

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East
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St. Paul, Minnesota 55101-2147

In the Matter of the Application of)
Northern States Power Company for) OAH Docket No. 68-2500-31182
Authority to Increase Rates for Electric) PUC Docket No. E-002/GR-13-868
Service in the State of Minnesota)

RECOMMENDATIONS OF AARP

COMES NOW AARP, in response to the Commission's request during the March 19, 2015 Oral Argument, and hereby provides its multi-year rate case Recommendations in a manner that correspond to the Deliberation Outline that was issued on March 12, 2015:

I.2. Adopt the ALJ's Report with Modification (consistent with the following recommendations).

Return on Equity

III.C.8(c) Adopt the Department of Commerce's recommended cost of equity of 9.64%.

III.C.9(b) Determine that there needs to be an adjustment to the ROE if the Commission approves a decoupling mechanism for Xcel (a 10 basis point downward adjustment to reflect the shifting of the utility's revenue volatility risk onto consumers).

Revenue Decoupling

V.A.2. Do not approve Xcel's proposed RDM.

V.B.1(a) If the Commission does approve a decoupling mechanism, approve it as a 3-year pilot.

- V.B.2(a) If the Commission does approve a decoupling mechanism, do not allow an RDM billing increases in a year after Xcel fails to achieve energy savings equal to 1.2% of retail sales.
- V.B.3(b) If the Commission does approve a decoupling mechanism, modify Xcel's proposed partial RDM to be a full RDM.
- V.B.4(a) If the Commission does approve a decoupling mechanism, approve a cap on RDM billing increases as a percentage of base revenues, excluding fuel and all applicable riders.
- V.B.5(a) If the Commission does approve a decoupling mechanism, approve a hard cap on all RDM billing increases.
- V.B.6(a) If the Commission does approve a decoupling mechanism, approve a 2% cap.
- V.B.8(a) If the Commission does approve a decoupling mechanism, require Xcel to make a filing assuring the Commission that Xcel will produce incremental energy savings beyond those called for in the triennial CIP plan.

Rate Design

- VI.A.6. Reject the ALJ's report on class cost of service and adopt the OAG's proposal to proportionally increase any revenue increase in this rate case as set forth in Exhibit 375 (Nelson Direct).
- VI.C.1. Adopt the ALJ's recommendation to maintain the existing customer charges for Residential and SGS customers.

Additional Issues Related to the Multi-Year Rate Case Process

A. Interim Rate Refund

AARP opposes Xcel's November 13, 2015 proposal to alter the interim rate refund procedure by lengthening the interim rate period and treating both years as a single period for the purpose of reducing the refund that will be due to consumers. AARP agrees with the OAG's Reply Comments that were filed in response on January 23, 2015. Xcel's interim rate proposal is not consistent with the Minnesota interim rate law [Minn.Stat.Sec.216B.16], nor is it just and reasonable. Consumers deserve to receive

the full benefit of any interim rate refund that is due as well as the right to receive the full benefit for the time value of money for the utility's use of any over-charge funds received as a result of the interim rate increase issued at the onset of this rate case.

B. Xcel's Proposed Use of "Rate Moderation Tools"

During the March 19, 2015 oral argument, Xcel proposed a variety of "rate moderation" proposals that it claimed were linked to an Xcel commitment to forego filing a new rate case in 2016. AARP urges the Commission to gather sufficient data to fully understand the specific rate impact of these proposals. The Commission should inquire as to:

1. Whether Xcel has already signaled to its investors that it does not anticipate filing a new rate case in 2016,
2. How much each so-called "rate moderation tool" would increase the electric rates for the second period of the multi-year rate plan, and
3. How much each so-called "rate moderation tool" would decrease the refund of interim rates that will be due to Minnesota consumers at the conclusion of this case.

Respectfully submitted,

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