

## Staff Briefing Papers

Meeting Date May 18 , 2023

Agenda Item 1\*

---

Company Northern States Power Company d/b/a Xcel Energy

Docket No. G-002/M-22-578

In the Matter of the Petition of Northern States Power Company, for Approval of a Gas Utility Infrastructure Cost Rider True-up Report for 2021, Updated Costs for 2022, Revenue Requirements for 2023, and Revised Adjustment Factors

Issues Should the Commission modify Xcel Energy’s proposed 2023 Gas Utility Infrastructure Cost (GUIC) Rider revenue requirement and adjustment factors?

Should the Commission accept Xcel Energy’s GUIC Rider 2021 True-up Report?

What course of action should the Commission take if the GUIC statute (Minn. Stat. § 216B.1635) expires on June 30, 2023?

Staff Ganesh Krishnan [ganesh.krishnan@state.mn.us](mailto:ganesh.krishnan@state.mn.us) 651-201-2198

Staff Jorge Alonso [jorge.alonso@state.mn.us](mailto:jorge.alonso@state.mn.us) 651-201-2258

---



### Relevant Documents

### Date

Xcel Energy – Initial Petition	November 1, 2022
Department of Commerce – Comments	January 26, 2023
Office of the Attorney General – Letter	January 30, 2023
Fresh Energy – Letter	January 30, 2023
Xcel Energy – Reply Comments	February 10, 2023
Department of Commerce – Response to Reply Comments	March 8, 2023

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email [consumer.puc@state.mn.us](mailto:consumer.puc@state.mn.us) for assistance.

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

## BACKGROUND

### I. Statement of the Issues

1. Should the Commission modify Xcel Energy's proposed 2023 Gas Utility Infrastructure Cost Rider revenue requirement and adjustment factors?
2. Should the Commission accept Xcel Energy's 2021 True-up Report?
3. What course of action should the Commission take if the GUIC statute (Minn. Stat. § 216B.1635) expires on June 30, 2023?

## DISCUSSION

### I. Xcel's Petition

#### A. Revenue Requirements and Adjustment Factors

Pursuant to Minn. Stat. § 216B.1635 (the GUIC Statute), on November 1, 2022, Northern States Power Company, doing business as Xcel Energy (Xcel, Company), submitted a GUIC Rider filing (Petition) seeking recovery of its projected 2023 Transmission and Distribution Integrity Management Programs (TIMP and DIMP) costs.

Except for the change in the application of the rate adjustment factors (discussed below) and a discussion of how to view GUIC filings if the GUIC statute expires, Xcel's 2023 GUIC filing follows the pattern set by its previous two GUIC filings.

Xcel has estimated the 2023 GUIC revenue requirement to be about \$37.5 million and is seeking to recover it over the 12-month period, March 1, 2024 through February 28, 2025.

The revenue requirement includes recovery of capital property taxes, current and deferred taxes, and depreciation. The 2023 cost recovery request represents about \$4.53 per month for an average residential natural gas customer.

The filing also contained a true-up for 2021, and updated GUIC costs for 2022.

Xcel emphasized that the GUIC statute (Minn. Stat. § 216B.1635) is itself set to expire on June 30, 2023<sup>1</sup> and that, while the instant docket was filed well before the expiration and could therefore move forward without impediment, parties should continue to discuss, in light of the

---

<sup>1</sup> The legislative note accompanying the statute reads: "NOTE: This section expires June 30, 2023. Laws 2005, chapter 97, article 10, section 3, as amended by Laws 2013, chapter 85, article 7, section 9."

probable expiration of the GUIC statute, what policy should guide future GUIC petitions.<sup>2</sup>

Xcel's GUIC petition contains the general information that is required under the Commission's rules, and the following:

- a summary of the planned 2023 TIMP and DIMP projects,
- a summary of the planned 2023 Mandated Relocation projects,
- the 2023 revenue requirement, rate factor calculations, timing of rate implementation, status of GUIC Rider tracker account,
- the proposed tariff sheet and customer notice, and
- a summary of performance metrics.

Xcel indicated that the 2023 GUIC Rider petition uses the return on equity, capital structure, and rate of return agreed to in the settlement in natural gas rate case.<sup>3</sup>

Table 1 provides a breakdown of the 2023 GUIC revenue requirement and a comparison with the 2021 actuals and 2022 forecast:

---

<sup>2</sup> Xcel indicated that parties began a policy discussion in the 2021 GUIC filing (G-002/M-21-765).

<sup>3</sup> Docket No. G-002/GR-21-678.

**Table 1<sup>4</sup>**  
**2022-2023 GUIC Rider Revenue Requirement (\$ Millions)**

	2021 Actuals <sup>45</sup>	2022 Current Forecast	2023 Forecast
<b>Capital-Related Revenue Requirement</b>			
TIMP	\$13.7	\$13.7	\$13.7
DIMP	16.5	22.2	26.0
Mandated Relocations	<u>0.6</u>	<u>2.5</u>	<u>4.9</u>
<b>Total</b>	<b>\$30.8</b>	<b>\$38.4</b>	<b>\$44.6</b>
<b>O&amp;M Expenses</b>			
TIMP	\$0.6	\$0.1	\$0.6
DIMP	<u>0.8</u>	<u>0.2</u>	<u>0.3</u>
<b>Total</b>	<b>\$1.4</b>	<b>\$0.3</b>	<b>\$0.8</b>
<b>GUIC Retirement Revenue Credits</b>	\$ (0.7)	\$0.0	\$0.0
<b>Annual Internal Capitalized Costs</b>	(0.4)	(0.4)	(0.8)
<b>MAOP Projects at Long-term Debt Rate of Return</b>	(1.7)	(1.7)	(1.8)
<b>Low-Risk Infrastructure</b>	(0.0) <sup>46</sup>	(0.0) <sup>47</sup>	(0.1)
<b>Revenue Requirement in Base Rates</b>	(0.8)	0.0	0.0
<b>Prior-year Disallowances</b>	<u>(3.1)</u>	<u>(4.0)</u>	<u>(5.1)</u>
<b>Revenue Requirement Subtotal</b>	<b>\$ (6.7)</b>	<b>\$ (6.2)</b>	<b>\$ (7.8)</b>
<b>True-up Carryover</b>	<u>0.2</u>	<u>1.2</u>	=
<b>Total GUIC Rider Revenue Requirement</b>	<b>\$25.8</b>	<b>\$33.8</b>	<b>\$37.5</b>

Xcel indicated that it did not include a carryover balance from 2022, but stated, it would update its 2023 request at a later date to include carryover balance from 2022, if required.

Xcel noted that the costs related to work associated with the Metro Transit Gold Line construction is expected to be reimbursed.

Xcel’s GUIC Rider adjustment factor rate design currently provides for rates specific to five customer groups:

- residential,
- commercial firm,
- commercial demand billed,
- interruptible, and
- transportation.

---

<sup>4</sup> Source: Petition, at 31.

Currently, the transportation class is apportioned less GUIC Rider revenue requirement than the comparable demand or interruptible class on a per therm basis. As with the 2022 GUIC petition, for rate design purposes, Xcel proposed to fold the Firm Transport customers into Commercial Demand Billed customers and unite Interruptible Transport customers with Interruptible customers.

Table 2 provides a comparison between the current and proposed revenue apportionment.

**Table 2<sup>5</sup>  
Current vs. Proposed Revenue Apportionment**

Class	Current Allocator	Class	Proposed Allocator
Residential	67.2244%	Residential	64.0327%
Commercial Firm	21.2597%	Commercial	23.8945%
Commercial Demand-Billed	2.1010%	Demand (including Firm Transport)	6.5583%
Interruptible	5.6521%	Interruptible (including Interruptible Transport)	5.5144%
Transport	3.7628%	N/A	N/A
<b>Total</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

Table 3 provides the proposed 2023 GUIC Adjustment Factors and a comparison of the recently approved prior years' adjustment factors:

**Table 3 – Proposed GUIC Rider Adjustment Factors (\$ per therm)<sup>6</sup>**

Current Classes	Current Factors	2022 Proposed Classes	2022 Proposed Factors <sup>61</sup>	2023 Proposed Factors <sup>62</sup>
Residential	\$0.033864	Residential	\$0.0588859	\$0.062247
Commercial Firm	\$0.018572	Commercial Firm	\$0.030854	\$0.038502
Commercial Demand Billed	\$0.014666	Demand	\$0.004626	\$0.005892
Interruptible	\$0.010591	Interruptible	\$0.014235	\$0.015029
Transportation	\$0.001602			

<sup>5</sup> *Id.*, at 35.

<sup>6</sup> *Id.*

**B. Performance Metrics**

Xcel noted that the development of performance metrics has been evolving since its 2016 GUIC Rider filing and, in conformance with the Commission’s finding that the Company develop metrics to measure the appropriateness of GUIC expenditures and provide stakeholders with opportunity for meaningful involvement and that each metric include a reconciliation to the pertinent TIMP/DIMP rules, and/or if not tied to TIMP/DIMP requirement, the Company identify what goal, benefit, and/or requirement it addresses.

Xcel indicated that it met with stakeholders on several occasions to understand their needs and develop a set of metrics acceptable to the Commission. Each metric should include a reconciliation to the pertinent TIMP/DIMP rules, and/or if not tied to TIMP/DIMP requirement, the Company must identify what goal, benefit, and/or requirement it addresses.

Xcel added that the TIMP and DIMP performance metrics shown in Table 4 were verbally approved by the Commission during the Commission’s October 27, 2022, agenda meeting.<sup>7</sup>

---

<sup>7</sup> Docket No. G-002/M-20-799.

**Table 4<sup>8</sup>**  
**Recommended Performance Metrics**

Program	Project	Cost Performance Metric	Effectiveness Performance Metric
TIMP	Transmission Pipeline Integrity Assessments	Estimated versus actual costs per project	Anomalies repaired by type
	ASVs and RCVs	Estimated versus actual costs per project	Reduction in response time per project
	Programmatic Replacement and MAOP Remediation	Estimated versus actual costs per project	Percentage of high/medium risk projects system-wide
DIMP	Poor Performing Main Replacement	Poor performing main replacement unit cost (per foot)	Leak rate by vintage

Program	Project	Cost Performance Metric	Effectiveness Performance Metric
	Poor Performing Service Replacement	Poor performing service replacement unit cost (per foot)	Leak rate by vintage
	Distribution Pipeline Integrity Assessment	Estimated versus actual costs per project	Anomalies repaired by type
	Distribution Valve Replacement	Estimated versus actual costs per project	Percentage of inoperable valves replaced
	Distribution Valve Replacement (New Valves Only)	Estimated versus actual costs per project	Reduction in potential customer outages
	Sewer and Gas Line Conflict Remediation	Inspection Unit Cost	Percentage of Total Premises Inspected
TIMP/DIMP	Casing Renewals	Estimated versus actual costs per project	Percentage of casing projects planned for the year completed  Total number completed compared to Total number requiring remediation, since inception
	Mandated Relocations	Estimated versus actual costs per project	Number of planned mandated relocations versus actual relocations

Xcel noted that, at the same agenda meeting, the Commission also verbally approved a

<sup>8</sup> Petition at 39-40.

requirement to provide more details on the cost effectiveness of casing renewal projects as compared to other remediation options. Xcel indicated that it would submit this information in its reply comments.

### **C. GUIC Expiration**

Xcel's position is that for GUIC petitions filed before June 30, 2023, that the Commission can consider requests for 2023 recovery after the expiration of the statute and Xcel could, if authorized, recover the full scope of 2023 GUIC costs with this filing. And, conditioning recovery on Commission action prior to June 30, 2023 is inappropriate, according to Xcel. This is in part because the Company has made its request timely but factors beyond the Company's control have a hand in the timing of Commission consideration.

Citing Minn. Stat. § 216B.03,<sup>9</sup> Xcel argued that, even if the Commission could not approve recovery using the GUIC Statute, "nothing prevents the Commission from establishing a rider and granting recovery of a utility's reasonable and prudent costs." Xcel pointed out that this aspect is particularly pertinent here, where the Company's request is limited to recovering costs incurred to implement mandated safety improvements. Xcel acknowledged that a Commission decision before June 30, 2023 would eliminate this potential dispute.

Regarding GUIC cost recovery after June 30, 2023, Xcel's position is that it is authorized to request approval of costs through the end of the 2023 and continue to use the GUIC Rider mechanism until all its GUIC costs through 2023 are recovered. Furthermore, Xcel noted that the GUIC Rider can remain in place beyond the end of 2023 to finish recovery of the 2023 costs.

Xcel cited the Department's July 11, 2022, Response Comments in Docket No. G-002/M-21-765. P. 5) that in the event of the expiration of the GUIC statute,

Xcel could file a GUIC Rider petition for recovery of 2023 costs in next year's filing; the subsequent year, the Company could simply file a true up of 2023 expenses. In this scenario, the GUIC rider would remain in place for 2024, but would only reflect any 2023 over-or-under recoveries. All post-2023 expenses that might otherwise be recorded in the Company's GUIC tracker would instead simply be moved to its tracker for general rates.

Xcel outlined three potential paths forward for the usage of the GUIC Rider beyond 2023:

- The legislature extending the GUIC statute beyond June 30, 2023. Under this scenario, the Company would continue recovering its GUIC costs annually.

---

<sup>9</sup> "Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable."

<https://www.revisor.mn.gov/statutes/cite/216B.03#:~:text=216B.03%20REASONABLE%20RATE.%20Every%20rate%20made%2C%20demanded%2C%20or,consistent%20in%20application%20to%20a%20class%20of%20consumers>



- In the absence of the legislature extending the GUIC statute, the Commission should continue use of the GUIC Rider beyond the expiration date of the statute.<sup>10</sup> Xcel maintained that the importance of the TIMP and DIMP work and the efficiency provided by the GUIC Rider proceedings supports the continued use.
- If the GUIC statute expires and is not continued by the Commission, Xcel will have to resort to recovery of costs in future, and likely more frequent, general rate cases.

Ultimately, Xcel views the controversy not about recoverability of GUIC costs, but rather a technical dispute about the mechanism used to recover the costs.

## **II. Department of Commerce – Comments**

### **A. Revenue Requirements**

The Department of Commerce (Department) recommended that the Commission continue to allow Xcel to recover eligible project costs in its GUIC Rider, but with modifications.

The Department remarked that Xcel’s GUIC revenue requirement reflects cost recovery of its ongoing TIMP and DIMP project initiatives, mandated pipeline relocations required by public works activity, such as road construction, and possible offset to revenue requirements because of reimbursement.

The Department’s concerns either directly or indirectly affect the revenue requirement. Although Xcel has asked that its proposed \$37.5 million revenue requirement be approved, the Commission approval of any of the Department’s modifications will affect the magnitude of the revenue requirement. The modifications related to requiring Xcel to:

- remove cancelled/delayed projects from the revenue requirement;<sup>11</sup>
- provide true-up information for 2021, 2022, and 2023, once known, using deferred accounting or an alternative mechanism;<sup>12</sup>
- report reimbursements (as, for example, costs of relocating infrastructure around the Metro Transit Gold Line construction) as offsets in future true-up filings; and
- provide a compliance filing, based on Commission decisions, within 10 days’ of Commission Order, including electronic files with formulae intact of the revenue requirement and corresponding rate factor schedules.

---

<sup>10</sup> Xcel pointed out that the Commission allowed this type of recovery with the State Energy Policy (SEP) Rider after its repeal.

<sup>11</sup> The Department learned of cancelled/delayed projects through discovery (Information Request 8), Attachment No. 6 (Department’s January 26, 2023 comments).

<sup>12</sup> This modification acquires importance in light of the scheduled expiration of the GUIC statute. The Department does not believe that Xcel could file a true-up in a subsequent GUIC Rider Petition if the GUIC statute expires on June 30, 2023. However, the Department believes that the Commission may approve another alternative such as deferred accounting, or other mechanism, to approve the true-up within its statutory authority.

The Department also pointed to a filing requirement from the 2021 GUIC<sup>13</sup> where the Commission requested that Xcel, as required by Order, report on the cost metric for the casing renewal program in its Reply Comments:

[p]ermitted use of the additional Performance Metrics, as proposed in Xcel Energy's Reply Comments, with the addition of the casing renewal effectiveness metric recommended by the Department in its Response. Xcel shall report on the cost metric for the casing renewal program in its reply comments to the 2023 GUIC filing[;]

The Department supported Xcel's revenue requirement apportionment combining transportation customers with those customers' respective firm or interruptible sales classes such that Xcel's rate design to remain indifferent to a customer's choice of sales or transportation services.

### **B. 2021 True-Up**

The Department noted that the Commission's Order in the Company's 2021 GUIC Rider<sup>14</sup> request was issued on November 17, 2022.

Also, on October 29, 2021, Xcel requested approval of its 2022 GUIC Rider<sup>15</sup> to recover the 2022 revenue requirement including its 2021 true-up; however, as of the date the Department filed these comments, the Commission had not issued its 2022 GUIC Rider Order.<sup>16</sup>

Included in Xcel's instant Petition, the Company stated will carryover any needed adjustments from the resolution of its 2022 request in its 2023 request.

Therefore, as mentioned above, the Department recommended that Xcel provide true-up information for 2021, 2022, and 2023, once known, using deferred accounting or an alternative mechanism.

### **C. GUIC Expiration**

The Department argued that, so long as it acts before June 30, 2023, the Commission can approve the Company's requested recovery mechanism because the Commission will still be within the statutory authority. However, after June 30, 2023, Xcel cannot file a true-up in a subsequent GUIC petition. As discussed above, Xcel should use some other alternative such as deferred accounting (or another mechanism) for true-up approval.

---

<sup>13</sup> Docket No. G-002/M-20-799.

<sup>14</sup> Docket No. G-002/M-20-799.

<sup>15</sup> Docket No. G-002/M-21-765.

<sup>16</sup> Staff notes that the Commission's Order in Docket No. G-002/M-21-765 was issued on May 5, 2023.

#### **D. Performance Metrics**

The Department noted that Xcel’s recommended performance metrics are similar to those in the 2021 GUIC Rider petition.<sup>17</sup> The Department indicated that the Commission’s November 18, 2022 Order in Xcel’s 2021 GUIC petition<sup>18</sup> “permitted use of additional Performance Metrics, as proposed in Xcel Energy’s Reply Comments, with the addition of the casing renewal effectiveness metric recommended by the Department . . .” and that Xcel shall report on the cost metric for the casing renewal program in its reply comments to the 2023 GUIC filing.<sup>19</sup>

#### **III. Office of the Attorney General – Comments**

The Office of the Attorney General’s (OAG) comments were exclusive to what policy should replace the expiration of the GUIC statute.

The OAG stated its purpose was “to demonstrate that rider recovery of these costs should end after June 30, 2023.” The OAG also remarked that Minn. Stat. § 216B.1635 was originally enacted in 2005 with a sunset date of June 30, 2015 and that, in 2013, the Minnesota Legislature extended the statute by updating the sunset date to June 30, 2023. The OAG’s concern is that Xcel is proposing to recover the 2023 revenue requirement of \$37.5 million over the period March 1, 2024 through February 28, 2025 – that is, nearly two years after the expiration of the GUIC statute. The OAG contended that, even if the GUIC petition was filed before the statute expires, the Commission is not empowered to act once the statute expires. The OAG added that the GUIC Rider itself should terminate and cost recovery cease after June 30, 2023 because the statutory authority for “a rate schedule for the automatic annual adjustment of charges for gas utility infrastructure costs” will no longer exist past that date. The OAG also stated that costs incurred after June 30, 2023 should not be eligible for recovery.

#### **IV. Fresh Energy – Comments**

Fresh Energy’s comments were exclusive to what policy the Commission should pursue if the GUIC statute expires on June 30, 2023.

Fresh Energy asked that the Commission wind down the GUIC rider following the expected expiration of the enabling statute and noted that the Xcel natural gas rate case settlement calls for Xcel to file a wind-down plan for its GUIC rider.

Fresh Energy allowed for the possibility that Xcel may still request extraordinary cost recovery in the future for infrastructure-related spending, but it must do so without attaching its request to an expired statutory provision.

---

<sup>17</sup> Docket No. G-002/M-21-765.

<sup>18</sup> Docket No. G-002/M-20-799.

<sup>19</sup> Staff Comment: Xcel’s filing already acknowledged this requirement and noted Xcel will provide this information in its reply comments.

Fresh Energy also asked that the Commission address the broader issues related to accelerated infrastructure replacement programs in policy proceedings such as the Future of Gas docket (21-565) and the upcoming gas integrated resource planning docket (21-135).

**V. Xcel Energy – Reply Comments**

**A. Compliance Filing**

Responding to the Department’s compliance requirements, Xcel noted it will provide a compliance filing, based on Commission decisions, within ten days of a Commission Order, and report reimbursements as offsets in future true-up filings.

**B. Cancelled/Delayed Projects**

As to the cancelled/delayed projects, Xcel noted that, as shown in Table 5, four Programmatic Mains and Services Replacement distribution projects – with a revenue requirement impact of \$37,000 – would be cancelled for 2023.

**Table 5 – Xcel Energy’s Cancelled Projects**

City	Description	Estimated 2023 Service Cost	Estimated 2023 Mains Cost
Roseville	Larpenteur Avenue W	\$18,591	\$136,300
Mounds View	County Road I	\$3,718	\$17,684
Mounds View	Count Road H	\$18,591	\$82,485
New Brighton	Forest Dale Road	\$91,098	\$305,500
<b>Total</b>		<b>\$131,998</b>	<b>\$541,969</b>

However, instead of removing this from the \$37.5 million revenue requirement, Xcel suggested that it would identify “additional work that will be completed this year” whose “total costs of the replacement projects will be comparable to the projects being replaced.” Xcel noted that it was in the process of identifying the additional work that will be completed this year in the place of the 4 delayed projects and anticipates that the total costs of the replacement projects will be comparable to the projects being replaced. Xcel indicated that, because of this, it was not anticipating any financial impact at this time and does not believe that the financial schedules provided with the initial filing need not be updated. As has been customary with previous filings, the Company will only recover actual costs for the requested year and will provide details on the final actual costs incurred once they are fully known. The Company normally provides updated financial schedules after all costs are known and plans to do so with this request.

Xcel indicated that:

[w]ith the cancellation of these projects for 2023, the Company will have increased bandwidth to complete other high-risk Programmatic Mains and Service Replacement projects during the 2023 construction season. The Company is currently in the process of identifying the additional work that will be completed this year instead but anticipates that the total costs of the replacement projects will be comparable to the projects being replaced. As such, we do not anticipate any financial impact at this time and believe that the financial schedules we provided with our initial filing do not need to be updated.

**C. Metro Transit Gold Line**

Regarding the Department's recommendation that Xcel report Metro Transit Gold Line reimbursements as offsets to total revenue requirements in future true-up filings, Xcel agreed.

**D. Pipeline Casings**

Regarding the Department's recommendation related to pipeline casings, Xcel provided a detailed cost metric report where it indicated that pipeline casings were a common installation method for road and railroad crossings and that casings serve as an oversized conduit to allow the pipeline to be installed without disturbing the road or railroad, while also providing structural and mechanical load protection to the pipeline. Xcel concluded that, in the short term, it is possible in some instances that excavation is less costly than replacement of a shortened casing (e.g., if the excavation quickly identifies and is able to remedy the reason for the short), but over the long term, replacement is more cost effective because it eliminates the need to regularly monitor cased pipelines, to remedy any cased pipelines that become shorted, and lessens the overall number of cased pipelines on our gas system.

**E. GUIC Winddown**

As for Fresh Energy's request for a GUIC winddown plan, Xcel reiterated that it has agreed to file a report as a part of the settlement agreement in its natural gas general rate case<sup>20</sup> and that, if the settlement is approved,<sup>21</sup> Xcel will prepare a wind-down report and file it within a GUIC Rider docket.

**F. GUIC Expiration**

Xcel disagreed with the OAG's position that the Commission cannot approve recovery of projects that are placed in service after June 30, 2023 by pointing out that the GUIC statute allows utilities to submit a project plan for their GUIC and for the Commission to approve a corresponding recovery mechanism. Nothing in the statute restricts cost recovery be based on

---

<sup>20</sup> Docket No. G-002/GR-21-678.

<sup>21</sup> Commission Order approving the settlement was issued April 13, 2023.

when projects are placed in service. However, Xcel acknowledged that the statute's expiration restricts its ability to continue to make future recovery requests. In the instant docket, the Company has made its request while the GUIC Statute is in effect.

Xcel noted that cost recovery denial after June 30, 2023 would deny the Company the ability to recover these mandated safety improvements, even if they are prudent and reasonable.

As to the OAG's position that all GUIC recovery terminate after June 30, 2023, Xcel argued that a significant amount of regulatory lag has now been built into its recovery of GUIC Rider revenues. For example, its 2021 GUIC Rider request was filed on October 23, 2020 and was finally approved by the Commission on November 28, 2022. Those 2021 costs are now being recovered through February 28, 2023. Due to previous delays, and to avoid recovering costs from multiple years of GUIC work, the Company proposed recovering these costs starting March 1, 2023, through February 29, 2024. The OAG's suggestion that GUIC recovery should end in June 2023 would prevent the Company from recovering legitimately incurred costs from 2022 and 2023.

## **VI. Department of Commerce – Response to Reply Comments**

The Department responded that its understanding of Xcel's position was that the Company may be able to substitute other projects for the delayed or canceled projects. However, if the GUIC rider statute is not extended by the Legislature or the Commission does not approve an alternative mechanism for the true-up process, the Department does not agree with allowing the Company to recover costs for delayed or cancelled projects, estimated to be \$674,00 in capital costs or an estimated \$37,000 revenue requirement, on the premise the Company may be able to substitute with other similar projects.

The Department also reviewed Xcel's information regarding casing renewal project cost effectiveness and stated that it did not have further questions regarding this matter.

## **VII. Staff Comments**

Xcel appears to argue that the amount of money saved from canceled projects is not significant and will be spent on other useful things, but Staff is of the opinion that projects not scheduled for a given year should be excluded from the revenue requirement for that year. Therefore, if the Commission disallows the \$37,000 revenue requirement associated with it, the Company will need to make a compliance filing updating its revenue requirement and recovery factors.

Regarding the GUIC expiration, Staff notes that it is widely expected that the rider will be extended in the current legislative session. However, since at the time the briefing papers will be filed, the GUIC extension has not been signed by the Governor, Staff has included decision alternatives related to both options regarding GUIC's future.

## DECISION OPTIONS

### **GUIC Revenue Requirement, Adjustment Factors and Cost Recovery**

1. Approve Xcel's GUIC revenue requirement and adjustment factors, as filed. (Xcel)
2. Order Xcel to adjust its GUIC revenue requirement to account for cancelled projects. (DOC)
3. Do not allow Xcel to only include costs incurred after June 30, 2023 in its GUIC revenue requirement. (OAG)

### **Compliance Filing**

[If decision options #2 and or #3 are adopted then decision option #4 will be required]

4. Order Xcel to make a compliance filing, within 10 days of the Commission's Order, based on Commission decisions. The filing should include electronic files with formulae intact of the revenue requirement and corresponding rate factor schedules. (DOC, Xcel agreed)

### **True-Ups**

5. Order Xcel to provide, once known, 2021, 2022, and 2023 true-up information using deferred accounting or an alternative mechanism. (DOC)

### **Reimbursement of Mandated Relocations**

6. Order Xcel to report all reimbursements as offsets to total revenue requirements in future true-up filings. (Department, Xcel agreed).

### **GUIC Expiration**

7. Should the GUIC rider expire on June 30, 2023 without legislative action, Xcel is authorized to recover costs through the end of 2023 and continue to use the GUIC rider mechanism until all GUIC costs through 2023 are recovered. (Xcel).
8. Should the GUIC rider expire on June 30, 2023 without legislative action, the Commission will allow continued use of the GUIC Rider beyond the expiration date of the statute. Xcel is authorized to request future GUIC recovery via the established process. (Xcel).
9. Should the GUIC rider expire on June 30, 2023 without legislative action, the Commission will establish a separate rider and recovery mechanism for prudent and reasonable GUIC costs under its authority in Minn. Stat. § 216B.03 (Xcel alternative position).
10. Should the GUIC rider expire on June 30, 2023 without legislative action, Xcel shall not

recover any GUIC costs incurred after June 30, 2023. (OAG).

11. Should the GUIC rider expire on June 30, 2023 without legislative action, Xcel is authorized to recover costs through the end of 2023. However, after June 30, 2023, Xcel may not file a true-up in a subsequent GUIC Rider petition and must seek recovery through an alternative mechanism such as deferred accounting. (Department).
12. Should the GUIC rider expire on June 30, 2023 without legislative action, Xcel shall seek recovery of all future GUIC-related expenditures in a future rate case.