August 19, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E002/M-17-828

Dear Mr. Wolf:

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

Xcel's Compliance Filing for the Nuclear Decommissioning Accrual.

The Petition was filed on July 15, 2019 by:

Bria E. Shea
Director, Regulatory & Strategic Analysis
Northern States Power Company 414 Nicollet Mall
Minneapolis, MN 55401

The Department concludes that many aspects of the Compliance Filing are reasonable, but requests that Xcel provide additional information in reply comments. The Department will provide its recommendations to the Minnesota Public Utilities Commission (Commission) as soon as possible after it reviews the information Xcel provides. The Department's team of Nancy Campbell, Steve Rakow and Craig Addonizio is available to answer any questions the Commission may have.

Sincerely,

/s/ STEVE RAKOW	/s/ NANCY CAMPBELL	/s/ CRAIG ADDONIZIO
Analyst Coordinator	Analyst Coordinator	Financial Analyst

SR/NC/CA/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. E002/M-17-828

I. INTRODUCTION

In Docket No. E002/D-86-604, the Minnesota Public Utilities Commission (Commission) ordered the Company to review nuclear decommissioning financial parameters, funding methodology, Nuclear Regulatory Commission (NRC) external funding percentages, and cost estimates every three years. The accrual amount of approximately $14 million that is current reflected in Minnesota rates was approved in a 2015 Commission Order in response to the Company's 2014 Triennial Petition in Docket No. E002/D-14-761.

On December 1, 2017, Xcel filed its 2019-2021 Triennial Petition in Docket No. E002/M-17-828. In that Petition, the Company analyzed a number of decommissioning scenarios and calculated a number of different accruals corresponding to each scenario, ranging from negative $16 million for scenarios involving life extensions of nuclear facilities (two power plants at Prairie Island and one at Monticello) to positive $115.9 million for scenarios involving the early retirement of the plants by five years.

Xcel provided these different scenarios in light of its then-upcoming 2019 Integrated Resource Plan (IRP), which has been expected to address the long-term future of Xcel's nuclear plants through a comprehensive baseload study. Due to proximity of the Triennial docket to the initial filing in the 2019 IRP, Xcel recommended that the Commission maintain the accrual at the approximately $14 million level until at least the conclusion of their 2019 IRP filing.

Xcel noted in its Triennial filing, however, that accrual calculations had generally risen compared to the 2014 Triennial Petition. Xcel stated that this increase in the accrual was driven largely by lower forward-looking expected returns of the nuclear decommissioning trust (NDT), which in turn was largely driven by the lower current treasury interest rate relative to the interest rate expected from the 2014 Petition valuation. Xcel noted that the accrual calculation for 2019 would be approximately $45 million under the assumption of immediate decommissioning following the end of each of the three plant licenses, consistent with Xcel's 2014 Petition.

On June 1 and October 1, 2018, the Department recommended in our comments and response comments that the Commission set the total nuclear decommissioning accrual at $44.4 million based on the immediate decommissioning and 60-year scenarios for each plant beginning at the end of each current operating license, plus use the updated 2019 Minnesota Jurisdictional allocator.

On January 17, 2019, the Commission issued its order that agreed with the Department's recommendation, finding that:

> The Commission notes that the decommissioning accrual based on the 60-year scenario used by the parties has more than tripled in the last three years. Based on this, the Commission finds that the Department's recommendation to commence a higher accrual by 2020 to be the most conservative and reasonable approach.[1]

However, the Commission's order noted that:

> The $44.4 million Annual Decommissioning Accrual is subject to possible revision based on a subsequent accrual filing to be made on July 15, 2019, that updates inputs and considers the possible implications of:
>
> - Department of Energy continuing refunds for dry cask storage during the decommissioning process;
> - The use of the SAFSTOR decommissioning method;
> - The possible use of third-party contractors for nuclear decommissioning.[2]

On July 15, 2019, Xcel filed its *Compliance Filing for Nuclear Decommissioning Accrual* which addressed possible implications of: 1) Department of Energy (DOE) continuing refunds for dry cask storage during the decommissioning process; 2) the use of SAFSTOR decommissioning method; and 3) the possible use of third-party contractors for nuclear decommissioning; on the 2020 nuclear decommissioning accrual. Xcel also updated its 2020 End of Life Fuel accrual to reflect the passage of time.

On July 22, 2019, the Commission issued its *Notice of Comment Period* (Notice) indicating that the following topics are open for comment:

- Does Xcel's July 15, 2019 filing comply with the Commission's January 7, 2019 Order?

[1] January 7, 2019 Order in E002/M-17-828 at p. 7.
[2] Id.

- Are Xcel's updated decommissioning methodology assumptions reasonable?
- Are Xcel's updated Nuclear Decommissioning Trust (NDT's) financial inputs reasonable?
- Is the updated end of life (EOL) nuclear fuel accrual reasonable?
- Should the Commission change the 2019 annual decommissioning and 2019 EOL nuclear fuel accruals?
- Are there other issues or concerns related to this matter?

Below are the Department's comments regarding the issues raised by the Commission's January 17, 2019 Order, Xcel's Compliance Filing and the Commission's Notice regarding Nuclear Decommissioning.

II. DEPARTMENT ANALYSIS

A. RESPONSE TO COMMISSION NOTICE

1. Does Xcel's July 15, 2019 filing comply with the Commission's January 7, 2019 Order?

The Department concludes that Xcel's July 15, 2019 filing (2019 Compliance) complies with the Commission's January 7, 2019 Order (2019 Order). As noted above, the Commission's order stated that:

> The $44.4 million Annual Decommissioning Accrual is subject to possible revision based on a subsequent accrual filing to be made on July 15, 2019, that updates inputs and considers the possible implications of:
>
> - Department of Energy continuing refunds for dry cask storage during the decommissioning process;
> - The use of the SAFSTOR decommissioning method;
> - The possible use of third-party contractors for nuclear decommissioning.

Xcel's July 15, 2019 compliance filing addressed possible implications of: 1) DOE continuing refunds for dry cask storage during the decommissioning process; 2) the use of SAFSTOR decommissioning method; and 3) the possible use of third-party contractors for nuclear decommissioning; on the 2020 nuclear decommissioning accrual. Xcel also updated its 2020 End of Life Fuel accrual to reflect the passage of time.

2. *Are Xcel's updated decommissioning methodology assumptions reasonable?*

a. *DOE Reimbursement of Dry Fuel Storage Costs*

The Department concludes that Xcel's 2019 Compliance complies with the Commission's 2019 Order regarding DOE refunds. The only change the Company made to update its decommissioning methodology was to reflect DOE continuing reimbursements for dry fuel storage into and through decommissioning. The Company provided the below table, which shows the 2020 decommissioning accrual being reduced from $44.4 million to $27.4 million assuming that 75% of DOE funds are used to reduce the decommissioning accrual. The Company's table also shows the decommissioning accrual being reduced from $44.4 million to $22.8 million assuming a 75% and 90% midpoint of DOE funds are used to reduce the decommissioning accrual.[3]

Xcel's Table 1

	2020 Accrual w/ 75% of DOE funds	Allocation based on 75% accrual	Allocation of Proposed Accrual
Monticello	8,507,110	31%	7,074,153
Prairie Island Unit 1	12,399,703	45%	10,311,069
Prairie Island Unit 2	6,511,608	24%	5,414,778
TOTAL	27,418,421	100%	22,800,000

The Department asked Xcel the following in Department information request no. 9[4]:

> Please provide the following information in a table (by plant and in total):
> Column 1 – breakout of the $44.4 million decommissioning accrual approved by the Commission;
> Column 2 – reduction caused by including 75% of DOE reimbursement;
> Column 3 – increase caused by lower earnings projections; and
> Column 4 – resulting adjusted decommissioning accrual.

Xcel provided the following response:

[3] Note these decommissioning accruals also include changes to financial inputs that the Company made – primarily the lower return on financial investments that the Department discusses in the next section.
[4] The Department included Xcel's responses to information requests in Department Attachment A.

TABLE 1

	2020 Accrual Approved in 2019 Triennial	Decrease From 75% DOE Reimbursements	Increase Due to Earnings Assumptions	2020 Resulting Accrual	Increase Due to Passage of Time*	2020 Accrual Calc'd with 75% DOE Reimbursements
Monticello	20,824,536	(19,568,914)	7,210,054	8,465,675	41,435	8,507,110
Prairie Island Unit 1	14,749,471	(7,402,273)	3,840,806	11,188,004	1,211,699	12,399,703
Prairie Island Unit 2	8,825,903	(6,853,934)	3,863,068	5,835,038	676,570	6,511,608
TOTAL	44,399,910	(33,825,121)	14,913,928	25,488,717	1,929,704	27,418,421

*Accrual collection/contribution period is one year shorter, balances updated to reflect May 31st, 2019

The Department notes that the above Table 1 in response to the Department's information request starts with the $44.4 million decommissioning accrual approved by the Commission and then adds the 75% DOE reimbursement which is a $33.8 million reduction in the decommissioning accrual. Next, Xcel proposes to increase the accrual by $14.9 million due to its assumptions of lower NDT earnings (discussed by the Department under question 3 – financial inputs). Finally, Xcel increases the accrual to adjust for the passage of time – one year less, which results in a $1.9 million increase to the decommissioning accrual. All of these changes by Xcel would change the decommissioning accrual from $44.4 million to $27.4 million.

In Department Information Request Nos. 10 and 11, the Department asked for similar information for the decommissioning accrual assuming the 75% and 90% midpoint DOE assumption. In response to Department Information Request No. 10, Xcel recalculated the decommissioning accrual assuming an 82.5% midpoint (75% plus 90% divided by 2) which resulted in a $21.4 million decommissioning accrual. In response to Department Information Request No. 11, Xcel noted that in its filing it assumed a simple average of the 75% and 90% DOE recovery scenarios which results in a slightly different $22.8 million accrual. In Department Information Request No. 11, the Department asked for further information regarding how the DOE assumptions were calculation and what years Xcel assumed it would receive the DOE funds.

According to Xcel on page 8 of its compliance filing:

> We have concluded, however, that it is reasonable to change the way we plan for decommissioning when it comes to DOE reimbursements for dry fuel storage costs. After working closely with our consultant and analyzing both our legal rights relative to the DOE and the industry landscape, we believe it is reasonable to assume that Xcel Energy will continue to receive DOE reimbursement of its dry fuel storage costs into and through decommissioning. We have drawn this conclusion on the basis of several factors.

Xcel addressed the following factors to support including DOE reimbursements (revenues) for dry fuel storage costs in the decommissioning accrual:

- First the Standard Contract with DOE supports that reimbursement for dry fuel storage costs "shall continue until such time as all spent nuclear fuel and/or high-level radioactive waste . . . has been disposed of ";

- Second, Xcel noted that it monitored other nuclear operators going through the decommissioning process and confirmed that they have continued to seek and receive reimbursements from the DOE for incurred dry cask storage costs pursuant to settlement agreements with the Department of Energy;

- Third, Xcel relied on the expertise and experience of Mr. Levin,[5] who has advised the Company that it is reasonable in light of his experience and judgment to assume that Xcel will continue to receive reimbursements from DOE for dry fuel storage costs into and through the decommissioning process. Moreover, should the Department of Energy—for some reason—elect not to renew Xcel Energy's settlement agreement at some point in the future, Mr. Levin notes that the Department of Justice (representing DOE) has failed to meaningfully prevail in actual litigation over the Standard Contract and, in fact, has often been required to pay more in damages than it agrees to reimburse through its various settlement agreements.[7]

Based on the above, Xcel pursued additional analyses regarding the continuation of DOE reimbursements into and through decommissioning. Xcel provided the report from AHL Consulting (Xcel's Petition in Attachment A) that focused on the DOE reimbursement issue. Based on that report—along with Xcel's analysis that incorporates updated earnings projections for its NDT—Xcel recommends that the Commission reduce the accrual to approximately $22.8 million.

The Department notes that a nuclear decommissioning accrual of $22.8 million assumes the 75% and 90% midpoint DOE reimbursement for dry fuel storage costs and the lower earning projections for NDT investments (along with other small input changes).

The Department reviewed the information discussed by Xcel above, including the Standard Contract language by DOE, the examples of other nuclear operators going through decommissioning that have received reimbursement for dry fuel storage costs, and the AHL

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[5] According to Xcel, Adam Levin of AHL Consulting met with several Company employees responsible for decommissioning planning, analyzed the Company's overall method in planning for decommissioning and calculating an annual accrual, and recommended a change in the way the Company factors future DOE reimbursements into the Company's analysis.

Consulting Report by Mr. Levin. The Department agrees that it is reasonable to include the DOE reimbursement (revenues) for dry fuel storage costs during decommissioning into the decommissioning accrual.

However, the Department notes that Xcel has had problems estimating the DOE reimbursement amount in the past. For example in Xcel's 2014 test year and 2015 step Docket No. E002/GR-13-868, Xcel initially estimated its DOE reimbursement at $35.8 million, but changed its estimate to $25.7 million or $10.1 million lower during the rate case proceeding.[6]

As a result, the Department recommends using 75% of Xcel's estimated DOE reimbursements to determine the accrual.[7] This assumption results in a $27.4 nuclear decommissioning accrual for 2020, rather than the $22.8 million nuclear decommissioning accrual for 2020 based on the 75% and 90% midpoint DOE reimbursements recommended by Xcel. This accrual level is a more conservative estimate of the DOE future reimbursement, is easier to calculate, and better ensures that the NDT will be sufficient to fund nuclear decommissioning.

Despite its own analysis, Xcel noted an alternative recommendation in its 2019 Compliance that the Commission could determine the $14 million decommissioning accrual currently reflected in rates to be sufficient until Xcel's next Triennial decommissioning filing in 2020, given that Xcel has filed its IRP, which includes a proposal to extend Monticello until at least 2040.

The Department disagrees with Xcel's alternative recommendation for a few reasons. First, given the complexity of Xcel's IRPs, Xcel's past extensions to the time needed to review its IRPs by adding new proposals in such proceedings, and the significant regulatory workload concurrent with the IRP due to the utilities' decisions to file concurrent rate cases, it is not reasonable to assume that the Commission will have an opportunity to decide Xcel's IRP in the near future. Second, even if the Commission could make such a decision in the near future, the extension of Monticello would also require significant regulatory review by the NRC.

Thus, the Department concludes that a life extension of Monticello should not be reflected in the decommissioning accrual until regulatory approval is obtained by Xcel, and therefore the continuation of the $14 million decommissioning accrual alternatively recommended by Xcel would not be appropriate.

b. SAFSTOR and Third Party Decommissioning Firms

Xcel's 2019 Compliance did not update inputs assuming SAFSTOR or third-party decommissioning firms. However, on page 5 to 7 of Xcel's 2019 Compliance, Xcel provided a discussion of possible implications of using these assumptions to determine the accrual level. As a result, the Department concludes that Xcel's 2019 Compliance complies with the Commission's 2019 Order.

[6] Docket No. E002/GR-13-868, Campbell Surrebuttal at pages 65 to 67.

[7] To be clear, the Department expects that all of the DOE refund would be provided to Xcel's ratepayers.

Specifically, Xcel provided information regarding several nuclear plants that are going through decommissioning and their use of SAFSTOR and third-party decommissioning firms. Based on its review, Xcel concluded the following:

> We recognize that potentially transferring decommissioning responsibility to a third party would be a very significant decision for the Company, our stakeholders, and the Commission. Likewise, we believe any decision to plan for a period of SAFSTOR would represent a very significant change in course for the same parties and the State of Minnesota. After surveying the industry and taking account of the regulatory processes and stakeholder outreach necessary to adopting either strategy, we have concluded that it is premature to plan for decommissioning on the basis of either SAFSTOR or the use of a third-party decommissioning firm. Moreover, after carefully evaluating the industry and talking to numerous industry experts, we have come to the conclusion that it is too early the judge the success of the third-party decommissioning industry. While several agreements have been announced, only one plant (Zion) has actually gone through a significant portion of the decommissioning process using a third-party firm. And it remains to be seen how that project will conclude and what the final financial picture will be when Energy Solutions ultimately releases the site in 2020.
>
> Likewise, because the success of the decommissioning industry appears likely to have a direct impact on the prevalence of SAFSTOR, we view the strategic landscape for decommissioning as in a state of flux. To be clear, we see positive trends playing out in real time in the decommissioning industry, and we remain optimistic that the growth of third-party decommissioning firms and the corresponding economies of scale they can bring to these efforts could significantly decrease the costs associated with decommissioning nuclear facilities over the next decade. Fortunately, Xcel Energy is well-positioned to monitor these trends as part of upcoming Triennial filings and IRPs as we move into and through the 2020s, and we can refine our decommissioning planning strategy as additional projects are completed and the decommissioning industry matures and hopefully proves sustainable. At this time, however, we are not prepared to make any recommendations with respect to changing the way we plan for decommissioning as a result of either the SAFSTOR alternative or the emergence of third-party firms.

The Department agrees with Xcel that basing the accrual on the SAFSTOR alternative or assuming the use of a third-party decommissioning firm are significant changes in Minnesota's nuclear decommissioning plan. As noted by Xcel, it is premature to make these kinds of changes at this time and would be helpful to see how other nuclear plants are fully decommissioned and how SAFSTOR and use of third-party decommissioning firms worked for them. If such a change is appropriate in the future, including such a proposal in the initial filing of a future nuclear decommissioning petition may also provide better assurance that parties interested in nuclear decommissioning have a chance to weigh in on such issues.

Thus, the Department agrees with Xcel that methodology changes in the accrual regarding the SAFSTOR alternative or use of third-party decommissioning firms for Minnesota's nuclear decommissioning plan should not be made at this time. Rather, any methodology changes regarding the SAFSTOR alternative and use of third-party decommissioning firms could be addressed in Xcel's future nuclear decommissioning triennial filings.

3. *Are Xcel's updated Nuclear Decommissioning Trust (NDT's) financial inputs reasonable?*

Department Information Request Nos. 7 and 8, asked Xcel to provide the electronic spreadsheets for Attachments C.1, C.2 and E in Xcel's July 15, 2019 Compliance Filing. The Department reviewed these spreadsheets and noted that the calculation methods and formulas are the same as in Xcel's Initial Petition. Based on our review, the Department notes however that several of Xcel's inputs changed due to regular updates. The Department considers these minor input changes to be reasonable:

- Jurisdictional Factor: 0.43% less allocated to MN;
- Escalation Rate (Labor): 0.02% lower inflation rate;
- Escalation Rate (Non-Labor): 0.02% lower inflation rate; and
- Remaining Life: adjust for fewer years left;

The Department also notes that Xcel made input changes related to earnings/investments and rate of return that are more material changes and warrant further discussion.

In its Compliance Filing Xcel proposed to lower the expected return estimates it uses as inputs in its decommissioning accrual calculations. The table below summarizes the returns assumed in Xcel's Compliance Filing, as well as it two most recent Triennial Petitions.

Table 3
Summary of Assumed After-Tax Returns on NDT Investments[8]

	Return During:		Change from Prior Assumed Return During:	
	Operations	Decomm.	Operations	Decomm.
14-761 Triennial Filing Return Assumptions				
Monticello	6.20%	5.51%	0.85%	0.69%
Prairie Island I	6.24%	5.35%	0.74%	0.69%
Prairie Island II	6.30%	5.23%	0.77%	0.66%
17-828 Triennial Filing Return Assumptions				
Monticello	5.00%	4.43%	-1.20%	-1.08%
Prairie Island I	4.99%	4.15%	-1.25%	-1.20%
Prairie Island II	5.04%	4.09%	-1.26%	-1.14%
17-828 Compliance Filing Return Assumptions				
Monticello	4.68%	3.82%	-0.32%	-0.61%
Prairie Island I	4.67%	3.53%	-0.32%	-0.62%
Prairie Island II	4.73%	3.44%	-0.31%	-0.65%

As shown in Table 3 above, in its 2014 Triennial Petition, Xcel increased its return assumptions by 66 to 85 basis points from the returns assumed in its 2011 Triennial Filing.[9] Xcel lowered its return assumptions by 108 to 126 basis points in its 2017 Triennial Filing, and then lowered its return assumptions further in its Compliance Filing.

The Department updated the decommissioning accrual calculation from Attachment C.1 to the Company's Compliance filing using the returns assumed in the 2017 Triennial Petition, as well as those assumed in the 2014 Triennial Petition.

[8] 2014 Triennial Petition, page 18; 2017 Triennial Petition, page 23; Compliance Filing, Attachment D, page 3.
[9] Returns assumed in the 2011 Triennial Filing are not shown in the table.

Table 4
Impact of Changes in Return Assumptions on Decommissioning Accrual

	2020 Decommissioning Accrual	Difference From Proposed
As Proposed:	27,418,421	-
Calculated Using Return Assumptions from:		
2017 Triennial Petition	11,231,463	(16,186,958)
2014 Triennial Petition	(27,820,866)	(55,239,287)

As shown, the amount of the decommissioning accrual is quite sensitive to changes in the return assumptions, and the impact of the changes to Xcel's return assumptions since 2014 is large. The sensitivity of the decommissioning accrual to changes in return assumptions highlights the importance of both (a) the derivation of reasonable return assumptions given a predetermined asset allocation for Xcel's NDT and expected returns by asset class, and (b) Xcel's asset allocation decisions, which are the primary driver of overall NDT returns.

a. Derivation of Return Assumptions Given Portfolio Target Allocations

Xcel's proposed return assumptions are a function of its:

1. expected return assumptions by asset class,
2. target asset allocation, and
3. planned strategy to convert enough of NDT investments to low risk bonds to cover anticipated cash needs five years in the future.

With respect to the derivation of the return input assumptions shown in Table 3 above, the Department notes that Xcel's proposed decrease in its assumed returns is generally consistent with broader market trends such as decreasing interest rates on debts of all types and increasing stock valuations (which imply lower returns on equities). For this reason, the Department does not dispute the updated return assumptions presented in Attachment D to the Compliance Filing, and recommends that the Commission find that they are reasonable and approve them. However, the specific methods used to derive the long-term expected returns by asset class shown on page 2 of Xcel's Attachment D are unclear, as is the way those expected returns by asset class are translated into the portfolio expected returns used to calculate the decommissioning accrual.

Between now and the time Xcel files its next triennial nuclear decommissioning filing (due December 1, 2020), the Department would like to work with Xcel to better understand how the expected returns for the asset classes are derived, as well as Xcel's method of calculating its expected portfolio returns using its target asset allocation, the expected returns by asset class, and the Company's plan to convert its investments to bonds as it needs to withdraw funds from the trust to pay for decommissioning-related expenses.

b. Xcel's Asset Allocation Decisions

In the August 25, 2017 Report by LCG Associates, filed with the Commission by Xcel on the same date, LCG Associates cited research that concluded that 91.5 percent of a portfolio's returns were determined by the asset allocation decisions made by the investor, making clear the importance of determining a reasonable asset allocation mix of the NDT.

The Department has noted in recent years that the returns produced by Xcel's investment strategies have lagged relevant other benchmarks such as NDTs managed by other utilities and, over 15-20 year periods, the returns on 10-year U.S. Treasury notes. Because of this subpar performance of the NDT, the Department has recommended changes to Xcel's asset allocations intended to produce higher returns by both reasonably increasing the NDT's risk profile and reducing fees paid to external investment managers. Despite recent changes to Xcel's target asset allocation, including the elimination of hedge funds and commodities and increases in fixed income investments, the Department still believes it may be reasonable to make a few more adjustments to Xcel's investments to generate reasonably higher returns. However, rather than recommending specific changes to Xcel's asset allocation in the Docket, the Department instead recommends that the Commission require Xcel to work with the Department between now and the time of Xcel's next triennial filing and require Xcel to provide better information about Xcel's decision-making processes and the analysis the Company relies on to make those decisions.

For example, in its March 1, 2018 Comments in this Docket, the Department recommended that the Company increase the allocation of NDT assets invested in U.S. small capitalization stocks from 2.6 percent to 15.0 percent, eliminate its investments in real estate, and reduce it investments in high yield bonds. In its March 12, 2018 Reply Comments, the Company explained that it views real estate as an important hedge against unanticipated inflation and a source of diversification that helps to manage overall risk. The Company also noted that its real estate portfolio contains illiquid assets from which it cannot divest without incurring penalties or discounted returns. The Department agrees that the Company's concerns about diversification and inflation are valid, and understands that illiquid assets may offer return premiums to investors with long-term investment horizons like Xcel precisely because of their illiquid nature, which eliminates short-term investors as potential buyers. The Department would like to work with Xcel to develop a better understanding of how specifically the Company considers these and other factors in its asset allocation decisions.

More generally, over the past few years in various filings in this Docket and in Docket No. E002/M-14-761 (the 2014 Triennial Docket), Xcel has provided high level descriptions of its process for making asset allocation decisions and the factors it generally considers. For example, in its 2017 Triennial Petition, the Company stated:

> As part of this Triennial Nuclear Decommissioning Accrual filing, the Company undertook a comprehensive review of our investment allocations to evaluate portfolio changes that would be effective over the next triennial period. The process of determining the portfolio's asset mix is called asset allocation optimization. Different mixes of assets can produce hundreds, or even thousands, of alternative combinations of risk and returns. As a result, asset allocation techniques are used in practice to evaluate the various possible asset mixes and determine those combinations that are likely to deliver optimal performance in terms of risk and return.
>
> We have used this process to perform a long-term optimization of the asset allocation for the NDT's investments.[10]

The Department recommends that the Commission require Xcel to provide further information by January 10, 2020 so that, between now and when Xcel files its next triennial nuclear decommissioning study, Xcel can provide better information about its process for evaluating the risk and return profiles of possible portfolio combinations in the context of the investment strategy described in the Company's April 1, 2016 Annual Information Letter, where Xcel described the four main drivers of its strategy:

1. The NDT's long investment horizon, which allows the trust to invest in long-term illiquid assets that offer the possibility of greater returns compared to more traditional, liquid investments like stocks and bonds.
2. The fact that the NDT's are taxable, which requires the Company to use investment strategies to manage its tax liability.
3. The size of the NDT, which is large enough to qualify as an institutional investor, allowing it to access asset classes that are not available to all investors.
4. The sensitivity of decommissioning costs to inflation, which causes the Company to bias its investments towards assets that provide hedges against unexpected inflation.[11]

In the same letter, the Company described the internal NDT Committee that oversees management of the NDT. The Company also stated that the NDT Committee has retained Goldman Sachs as the investment advisor to the committee, providing "forward-looking capital market assumptions" and "the resulting portfolio impacts," which the NDT Committee incorporates into its decision making process.

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[10] 2017 Triennial Petition, page 24.

[11] The Department understands that the Company may have de-emphasized the fourth driver in the last year or two in with the goal of increasing the NDT's returns.

The Department recommends that the Commission require Xcel to fully describe exactly what information and analysis Goldman Sachs provides and how the NDT Committee evaluates that information within the framework of its fund strategy to make allocation decisions to optimize the NDT's risk/return profile. For example, Xcel's long-term expected annual return on high yield bonds decreased significantly from 4.43 percent in the 2017 Triennial Petition to 3.45 percent in its Compliance Filing, which is lower than the expected return on investment grade bonds. Similarly, the long-term expected volatility of real estate increased from 8.45 percent to 12.68 percent between the two filings. Thus, the Department also recommends that the Commission require Xcel to fully describe how Xcel's NDT Committee evaluates these types of changes in its asset allocation decisions.

In addition, after the Company decides what portion of the NDT to invest in a particular asset class, it must decide whether to pursue an active or passive strategy within that asset class, and it must select one or more investment managers to manage the NDT's investments in U.S. large capitalization equities. Additionally it must monitor the performance of the managers it has selected and determine whether to retain or replace those managers. In its April 1, 2016 Annual Information, the Company explained that Goldman Sachs also assists the NDT Committee with these processes. Further, in the same filing, Xcel explained that its capital gains tax liability must be managed across its entire portfolio to minimize its capital gains tax liability. Thus, the Department recommends that the Commission require Xcel to fully describe both of these processes and fully explain how they impact expenses associated with manager turnover and asset turnover, as well as tax expense.

In sum, the Department recommends that the Commission require Xcel to provide the following information by January 10, 2020, and work with the Department to explain how these processes work:

- Fully describe exactly what information and analysis Goldman Sachs provides and how the NDT Committee evaluates that information within the framework of its fund strategy to make allocation decisions to optimize the NDT's risk/return profile.
- Fully describe how Xcel's NDT Committee evaluates changes in expected long-term returns and volatility in particular asset classes in its allocation decisions.
- Fully describe how the Company:
    - decides whether to pursue an active or passive strategy within that asset class,
    - selects one or more investment managers to manage the NDT's investments in U.S. large capitalization equities,
    - monitors the performance of the managers it has selected,
    - determines whether to retain or replace those managers, and
    - manages its capital gains tax liability across its entire portfolio to minimize its capital gains tax liability, and

- ensures that ratepayers fully benefit from Xcel's minimization of capital gains.

- Fully explain how these decisions impact expenses associated with manager turnover and asset turnover, as well as tax expense.

4. *Is the updated end of life (EOL) nuclear fuel accrual reasonable?*

In its January 7, 2019 Order in this Docket, the Commission approved a Minnesota Retail jurisdictional EOL Nuclear Fuel Accrual of $2,003,526 beginning in 2020. In its Compliance, Xcel proposed to update the Minnesota jurisdictional accrual to $2,029,394.[12]

The Department reviewed Xcel's calculation of the annual EOL nuclear fuel accrual, contained in Attachment E of the Compliance Filing, and notes that Xcel used incorrect cost of capital inputs. Xcel appears to have used the capital structure and capital cost estimates (i.e. costs of long-term debt, short-term debt, and equity) approved in its 2012 rate case (Docket No. E002/GR-12-961). The accrual should be calculated using the capital structure and capital cost estimates from Xcel's most recent rate case, Docket No. E002/GR-15-826, including a 9.06 percent return on equity.[13] The Department estimates that updating those inputs results in an increase of approximately $63,000 in the Minnesota jurisdictional accrual, relative to Xcel's proposal.

The Department's review of Xcel's EOL nuclear fuel accruals also raised a concern related to the sinking fund methodology that Xcel's employs to calculate the accrual. Generally, a sinking fund is a fund formed by periodically setting aside money in order to make a payment or investment of a known amount in the future. The money set aside periodically is assumed to be deposited into an account that will pay a fixed rate of interest, and the amount of the periodic deposits is set at a fixed amount such that by the time the money is needed for the future payment or investment, the sum of the periodic deposits and the interest earned on those deposits will be equal to the amount of the payment or investment.

The formula Xcel uses to calculate the annual accrual assumes that those accruals will earn interest at a rate equal to the sinking fund rate. At a high level, the Department agrees with this approach, as ratepayers are prefunding a future expense (i.e. the cost of the unspent fuel that will expensed immediately upon retirement of each nuclear facility), which gives Xcel access to funding from a source other than investors and allows Xcel to avoid paying the cost of capital on those funds. If ratepayers are not credited for this prepayment in some manner, for example either by reflecting interest payments in the "amount recovered" balance in the accrual calculation or reducing rate base in a rate case, ratepayers would effectively and unreasonably provide Xcel with an interest free loan.

[12] Compliance Filing, page 11.
[13] While the Commission has not issued its written order yet, at the Commission's May 23, 2019 agenda meeting the Commission verbally ordered that the Company be required to use a return on equity of 9.06 percent in its transmission cost recovery rider. The Department concludes that the same ROE should be used to determine the EOL nuclear fuel accrual.

However, while Xcel's calculation of the accruals going forward assumes that interest will be paid, the "amount recovered" balance reported in Attachment E does not appear to reflect any past interest payments on funds already accrued. For example, in the Company's December 1, 2017 Triennial Petition in this Docket, using then-current assumptions, the Company derived a 2019 accrual of $3,283,896, and from that filing to the 2019 Compliance, the "amount recovered" increased by exactly that amount.[14] Thus, the "amount recovered" balance appears to only include the sum of past accruals, but no interest earned on those accruals.

The Department also notes that in its 2019 Compliance, Xcel stated that "the sinking fund calculation results in increasing accruals year-over-year."[15] However, the formula Xcel uses to calculate its accrual is intended to produce a fixed, level accrual that, when combined with interest earned, will total the targeted amount at the end of the nuclear facilities' lives. The accrual will need to be stepped up over time if each year it is calculated assuming that interest will be paid on accruals "deposited," but then the calculation provides no consideration for interest that should be earned. The amount of the accrual to be "deposited" will have to be increased to cover the interest income that had been expected but was never realized in the NDT account.

The Department requests that Xcel clarify in reply comments the mechanics of its EOL nuclear fuel sinking fund and the related accruals, and explain whether Xcel credits ratepayers in any way for the temporary use of the money provided by ratepayers to cover the future EOL fuel expense.

5. *Should the Commission change the 2019 annual decommissioning and 2019 EOL nuclear fuel accruals?*

Xcel, the Department and the Commission agreed that the nuclear decommissioning accrual and EOL nuclear fuel accrual should be changed effective 2020 (rather than 2019) to better match Xcel's expected rate case filing. The Department notes that unlike depreciation expense that is generally changed annually under the remaining life method, decommissioning is reviewed every three years and is a more complex calculation and therefore may warrant some flexibility. The Commission's order point 2 stated:

> 2. Beginning in 2020, the Commission approves:
>
>   A. an Annual End of Life Nuclear Fuel Accrual of $2,003,526; and
>   B. a $44.4 million Annual Decommissioning Accrual, subject to possible revision based on a subsequent accrual filing to be made on July 15, 2019 that updates inputs and considers the possible implications of:

---

[14] See the December 1, 2017 Triennial Petition, Schedule H.1. The "amount recovered" balance increased by $3,283,896, from $63,573,488 to $66,857,384

[15] Compliance Filing, page 11.

- Department of Energy continuing refunds for dry cask storage during the decommissioning process;
- The use of the SAFSTOR decommissioning method; and
- The possible use of third-party contractors for nuclear decommissioning

In Xcel's compliance filing there are three major changes to the nuclear decommissioning accrual, the inclusion of the DOE reimbursement for dry fuel storage costs which is a change in the decommissioning methodology, and the lower earnings projections for the NDT investments and rate of return, which are both changes in Xcel's inputs.

As noted above under question no. 2, the Department supports basing the accrual on 75% of Xcel's estimated DOE reimbursements/revenues for dry fuel storage costs during decommissioning into the decommissioning accrual. This assumption results in a $27.4 nuclear decommissioning accrual for 2020, rather than Xcel's proposed $22.8 million nuclear decommissioning accrual for 2020. The Department therefore recommends that the $27.4 million nuclear decommissioning accrual be approved starting in 2020.

As noted above under question no. 4, the Department has requested additional information from Xcel in reply comments and will provide a final recommendation after it reviews that information.

6. *Are there other issues or concerns related to this matter?*

The Department is not aware of any other issues or concerns related to the nuclear decommissioning and EOL nuclear fuel accruals at this time.

III. DEPARTMENT RECOMMENDATION

Q1. Does Xcel's July 15, 2019 filing comply with the Commission's January 7, 2019 Order?

Yes; Xcel's 2019 Compliance addressed possible implications of: 1) DOE continuing refunds for dry cask storage during the decommissioning process; 2) the use of SAFSTOR decommissioning method; and 3) the possible use of third-party contractors for nuclear decommissioning; on the 2020 nuclear decommissioning accrual. Xcel also updated its 2020 End of Life Fuel accrual to reflect the passage of time.

Q2. Are Xcel's updated decommissioning methodology assumptions reasonable?

Generally, yes; however, the Department recommends basing the accrual on 75% of Xcel's estimated DOE reimbursements, which results in a $27.4 nuclear decommissioning accrual for 2020, rather than Xcel's proposed $22.8 million nuclear decommissioning accrual for 2020.

Regarding Xcel's proposed alternative, the Department does not recommend that the accrual be based on an assumption that Monticello will be extended, unless and until Xcel receives regulatory approval. As a result, Xcel's alternative proposal to extend the $14 million decommissioning accrual is not appropriate.

The Department agrees with Xcel that no methodology changes in the nuclear decommissioning accrual regarding SAFSTOR alternative or use of third-party decommissioning firms should be made at this time. Any such changes should be addressed in a future Xcel nuclear decommissioning triennial filing.

Q3. Are Xcel's updated Nuclear Decommissioning Trust (NDT's) financial inputs reasonable?

The Department recommends that the Commission find Xcel's NDT financial inputs to be reasonable at this time. However, the Department also recommends that the Commission require Xcel to provide the following information by January 10, 2020, and work with the Department to explain how these processes work:

- Fully describe exactly what information and analysis Goldman Sachs provides and how the NDT Committee evaluates that information within the framework of its fund strategy to make allocation decisions to optimize the NDT's risk/return profile.

- Fully describe how Xcel's NDT Committee evaluates changes in expected long-term returns and volatility in particular asset classes in its allocation decisions.

- Fully describe how the Company:
    - decides whether to pursue an active or passive strategy within that asset class,
    - selects one or more investment managers to manage the NDT's investments in U.S. large capitalization equities,
    - monitors the performance of the managers it has selected,
    - determines whether to retain or replace those managers, and
    - manages its capital gains tax liability across its entire portfolio to minimize its capital gains tax liability, and
    - ensures that ratepayers fully benefit from Xcel's minimization of capital gains.

- Fully explain how these decisions impact expenses associated with manager turnover and asset turnover, as well as tax expense.

This information will help the Department work with Xcel to gain a better understanding of the Company's asset allocation decisions, which are the largest driver of the expected portfolio return assumptions, as well as the methods used to calculate the expected returns by asset class reflected in the assumptions.

Q4. Is the updated end of life (EOL) nuclear fuel accrual reasonable?

As described above, the Department requests that the Company provide additional information in reply comments related to the mechanics of its sinking fund calculations and will offer a final recommendation after it reviews that information.

Q5. Should the Commission change the 2019 annual decommissioning and 2019 EOL nuclear fuel accruals?

The Department recommends that the $27.4 million nuclear decommissioning be approved starting in 2020. The Department will provide a recommendation regarding the timing of the update of the EOL nuclear fuel accrual after it review the information Xcel provides in reply comments.

Q6. Are there other issues or concerns related to this matter?

The Department is not aware of any other issues or concerns related to the nuclear decommissioning and EOL nuclear fuel accruals at this time.

/ar

COMMERCE DEPARTMENT

Department of Commerce Attachment A

Department Information Requests and Xcel Energy Responses

Docket No. E002/M-17-828

85 7th Place East - Suite 280 - Saint Paul, MN 55101 | P: 651-539-1500 | F: 651-539-1547
mn.gov/commerce

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Xcel Energy Information Request No. 7

Docket No.: E002/M-17-828
Response To: MN Department of Commerce
Requestor: Steve Rakow
Date Received: July 18, 2019

Question:
Request Number: 7
Topic: Click or tap here to enter text.
Reference(s): Click or tap here to enter text.

Request:
Please provide electronic spreadsheet(s) with formulas intact for Attachments C.1 and C.2 to the July 15, 2019 Compliance Filing.

Response:
Please see the live files provided with this response.

Preparer: Nick Hanson
Title: Accounting Consultant
Department: Capital Asset Accounting
Telephone: 612.330.7850
Date: July 23, 2019

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Xcel Energy — Information Request No. 8

Docket No.: E002/M-17-828
Response To: MN Department of Commerce
Requestor: Steve Rakow
Date Received: July 18, 2019

Question:
Request Number: 8
Topic: Click or tap here to enter text.
Reference(s): Click or tap here to enter text.

Request:
Please provide electronic spreadsheet(s) with formulas intact for Attachment E to the July 15, 2019 Compliance Filing.

Response:
Please see the live file provided with this response.

Preparer: Nick Hanson
Title: Accounting Consultant
Department: Capital Asset Accounting
Telephone: 612.330.7850
Date: July 23, 2019

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Xcel Energy — Information Request No. 9
Docket No.: E002/M-17-828
Response To: MN Department of Commerce
Requestor: Nancy Campbell, Steve Rakow, Craig Addonizio
Date Received: July 22, 2019

Question:
Topic: Decommission Accrual Changes – 75% of DOE & lower earnings

Please provide the following information in a table (by plant and in total):

Column 1 – breakout of the $44.4 million decommissioning accrual approved by the Commission;
Column 2 – reduction caused by including 75% of DOE reimbursement;
Column 3 – increase caused by lower earnings projections; and
Column 4 – resulting adjusted decommission accrual.

Response:
See the table below for the requested accruals, reductions, and increases.

TABLE 1

	2020 Accrual Approved in 2019 Triennial	Decrease From 75% DOE Reimbursements	Increase Due to Earnings Assumptions	2020 Resulting Accrual	Increase Due to Passage of Time*	2020 Accrual Calc'd with 75% DOE Reimbursements
Monticello	20,824,536	(19,568,914)	7,210,054	8,465,675	41,435	8,507,110
Prairie Island Unit 1	14,749,471	(7,402,273)	3,840,806	11,188,004	1,211,699	12,399,703
Prairie Island Unit 2	8,825,903	(6,853,934)	3,863,068	5,835,038	676,570	6,511,608
TOTAL	44,399,910	(33,825,121)	14,913,928	25,488,717	1,929,704	27,418,421

*Accrual collection/contribution period is one year shorter, balances updated to reflect May 31st, 2019

Preparer: Nick Hanson
Title: Accounting Consultant
Department: Capital Asset Accounting
Telephone: 612.330.7850
Date: August 1, 2019

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Xcel Energy — Information Request No. 10

Docket No.: E002/M-17-828
Response To: MN Department of Commerce
Requestor: Nancy Campbell, Steve Rakow, Craig Addonizio
Date Received: July 22, 2019

Question:
Topic: Decommission Accrual Changes – 75% and 90% midpoint of DOE & lower earnings

Please provide the following information in a table (by plant and in total):

Column 1 – breakout of the $44.4 million decommissioning accrual approved by the Commission;
Column 2 – reduction caused by including 75% and 90% midpoint of DOE reimbursement;
Column 3 – increase caused by lower earnings projections; and
Column 4 – resulting adjusted decommission accrual.

Response:
In responding to this request it was assumed that the midpoint of DOE reimbursements was 82.5 percent, for further discussion relating to how the $22.8 million average accrual was arrived at please see the Company's response to DOC IR No. 11. See the table below for the requested accruals, reductions, and increases.

Table 1

	2020 Accrual Approved in 2019 Triennial	Decrease From 82.5% DOE Reimbursements	Increase Due to Earnings Assumptions	2020 Accrual Resulting Accrual
Monticello	20,824,536	(20,824,536)	6,044,856	6,044,856
Prairie Island Unit 1	14,749,471	(8,142,500)	3,696,626	10,303,597
Prairie Island Unit 2	8,825,903	(7,539,327)	3,724,398	5,010,975
TOTAL	44,399,910	(36,506,363)	13,465,881	21,359,428

Preparer:	Nick Hanson
Title:	Accounting Consultant
Department:	Capital Asset Accounting
Telephone:	612.330.7850
Date:	August 1, 2019

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Xcel Energy		Information Request No. 11
Docket No.:	E002/M-17-828	
Response To:	MN Department of Commerce	
Requestor:	Nancy Campbell, Steve Rakow, Craig Addonizio	
Date Received:	July 22, 2019	

Question:
Topic: DOE Outcomes

a) For the DOE 75% Outcome, please provide what years Xcel assumed it would receive this DOE 75% Outcome and how Xcel determined the DOE 75% Outcome amount. Please provide reference if shown in Attachment C.

b) For the DOE 75% and 90% Midpoint Outcome, please provide what years Xcel assumed it would receive this DOE 75% and 90% Midpoint Outcome amount and how Xcel determined the DOE 75% and 90% Midpoint Outcome. Please provide reference if shown in Attachment C.

Response:

a) Xcel Energy assumes that DOE payments will be received for Monticello from 2038-2091, for Prairie Island 1 from 2041-2078, and for Prairie Island 2 from 2042-2078. This is based on the timing assumed on page 8 of Attachment A (The AHL Report) of our July 15, 2019 Compliance filing (Compliance Filing), which lists the cost recovery period and amount for Monticello, and page 9 which lists the same for the Prairie Island units. The amounts are applied to Labor and Non-Labor respectively based on the assumed percentage multiplied by the respective $5.9 million and $2.1 million for Monticello. For Prairie Island the percentage is multiplied by $3.0 million and $1.9 million per year respectively. These are the amounts recommended by Adam Levine based on his industry experience and his review of our cost estimates. The AHL Report includes more detail on how these costs were arrived at, as well as some discussion of the percentages used. The amounts are stated on pages 8 and 9 of The AHL Report. The amounts were input into the cells highlighted in blue on pages 3-5 of Attachment C.1 of our Compliance Filing and 3-6 of Attachment C.2 of our Compliance Filing.

In order to adjust the cost estimate, these amounts were subtracted from the nominal labor and non-labor amounts to recover, prior to the application of the jurisdictional percentages.

b) In calculating the mid-point, the company did not use an updated cost estimate assuming 82.5 percent recovery of spent fuel costs, although this has been provided as requested in DOC IR No 10. Instead the company took the average of the referenced 75 percent and 90 percent recovery scenarios and then allocated the amount by unit based on the 75 percent scenario, as shown on Table 1 of the Compliance Filing on page 3. The 75 percent accrual of $27.4 million plus the 90 percent accrual of $18.2 million divided by 2 is the calculation that was used to arrive at the $22.8 million mid-point. The accruals for the 75 percent and 90 percent scenario can be seen in the first paragraph on page 10 of the Compliance Filing.

Preparer:	Nick Hanson
Title:	Accounting Consultant
Department:	Capital Asset Accounting
Telephone:	612.330.7850
Date:	August 1, 2019

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Xcel Energy | Information Request No. 12

Docket No.:	E002/M-17-828
Response To:	MN Department of Commerce
Requestor:	Nancy Campbell, Steve Rakow, Craig Addonizio
Date Received:	July 22, 2019

Question:

Topic: Lower Earnings Projections

a) Please provide in a table the earning projections and assumptions used in the last decommission study compared the earnings projections and assumptions used in the current petition.

b) Please provide further support for why it is reasonable to change the earnings projections and assumptions at this time.

Response:

a) Please see Table 1 below for the comparison of earnings projections between the two filings.

Table 1

Unit	Earnings Assumption	2017 Initial Filing	Update for May 2019 Data
Monticello	Operating SER*	5.01%	4.68%
Monticello	Post-Shutdown SER	4.43%	3.82%
Prairie Island Unit 1	Operating SER	4.99%	4.67%
Prairie Island Unit 1	Post-Shutdown SER	4.15%	3.53%
Prairie Island Unit 2	Operating SER	5.04%	4.73%
Prairie Island Unit 2	Post-Shutdown SER	4.09%	3.44%
All Units	Labor Escalation	4.05%	4.03%
All Units	Non-Labor Escalation	2.85%	2.83%

*SER stands for Single Effective Rate, it is the earnings rate used in the accrual calculation

Included below is a table of assumptions and associated target portfolio earnings projections used in the last decommissioning study compared to similar values in the current petition:

Earnings Projections and Assumptions[1]	**6/30/2017**	**5/31/2019**	**Difference**
Long-term risk-free rate:	2.84%	2.57%	(0.27%)
Expected inflation:	1.85%	1.83%	(0.02%)
Real rate:	0.99%	0.74%	(0.25%)
Risk premium & other (pre-tax arithmetic):	4.79%	4.79%	0.00%
Expected return (pre-tax arithmetic):	7.63%	7.36%	(0.27%)
Expected return (after-tax geometric):	**5.25%**	**5.00%**	**(0.25%)**

These earnings rates are different than the SERs in the previous table because they represent a static portfolio allocation on a forward looking basis and do not incorporate any transitions to bonds as is the policy and is captured in the SERs.

b) As an initial matter, we note that the Commission's January 7, 2019 Order in this docket required "a subsequent accrual filing to be made on July 15, 2019 *that updates inputs* . . ." (emphasis added). Below, we discuss the market conditions that have driven changes in those inputs.

The expected returns for each asset class are assumed to be composed of the long-term risk-free rate, and a risk premium which varies by asset class. For that reason, there are two primary reasons why the return assumptions change over time. The first is changes in the long-term risk-free rate, which is updated on a monthly basis. The second is changes in the expected risk premiums for each asset class, which are adjusted on a quarterly basis.

Over the period, the long-term risk-free rate, which declined by 0.27% represented all of the change in the expected return. While the risk premium component did change over time, the difference between 5/31/2019 and 6/30/2017 was zero. The difference in the return for the total portfolio on a pre-tax, arithmetic basis was therefore down 0.27%, in line with the change in the long-term risk free rate. The change in the total portfolio on an after-tax geometric basis was 0.25%.

Preparer: Greg Zick
Title: Director
Department: Investments and Pensions
Telephone: 612.215.4648
Date: August 1, 2019

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Xcel Energy		Information Request No.	13
Docket No.:	E002/M-17-828		
Response To:	MN Department of Commerce		
Requestor:	Nancy Campbell, Steve Rakow, Craig Addonizio		
Date Received:	July 22, 2019		

Question:
Topic: Update Earnings
Reference(s): Department information request no. 6 in Docket No. E002/M-17-828

Please update Xcel's response to Department information request no. 6 with financial earnings information through May 31, 2019.

Response:
Please see updated Tables 6 and 9 below which provide updated year-to-date performance through May 31, 2019. This is consistent with our previous update in DOC IR No. 6 which showed the 2019 YTD as of March 31, 2019.

Table 6

	As of 5-31-19	Annualized Returns as of 12/31/2018					
	2019 YTD	1 Year	3 Year	5 Year	15 Year	SI	1/1/09 to 12/31/18
Total Qualified Trust Fund	6.30%	-3.77%	6.05%	4.73%	4.48%	5.01%	7.77%
Qualified Trust Fund Benchmark*	6.31%	-3.11%	7.02%	4.51%	3.70%	4.64%	6.95%

Table 9

	As of 5-31-19	As of 12-31-18						
	2019 YTD Return	1-Year Return	3-Year Return	5-Year Return	10-Year Return	15-Year Return	20-Year Return	Since Inception
Xcel NDT Qualified Composite	6.3%	-3.8%	6.1%	4.7%	7.8%	4.5%	4.6%	5.0%
S&P 500 index	10.7%	-4.4%	9.3%	8.5%	13.1%	7.8%	5.6%	9.4%
10-year Treasury Note	4.4%	1.1%	1.2%	2.2%	2.7%	4.6%	5.4%	6.4%
DOC portfolio (old)	10.6%	-6.7%	7.6%	6.4%	--	--	--	--
DOC portfolio (new)	7.3%	-5.9%	6.4%	5.1%	--	--	--	--
Other NDTs (Proxy Return)	7.9%	-4.0%	5.6%	4.7%	8.0%	5.6%	5.0%	6.3%

Preparer:	Greg Zick
Title:	Director
Department:	Investments and Pensions
Telephone:	612.215.4648
Date:	August 1, 2019

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

MINNESOTA DEPARTMENT OF COMMERCE – COMMENTS

Docket Nos. **E002/M-17-828**

Dated this **19th** day of **August, 2019**.

/s/Linda Chavez

____

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Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_17-828_M-17-828
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Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_17-828_M-17-828
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_17-828_M-17-828

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Carol A.	Overland	overland@legalectric.org	Legalectric - Overland Law Office	1110 West Avenue Red Wing, MN 55066	Electronic Service	No	OFF_SL_17-828_M-17-828
Jeff	Oxley	jeff.oxley@state.mn.us	Office of Administrative Hearings	600 North Robert Street St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-828_M-17-828
Greg	Padden	gpadden@grenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369-4718	Electronic Service	No	OFF_SL_17-828_M-17-828
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_17-828_M-17-828
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206 St. Paul, MN 551011667	Electronic Service	No	OFF_SL_17-828_M-17-828

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Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-828_M-17-828
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Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-828_M-17-828
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Thomas	Tynes	jjazynka@energyfreedomcoalition.com	Energy Freedom Coalition of America	101 Constitution Ave NW Ste 525 East Washington, DC 20001	Electronic Service	No	OFF_SL_17-828_M-17-828
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-828_M-17-828

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Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-828_M-17-828
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-828_M-17-828