and
- 4) 10 percent cap calculated using base revenue only.

Xcel claimed that the 3 percent base revenue cap adopted in the Order is approximately 23 percent lower than the cap analyzed by the Department and the lack of record support for a 3 percent base revenue cap supports reconsideration of the Commission's decision.<sup>7</sup>

Xcel also claimed that a 3 percent base revenue cap deviates materially from existing decoupling caps approved by the Commission and cannot be reconciled with national practice. Xcel stated that both CenterPoint Energy's (CenterPoint) and Minnesota Energy Resources Corporation's (MERC) decoupling mechanisms include 10 percent base revenue caps. According to Xcel, the majority of electric decoupling mechanisms have no caps and those mechanisms that do include caps are calculated using total revenue, or for the small group that calculate caps using base revenues, 10 percent is the most common value.<sup>8</sup>

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<sup>5</sup> *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, PETITION FOR RECONSIDERATION XCEL ENERGY ELECTRIC RATE CASE, Docket No. E002/GR-13-868, (May 28, 2015) ("Petition"), p. 6.

<sup>6</sup> Petition, p. 7.

<sup>7</sup> Petition, pp. 6-7.

<sup>8</sup> Petition, pp. 7-8.

Finally, Xcel stated a 3 percent base revenue cap appears to be inconsistent with other aspects of the Order. Because the Order adopts full decoupling and an asymmetrical cap Xcel stated it could lead to a situation where, all else being equal, the Company could be required to issue refunds for all weather-related increases in usage per customer, but would be prevented from fully recouping weather-related decreases in usage per customer. In contrast, Xcel stated that it believes that partial decoupling and a soft cap provide a better balance; or, in the alternative, setting the cap at the 10 percent of base revenue level supported in the record helps mitigate some of the risk of combining full decoupling with an asymmetrical hard cap.<sup>9</sup>

## **Response to Xcel's Petition for Reconsideration**

### **The OAG**

The OAG recommended that the Commission deny Xcel's Petition for Reconsideration. The OAG recommended further that the Commission should reject Xcel's arguments that there was a lack of record support for a 3 percent revenue cap, that the Commission should model its cap based on MERC and CenterPoint's decoupling mechanism and that the cap should be remodeled because it is "asymmetrical."

The OAG stated that the Commission was presented in this case with a robust record on all aspects of a decoupling program. According to the OAG, it is not true that the only decoupling analysis considered in the entire case were the four illustrative models provided in the surrebuttal testimony of the Department's decoupling witness. The OAG stated that a total of seven parties provided hundreds of pages of testimony from multiple local and national experts, which discussed a variety of potential decoupling programs for the Commission to adopt. After thoroughly considering all of the parties' analyses and all aspects of a potential decoupling model, the OAG stated the Commission approved a decoupling program that it determined was consistent with the public interest.<sup>10</sup>

The OAG stated further that Xcel's suggestion that its decoupling program should be modeled after the programs approved for CenterPoint and MERC ignores that the Company itself requested—and continues to request—a decoupling mechanism that differs from both of those programs.<sup>11</sup>

In addition, the OAG stated that Xcel's claim that the Commission's decision should be reconsidered because it imposed an "asymmetrical cap" is not supported by the record. According to the OAG, the Company itself endorsed a program that included a cap on annual surcharges without a cap on customer refunds and Xcel even attempted to use this distinction to its benefit when it argued that its proposal should be adopted because it incorporated several "customer protection mechanisms," including that "the Company proposes to cap annual RCM

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<sup>9</sup> Petition, pp. 8-9.

<sup>10</sup> Answer to Xcel's Petition for Reconsideration of the Office of the Attorney General-Residential Utilities and Antitrust Division, (June 8, 2015), p. 2.

<sup>11</sup> *Id.*, p. 4.

surcharges as a means of limiting volatility associated with the RDM.” The OAG claimed that whether a decoupling program is “partial” or “full” has nothing to do with whether the cap is “symmetrical,” and having a cap on surcharges and not on refunds treats the company differently than ratepayers, which the OAG claimed is a necessity to ensure that Minnesota’s first electric decoupling program is in the public interest.<sup>12</sup>

### **The Department**

The Department recommended that the Commission reject Xcel’s Request for Reconsideration of the Commission-approved decoupling cap.

The Department acknowledged that it had analyzed four different caps, as Xcel pointed out: (1) a two percent cap calculated using base revenue plus fuel and all applicable riders; (2) a three percent cap calculated using base revenue plus fuel and all applicable riders; (3) a 5 percent cap calculated using base revenue only; and (4) a 10 percent cap calculated using base revenue only. Although the Department had recommended revenue decoupling cap number 2, a three percent cap applied to base revenue plus fuel and all applicable riders, the Department stated that Commission’s preferred revenue decoupling cap accepts the Department’s recommendations and reasoning in large part and is consistent with the Department’s recommendations. The Department explained it had recommended that the cap be three percent of total revenues at the highest and the Commission’s preferred method would lead to a cap that would fall between AARP’s recommended hard cap and the highest amount proposed by the Department. According to the Department, The Commission’s approved cap is 22 percent less than the highest amount recommended by the Department and 17 percent higher than AARP’s recommended cap.<sup>13</sup>

Further, the Department stated that the Commission’s evaluation of the record regarding the magnitude of the cap accurately concludes that inclusion of revenues from the fuel clause and other riders would be subject to fluctuations such that the cap may exceed three percent of base revenues. The Department concluded that the Commission’s choice strikes a balance between caps proposed by two different parties, accurately determined that exclusion of revenues from the fuel clause and other riders may result in a lower cap, and thus is reasonable.<sup>14</sup>

The Department also stated that Xcel’s argument seeking consistency with recent MERC and Centerpoint decisions is unpersuasive since Xcel disregards the pilot nature of the decoupling mechanism approved by the Commission for Xcel and the statutory goals to be accomplished by implementation of pilot programs. According to the Department, the Commission observed in its Centerpoint decision inconsistency among the various pilot programs is appropriate and necessary. In addition, the Department stated that Xcel’s argument about “precedent” ignores the important fact that the decoupling mechanisms for MERC and CenterPoint applied only to distribution revenues, whereas Xcel Electric’s decoupling mechanism applies to distribution,

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<sup>12</sup> *Id.*, p. 5.

<sup>13</sup> Response of the Minnesota Department of Commerce to Xcel Energy’s Requests for Reconsideration and/or Clarification, (June 8, 2015), pp. 3-5.

<sup>14</sup> *Id.*, p. 4.



transmission and generation costs. Because a two percent cap on a larger base number (distribution, transmission and generation costs) is a much larger cap than the same percentage cap on a smaller base (distribution costs), the Department explained that decoupling programs for distribution-only utilities will necessarily be different than for a fully integrated (generation, transmission and distribution) utility.<sup>15</sup>

In response to Xcel's argument that the Commission's approved revenue decoupling cap in which the Company could be required to issue refunds for all weather-related increases in usage per customer, but would be prevented from fully recouping weather-related decreases in usage per customer, the Department had three comments:<sup>16</sup>

- 1) Minn. Stat. §216B.2412 subdivision 2 establishes criteria for decoupling that requires that ratepayers not be harmed.
- 2) Because the Commission's approved cap is between the two percent and three percent caps evaluated by the Department, it concluded that the cap will likely have little impact on Xcel's recovery of funds.
- 3) The Company focused only on its weather-related risk and ignored the reduction in risk the decoupling mechanism provides against decreases in use per customer due to any factor.

## Commission Decision Alternatives

If the Commission grants Xcel's Petition for Reconsideration

- a. set the decoupling cap at 10 percent of base revenue,
- b. adopt partial decoupling with a soft cap as originally proposed by Xcel, or
- c. affirm the Commission's May 8 decision.

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<sup>15</sup> *Id.*, pp. 6-7.

<sup>16</sup> *Id.*, p. 8.

## Clarification of the implementation plan for the decoupling mechanism.

### May 8 Order

In its Order, the Commission sought to add clarity to Xcel's Decoupling Mechanism by establishing a start date. The Order stated that "Xcel may begin calculating its over- or under-recovery of nonfuel costs after the final compliance order authorizing implementation of final rates in this proceeding, but not before new rates take effect, and no sooner than January 1, 2016."<sup>17</sup>

The Motion for the establishment of the starting date was passed 4-0.<sup>18</sup>

#### *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.

The Order provides that the start date for measuring decoupling deferrals be no sooner than January 1, 2016. The Order explains that delaying the start date to January 1, 2016 is appropriate, because that date is after final rates from this case will be in effect.<sup>19</sup>

Finally, the Commission will add clarity to Xcel's proposal by establishing a start date.

One of Xcel's first steps in implementing revenue decoupling is measuring a baseline customer consumption level to determine how much actual sales differ from forecasted sales. Consumption can vary for many reasons, including price. Xcel will set new rates through the current proceeding, but those rates have not taken effect yet. It would make sense to delay the collection of sales data until the new rates are implemented.

For purposes of calculating the first RDM adjustment, therefore, the Commission will authorize Xcel to begin collecting data on sales that occur after the Commission issues its final compliance order in this docket and the new rates take effect, but in no event sooner than January 1, 2016.

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<sup>17</sup> Order at Ordering ¶40(b), p. 102.

<sup>18</sup> Minutes, p. 12.

<sup>19</sup> Order, p. 75.

## Xcel – Request for Clarification

In addition to its Petition for Reconsideration, Xcel also requested the Commission clarify its ordered implementation plan for the decoupling mechanism. Xcel’s request for clarification sought guidance on two items:

- Clarification regarding the data that should be used to calculate baseline fixed revenue per customer and baseline fixed energy charges, and
- Guidance regarding how the implementation schedule from the Order would function in light of the Company’s intention to file a 2016 rate case with interim rates effective January 1, 2016, and with final rates effective in 2017.

Xcel stated it had proposed a decoupling implementation plan that was unopposed in parties’ testimony and that plan called for use of 2015 test year data to calculate baseline fixed revenue per customer and baseline fixed energy charges. According to Xcel, the baseline values would then be applied to actual customers and sales beginning in June 2015. Xcel’s proposed implementation plan is given in the table 1 below:<sup>20</sup>

**Table 1**  
Xcel Energy’s Proposed Decoupling Implementation Schedule

<u>Date</u>	<u>Event</u>
May 2015	Commission’s Final Order
June – December 2015	Measure 2015 Decoupling Deferrals
January – December 2016	Measure 2016 Decoupling Deferrals
April 1, 2016	Implement 2015 RDM Adjustment*
January – December 2017	Measure 2017 Decoupling Deferrals
April 1, 2017	Implement 2016 RDM Adjustment *
January – May 2018	Measure 2018 Decoupling Deferrals
April 1, 2018	Implement 2017 RDM Adjustment *
April 1, 2019	Implement 2018 RDM Adjustment *

\* *In effect from April 1 through March 31.*

Xcel stated its proposed implementation plan was designed with the expectation that it could be implemented during a period of relative stability. Xcel explained that it believed that voluntarily bringing forward a significant change to rate design would be followed by a period of time to assess and analyze the impact of implementing revenue decoupling.<sup>21</sup>

<sup>20</sup> Petition, p. 10.

<sup>21</sup> Petition, p. 12.

According to Xcel, the schedule adopted by the Order appears to create ambiguity regarding the data that should be used to calculate baseline fixed revenue per customer and baseline fixed energy charges. Further, Xcel stated it seeks guidance regarding how the implementation schedule from the Order would function in light of the Company's intention to file a 2016 rate case with interim rates effective January 1, 2016, and with final rates effective sometime in 2017.<sup>22</sup>

Xcel stated the Order is not clear regarding what baseline data should be used to calculate deferrals. Specifically, Xcel stated that it is unclear whether the order requires the Company to use 2016 data to calculate baseline fixed revenue per customer and baseline fixed energy charges. In addition, Xcel stated that, given the Company's intention to file a 2016 rate case in November, 2015, the rates in place on January 1, 2016 likely will be new interim rates rather than the final rates in this case. Finally, Xcel stated that, if the schedules from prior cases are a guide, final rates from our next rate case will become effective in 2017, which could coincide or occur after the April 1, 2017 implementation date for the RDM mechanism.<sup>23</sup>

Xcel advised that the Commission could take several different routes to clarify the implementation plan.<sup>24</sup>

- 1) Keep the January 1, 2016 start date for calculating decoupling deferrals and set the baseline fixed revenue per customer and baseline fixed energy charges using 2016 interim rate data;
- 2) Set the baseline fixed revenue per customer and baseline fixed energy charges using 2015 test year data from this case;
- 3) Adopt the Company's proposed implementation schedule.

Xcel stated that clarifying the ordered implementation plan will help the Company ensure that its calculation of final rates and implementation of the revenue decoupling mechanism will be consistent with the Commission's intent and also help ensure prompt implementations of final rates. In addition, because Xcel stated its intention to file its next rate case is in November of this year, clarification will help it prepare for its next rate case and implement decoupling within that context.<sup>25</sup>

### **The Department's Response to Xcel's Request for Clarification**

With regard to the clarification regarding what data Xcel should use to calculate baseline fixed revenue per customer and baseline fixed energy charges, the Department interpreted Xcel's request to mean: what revenues and what customer counts should be used to calculate the revenue per customer for each of the three customer classes. The Department stated that the appropriate data to use is the Commission-authorized revenue requirements and customer counts

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<sup>22</sup> Petition, p. 10.

<sup>23</sup> Petition, p. 11.

<sup>24</sup> Petition, p. 11.

<sup>25</sup> Petition, p. 12.

that are approved for the time when the deferral is being measured, and that eventually the Company must true-up the calculations using the final authorized revenue requirements and actual customer counts for the applicable period.<sup>26</sup>

Under the Commission's approved implementation schedule for Xcel to begin collecting data on sales that occur after the Commission issues its final compliance order in this docket and the new rates take effect, but in no event sooner than January 1, 2016, the Department determined that Xcel would use the authorized revenues from whatever rates are in place, be that final rates from this rate case (if Xcel decides not to file another rate case) or interim rates from a future rate case (if Xcel files a rate case for 2016).<sup>27</sup>

With regard to Xcel's proposed implementation schedule to begin measuring deferrals as of June 1, 2015, the Department stated that although it believes that June 1, 2015 is theoretically possible, the Department does not support the June 1, 2015 implementation date because Xcel has not yet informed customers that the deferral process is occurring. The Department recommended that the Commission not change the January 1, 2016 implementation date.<sup>28</sup>

The Department noted that Xcel proposed a revenue adjustment on April 1, 2017 for 2016 deferrals in its proposed implementation schedule, assuming a 2016 rate case would commence. Although the Department appreciates Xcel's preference for a set schedule, the Department recommended that the first adjustment wait until final rates have been approved in Xcel next rate case, and this may occur later in 2017. The Department recommended that the Commission consider the following schedule in Table 2 below:<sup>29</sup>

**Table 2: Department's Proposed Xcel Decoupling Schedule if Xcel Files a New Rate Case in the Last Quarter of 2015**

<b><u>Date</u></b>	<b><u>Event</u></b>
January - December 2016	Measure 2016 Decoupling Deferrals
After new rates approved in 2017	Implement 2016 Decoupling Adjustment
January - December 2017	Measure 2017 Decoupling Deferrals
April 1, 2018	Implement 2017 Decoupling Adjustment
January - December 2018	Measure 2018 Decoupling Deferrals
April 1, 2019	Implement 2019 Decoupling Adjustment
Sometime in 2020	True Up Balance

<sup>26</sup> Response of the Minnesota Department of Commerce to Xcel Energy's Requests for Reconsideration and/or Clarification, (June 8, 2015), p. 9.

<sup>27</sup> *Id.*, p. 10.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*, p. 11.

## Staff Comment

Staff notes that, according to Xcel's description of its decoupling mechanism, the revenue baseline for calculating the decoupling deferrals is the revenue requirement recovered through the non-fuel energy charge, on a per-customer basis. In its initial filing, Xcel described that each month, the RDM deferral will be calculated as the difference between the monthly baseline revenue and the revenue collected under the volumetric rates from those customers.<sup>30</sup>

$$\text{Deferral}(c,t) = [\text{FRC}(c) \times C(c,t)] - [\text{FEC}(c)] \times [\text{kWh}(c,t)]$$

Where,

Deferral(c,t) is the RDM deferral for customer group c in month t;  
FRC(c) is the fixed revenue per customer for customer group c;  
C(c,t) is the number of customers in customer group c during month t;  
FEC(c) is the non-fuel energy rate for customer group c, expressed in \$/kWh; and  
kWh(c,t), is the billed sales to customer group c in month t.

The clarification Xcel appears to be seeking in regard to the data that should be used to calculate baseline fixed revenue per customer and baseline fixed energy charges is what time period should Xcel use to determine FRC(c) and FEC(c) in the formula above. Xcel proposed using either the 2015 test year data or 2016 interim rate data.

It is staff's opinion, and absent Xcel immediately filing another rate case, that the Commission Order establishing a start date was for the purpose of authorizing Xcel to begin collecting data on sales, or kWh(c,t) in the formula above, and that the baseline fixed revenue per customer, FRC(c), and baseline fixed energy charges, FEC(c), would be determined from the Commission approved revenue requirement using the 2015 test year in this case.

However, staff recognizes that the Commission, in a March 31, 2015 Order, has authorized CenterPoint to use updated, interim rate-based, billing determinants in its revenue decoupling model in its 2015 rate case. Staff believes it is worth noting that in its March 31 Order, the Commission approved CenterPoint's proposal and adopted the Department's recommendation which included the following caution

After reviewing the scenarios provided by CenterPoint, the Department concludes that the Company's initial proposal is reasonable. As shown in greater detail in its reply comments, CenterPoint's proposal would track revenues during the interim rate period and then true-up revenues to account for any differences in billing determinants and rates between the implementation of interim rates and the implementation of final rates. It also appears that the Company will calculate any refund or surcharge due to the difference between the interim and final approved decoupling mechanism separately from any interim rate refund. Although this

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<sup>30</sup> Ex. 109, Hansen Direct, p. 10.

method appears appropriate at this time, it is important to note that CenterPoint's next rate case will mark the first time that a permanent decoupling rate mechanism will be in place during interim rates; as such, it is important that the revenue decoupling change associated with interim rates is monitored closely. If issues occur, it may be necessary to make modifications at that time to ensure that the decoupling mechanism is operating as ordered by the Commission.<sup>31</sup>

## **Commission Decision Alternatives**

### Starting Date for calculating revenue deferrals

1. Keep the January 1, 2016 start date for calculating decoupling deferrals; or
2. Authorize a different starting date for calculating decoupling deferrals, for example, June 1, 2016 as originally proposed by Xcel.

### Baseline fixed revenue per customer and baseline fixed energy charges

3. Set the baseline fixed revenue per customer and baseline fixed energy charges using 2016 interim rate data; or
4. Set the baseline fixed revenue per customer and baseline fixed energy charges using 2015 test year data from this case; or
5. Set the baseline fixed revenue per customer and baseline fixed energy charges using the authorized revenues from whatever rates are in place, be that final rates from this rate case (if Xcel decides not to file another rate case) or interim rates from a future rate case (if Xcel files a rate case for 2016); and
6. Eventually the Company must true-up the calculations using the final authorized revenue requirements and actual customer counts for the applicable period.

### Implementation Schedule

7. Adopt the Company's proposed implementation schedule; or
8. Adopt the Department's proposed implementation schedule.

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<sup>31</sup> Order, In the Matter of the Application of CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota, Docket No. G-008/GR-13-316 (March 31, 2015)