Xcel Energy

414 Nicollet Mall
Minneapolis, Minnesota 55401-1993

—Via Electronic Filing—

March 20, 2015

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

Re: PREFERRED DECISION OPTIONS
NORTHERN STATES POWER COMPANY - ELECTRIC RATE CASE
DOCKET NO. E002/GR-13-868

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the attached decision options as requested during Minnesota Public Utilities Commission's March 20, 2015 Oral Argument Hearing in Docket No. E002/GR-13-868.

As the Company noted during oral arguments, a threshold question is whether the Commission believes public policy supports the Company avoiding a 2016 electric rate case. We believe the ALJ Report recognizes this fact as the use of rate moderation was left to the Commission's discretion. If the Commission agrees with avoiding a 2016 electric rate case, the Company respectfully requests that the decision option presented in the first enclosed document, titled "Xcel Energy Alternative Decision Option to Avoid 2016 Rate Case," be approved in its entirety. For all other items, please see the "Xcel Energy Preferred Options from the Deliberation Outline."

If the Commission does not seek a path to avoid a 2016 rate case, our Deliberation Outline sets forth our preferred options for 2014 and 2015 rates. We have enclosed several Attachments to our deliberation outline in response to the questions or comments raised during the oral argument this past Thursday.

If you have any questions regarding this submission, please contact me at (612) 215-4663 or aakash.chandarana@xcelenergy.com.

Sincerely,

/s/

AAKASH H. CHANDARANA
REGIONAL VICE PRESIDENT
RATES AND REGULATORY AFFAIRS

Enclosures
cc: Service List

XCEL ENERGY ALTERNATIVE DECISION
OPTION TO AVOID 2016 RATE CASE

As the Company noted during oral arguments, a threshold question is whether public policy supports the Company avoiding a 2016 electric rate case. If so, the Company respectfully requests the following decision option be approved in its entirety. For all other items, please see the "Xcel Energy Preferred Options from the Deliberation Outline." If the Commission does not grant our request to avoid a 2016 electric rate case, then the Company refers the Commission to our Deliberation Outline for all issues.

Decision Option: Adopt ALJ Findings 93-467, 480-579, 633-663, and ALJ Report Attachment A, which resolve all revenue requirement issues except those related to Monticello (previously decided), Pleasant Valley/Border Winds, Nuclear Theoretical Reserve, and Rate Moderation.

AND

Adopt Staff Decision Alternatives VII.L.1 and VII.M.1 consistent with Xcel Energy's proposed treatment of interim rates.

AND

Determine that it is in the public interest to adopt the following rate moderation tools and make the following policy decisions to avoid the need for Xcel Energy to file a request to increase electric service rates in Minnesota for 2016:

II.E Place Pleasant Valley and Border Winds in Base Rates

Adopt Staff Decision Options 1(a), (1)(c)(1), and (1)(c)(2).

VII.G Nuclear Theoretical Reserve Surplus

Allow Xcel Energy to utilize a $70 million difference between the actual and theoretical depreciation reserves for the nuclear plant to be utilized to reduce the Company's revenue deficiency in 2016 with any remainder available for future proceedings.

Note that this alternative provides similar impact in 2016 to XLI's calculation of the nuclear theoretical reserve amortized over three years

VII.I. TDG Theoretical Depreciation Reserve Surplus

Approve accelerated usage of the Theoretical Depreciation Reserve split as a rate moderation tool in this case and determine that the 50/0/50 split should be used.

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
I. ALJ REPORT	ALJ Report	2		
II. FINANCIAL				
A.1	Qualified Pension Discount Rate Assumption	a.	YES	
A.2	Optional Revisions to ALJ Findings on Pension Discount Rate	Do Not Support	NO	
A.3	Qualified Pension 2008 Market Loss	b.	YES	
A.4	Optional Issues Related to 2008 Market Loss	(a)(2)	N/A	The Company does not support option (b) for several reasons. The pension trust is not the sole ownership of any one jurisdiction or Company. Thus it is very challenging to agree to a decision alternative that places one jurisdiction in control of Xcel Energy decisions that affect multiple jurisdictions. Additionally, decision alternative (b) could result in Xcel Energy violating ERISA or another state commission order. Lastly, decision alternative (b) could be viewed as the Commission taking on a fiduciary obligation as it pertains to our pension trust.
A.5	Optional Revisions to ALJ on 2008 Market Loss	Do Not Support	NO	
A.6	Qualified Pension Mitigation Alternatives	a, b	YES	

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
A.7	Prepaid Pension Asset	C(1)	N/A	Issue was not raised during contested case; therefore, ALJ did not address it. The Company described the development of the pre-paid pension asset and supported its request in Mr. Moeller's Direct Testimony at p. 121-128. The forecasted amount of the pre-paid pension asset can be found in Table 23 (rows 1 and 2), and the forecasted ADIT can be found in Table 24 (rows 1 and 2). With every rate case we provide the forecasted pre-paid pension asset and ADIT in Volume 4A. Our response to DOC IR-2108 provides our forecasted pre-paid pension asset and ADIT for the 2013, and 2011 test years. Our responses to DOC IR 2107 and 2137 further explain the timing differences for the pre-paid pension asset. Our response to these three IRs is provided as Attachment A. We also provide a reconciliation of 2014 actual to forecast for the pre-paid pension and ADIT as Attachment B.

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
A.8	Pension-Related Future Case Filing Requirements	a, b, e	YES	In regards to c, we provided this information for NSPM and XES in Moeller Direct, Schedule 12. We would continue providing this information in future cases but do not support providing this information for each jurisdiction. We question the value of other jurisdictional data. Each jurisdiction has a different approach to pension expense. In regards to d, the Commission has not allowed the Company to recover SERP costs. In regards to Restoration Plan costs, the Company withdrew its request in this case to recover such costs as part of a resolution of issues with the Department. The Company would provide the information set forth in (d) should it request Restoration Plan costs in a future rate case. In regards to f, the Company does not support this decision alternative. The Company was not in a rate case from 1992 until 2005 and is concerned that the information requested could result in re-litigating issues from many years ago.
B.1	Retiree Medical 2008 Market Loss	b	YES	
B.2	Retiree Medical Discount Rate	b	YES	

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
B.3	Optional Levelized Ratemaking	Do Not Support	N/A	Retiree Medical is a legacy benefit that was closed over a decade ago. As a result the costs associated with this benefit are declining. We do not support a method which deviates from a GAAP standard. Furthermore, we believe this option would cause further complications in calculating this expense, and would reduce transparency.
B.4	Optional Future Filing Requirement	a, b	N/A	Issue was not raised during contested case; therefore, ALJ did not address it. The Company would agree to file additional information in a future proceeding.
C.	Paid Leave/Total Labor	1	YES	
D.	Corporate Aviation	3	YES	
E.1	Pleasant Valley/Border Winds Recovery Approach	a, c.1, and c.2 OR b, d1, and d.2 (subject to clarification)	N/A	As part of the proposal to avoid a 2016 rate case, Xcel would support placing these projects in 2015 base rates. (See "Xcel Energy Alternative Decision Option to Avoid 2016 Rate Case"). In regards to d(3), the Company is indifferent. ALJ considered this a policy issue and did not issue a recommendation.
E.2	Future Reporting Requirements	a, b	N/A	Issue was not raised during contested case; therefore, ALJ did not address it.
F.1	Annual Incentive Compensation	1	YES	
G.	FERC Cost Comparison Study	1 or 2, 4 and 6	NO	
H.	Transmission Business Area – Cost Controls	2, 4	YES for 2; and NO for 4	
I.	Active Health and Welfare	1	YES	Resolved
J.	Resolved Financial Issues	1, 2, 3, 4, 5	YES	Resolved
III. COST OF CAPITAL				
A.	Capital Structure Alternatives	1	YES	
B.	Cost of Debt Alternatives	1a, 1b, 2c, 2b	YES	
C.	Cost of Equity	1.e, 2.a, 3.a.1, 4.a.1, 4.b.1, 5.c, 6.c, 7.a, 8.e., 9.a, and 10.a	YES	Reflects ALJ ROE of 9.77 percent

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
D.	Overall Cost of Capital	2	YES	Reflects ALJ ROE of 9.77 percent
IV. SALES FORECAST AND CCOSS				
A.	Sales Forecast	1	YES	
B.1	Classification of Fixed Production Plant – Plant Stratification Method	a	YES	
B.2	Classification of Fixed Production Plant – Proposed Modifications to Plant Stratification Method	a	YES	
B.3	Classification of Nobles and Grand Meadow	b	NO	Consistent with the Company's exceptions, the allocation should reflect the policy nature of the Nobles and Grand Meadow projects and would be used only in this case.
B.4	Updating of Fixed Production Plant Cost Data	b	NO	The updated data would only be necessary if the Commission orders the Company to file a compliance CCOSS. The Company continues to support using the proportional adjustment methodology to apportion revenue in this case rather than filing a compliance CCOSS.
B.5	Use of the D10S Capacity Allocator for Allocating the Capacity-Related Portion of Fixed Production Plant	a	YES	
B.6	Allocation of Other Production O&M	c, d	NO	
B.7	Use of the Minimum Distribution System	b	PARTIAL	As explained in the Company's exceptions, the Company agrees with the ALJ's overall conclusion that the OAG's proposed adjustments to the CCOSS related to the Company's minimum system study are not reasonable. The Company does, however, ask that the Commission's Order recognize that the Company may not be able to collect the data necessary to perform a zero-intercept analysis.

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
B.8	Allocation of Economic Development Discounts	a	YES	
B.9	Allocation of the Interruptible Rate Discounts	a	YES	
V. REVENUE DECOUPLING				
A	Implementation of Revenue Decoupling Mechanism (RDM)	1	NO	If A.1 adopted, no decisions options in part B are needed. The Company would also support A.3 (adoption of the Company's RDM with modifications) assuming the additional decision options noted below.
B.1	Three-Year Pilot vs. Ongoing	a	YES	
B.2	RDM Billing Rate Increases if Xcel Fails to Achieve Energy Savings Equal to 1.2% of Retail Sales	a	YES	
B.3	Full vs. Partial Decoupling	a	NO	
B.4	CAP on RDM Billing Rate Increase	b	YES	
B.5	Type of Cap – Hard v. Soft	b	NO	If cap is needed at all, Xcel supports a soft cap.
B.6	Size of Cap	v	NO	If cap is needed at all, Xcel supports 5% cap. Further, if the Commission approves full decoupling, then the Company recommends a 10% cap.
B.7	Calculation of RDM Adjustment	b	YES	
B.8	Customer Protections (AARP Proposals)	b	YES	
VI. RATE DESIGN				
A.	Class Revenue Apportionment	2, 4	NO	The Company would also support the Blended Apportionment included in its exceptions.
B.	Revenue Apportionment Adjustment Calculation	1	YES	
C.	Customer Charge	4	PARTIAL	The Company believes its proposed customer charges are reasonable and consistent with sound rate design objectives, but did not take exception to the ALJ's recommendation to not increase customer charges in this case.
D.	Interruptible Service Discount	3, 4	NO	

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
E.	Inclining Block Rate	1 or 2	YES	
F.	Coincident Peak Billing	1	YES	
G.	Definition of Contiguous Property	3 or 4	NO	
H.	Renewable Energy Purchase Option	2 or 3	NO	
I.	Definition of On-Peak Period	1	YES	
J.	Conservation Cost Recovery Charge and CIP Adjustment Factor	2	YES	
K.	Rate Shock	1	YES	
L.	Resolved Issues	1a, 1b, 2a	YES	
M.	Resolved Issues and Undisputed Corrections	1-9	YES	
VII. FINANCIAL				
A.	Recovery of Prairie Island EPU	1	YES	
B.	Babcock & Wilcox Lawsuit	See Company's new decision alternative	N/A	Issue was not raised during contested case; therefore, ALJ did not address it. New Company decision alternative is attached as Attachment C.
C.	Nuclear Refueling Outage Cost Amortization	1	YES	
D.	MYRP: DOE Funds	1	N/A	ALJ considered this a policy issue and did not issue a recommendation.
E.	CWIP/AFUDC	1	YES	
F.	Return on Nuclear Refueling Outage (NRO) costs	1	YES	
G.	Nuclear Theoretical Depreciation Reserve	1	YES	Alternately, Xcel Energy supports utilizing this reserve in part to offset 2016 revenue deficiency. (See "Xcel Energy Alternative Decision Option to Avoid 2016 Rate Case").
H.	MYRP In General	1	YES	
I.	TDG Theoretical Depreciation Reserve	1	N/A	Alternately, Xcel Energy supports utilizing this reserve in a 50-0-50 pattern to offset 2016 revenue deficiency. (See "Xcel Energy Alternative Decision Option to Avoid 2016 Rate Case"). The ALJ considered this a policy decision and did not make a final recommendation.

Roman Numeral in Staff Outline	Topic	Decision Item Supported by Company	Consistent with ALJ Recommendation?	Clarification Proposed/Additional Explanation
J.	Depreciation and Plant Retirements in Step – Passage of Time	1	YES	
K.	Changes to In-Service Dates for Capital Projects (2014 and 2015)	1	YES	
L.	Xcel's Interim Rate Proposal	1	N/A	Issue was not raised by parties during contested case; therefore, ALJ did not address it.
M.	Interest Rate on Interim Rates Refund	1	PARTIAL	
N.	Fuel Cost Recovery Reform	1	YES	
O.	Sherco 3 Outage – Replacement Fuel Costs	1	YES	
P.	Black Dog Units 2 and 5 Outage Costs	1	YES	
VIII. GENERAL HOUSEKEEPING: Xcel accepts Staff's proposed general housekeeping and compliance items.				

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Xcel Energy			
Docket No.:	E002/GR-13-868		
Response To:	Department of Commerce	Information Request No.	2107
Requestor:	Nancy Campbell, Angela Byrne, Dale Lusti		
Date Received:	April 11, 2014		

Question:

Reference: Mark Moeller Direct Testimony page 126 lines 4 and 5 and Table 23 page 127

Please explain what specifically the Company is using and how the Company is calculating the "difference in timing between cash flow and expense recognition" for the items on Table 23:

a) Pension expense (short term);

b) Pension expense;

c) Post-employment benefits FAS 106 (short term);

d) Retiree Medical FAS 106; and

e) Post-employment benefits FAS 112.

Response:

The fundamental reason there is a timing difference between cash flow and expense recognition for the benefits identified on Table 23 is because the Company uses accrual accounting for these expenses, as well as all other expenses incurred by the Company. Since accrual accounting is not tied to the exact moment when "cash" changes hands, there is a timing difference that arises between when we recognize the expenses in Table 23 and cash flow. This timing difference is further complicated by the fact that these benefits may accrue for several years before an eligible employee receives the benefit. If the Company used cash accounting, the timing differences would not exist as we would recognize the expense when "cash" was expended for the benefit.

For the pension expense, the timing difference arises because the expense recognized in a particular year may not match the contributions in that year. As noted on page 123 of Mr. Moeller's testimony, the pension expense calculation is governed by FAS 87, which sets forth the rules that companies must follow in determining their pension costs in order for their accounting to be acceptable under GAAP. In contrast, the contributions are driven by federal law requirements under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code (IRC).

More specifically, in a given year the pension expense is calculated by summing the five elements of expense listed on page 36 of Mr. Moeller's testimony:

1. the present value of pension benefits that employees earn in the current year (service cost);
2. increases in the present value of the pension benefit obligation that plan participants have earned in previous years (interest cost);
3. expected investment earnings during the year on pension assets (EROA);
4. recognition of prior-period gains or losses; and
5. recognition of the cost of benefit changes the plan sponsor provides for service the employees have already performed.

Based on actuarial assumptions regarding such things as the discount rate, the EROA, and salary forecasts, the Company recognizes the sum of these five elements as the pension expense for that year.

The contributions to the pension trust fund can be either from Company contributions or from market gains that exceed the EROA. As noted above, the Company's contributions are subject to the requirements of ERISA, which mandates certain minimum contributions, and the IRC rules, which limit the amount of contributions that can be deducted for tax purposes. But within that range, the Company has discretion and does not have to contribute an amount equal to the actuarially determined pension expense for the year. Moreover, the contributions in a particular year are affected by the actual return on plan assets in the sense that returns exceeding the EROA are considered to be contributions.

As the foregoing summary shows, the expense amounts and contribution amounts are calculated by very different methods. Although the recognized expense and contribution amounts will even out over the long term, they may be significantly different in the short term, which gives rise to the timing discussed on page 126 of Mr. Moeller's testimony. The difference between the cumulative expense recognized and the cumulative contributions gives rise to a prepaid pension asset or liability.

As Mr. Moeller notes on page 114 of his direct testimony, the components and calculation of FAS 106 retiree medical expenses are identical to those of FAS 87 pension expense, except that FAS 106 asset gains and losses are not phased in before they are amortized. Like the FAS 87 expense, the retiree medical expense is calculated based on assumptions regarding the discount rate, the EROA, and the salary or wage levels. Please refer to page 3 of Schedule 12 to Mr. Moeller's testimony for those assumptions. The contributions, however, are governed by ERISA and the IRC rules, and therefore the contributions in a particular year may differ from the retiree medical expense, giving rise to timing differences.

The FAS 112 post-retirement benefit expense for long-term disability and workers' compensation is also determined based on actuarial assumptions, which are set forth on page 4 of Schedule 12 to Mr. Moeller's testimony. Because the contributions to the FAS 112 asset trust are not required to equal the expense in a given year, a timing difference may arise for that benefit as well.

Witness:	Mark P. Moeller
Preparer:	Todd M. Degrugillier
Title:	Employee Tax & Acct Manager
Department:	Payroll & Benefits Accounting
Telephone:	(612) 330-6557
Date:	May 7, 2014

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Xcel Energy			
Docket No.:	E002/GR-13-868		
Response To:	Department of Commerce	Information Request No.	2108
Requestor:	Nancy Campbell, Angela Byrne, Dale Lusti		
Date Received:	April 11, 2014		

Question:

Reference: Mark Moeller Direct Testimony page 127 Table 23 and page 128 Table 24

Please explain and show that the Company included these prepaid assets and unfunded accrued benefit liabilities (less accumulated deferred income taxes) in rate base in the past two rate cases (2013 test year & 2011 test year).

Response:

Please see Attachment A (Minnesota Jurisdiction) and Attachment B (Total Company) to this response for a summary of the prepaid assets and unfunded accrued benefit liabilities (less accumulated deferred income taxes) in rate base in the past two rate cases (2013 test year and 2011 test year). Documentation for Attachment A and Attachment B can be found in Volume 4, Test Year Workpapers, Section P2. Non-Plant, Tab P2-1 Assets & Liabilities and Tab P2-2 Deferred in Docket No. E002/GR-12-961 (2013 Test Year) and Docket No. E002/GR-10-971 (2011 Test Year).

Witness:	Mark P. Moeller
Preparer:	Shari Cardille
Title:	Principal Rate Analyst
Department:	Revenue Requirements North
Telephone:	612-330-1974
Date:	April 22, 2014

Northern States Power Company

Docket No. E002/GR-13-868
DOC Information Request No. 2108
Attachment A - Page 1 of 1

Non-Plant Rate Base (Assets & Liabilities)
Electric Utility - Minnesota Jurisdiction

($'s)	2013 Test Year BOY	2013 Test Year Current	2013 Test Year EOY	2013 Test Year Rate Base Impact (Decrease) Increase	2011 Test Year BOY	2011 Test Year Current	2011 Test Year EOY	2011 Test Year Rate Base Impact (Decrease) Increase
Non-Plant Rate Base (Asset)								
Pension Expense (Short Term)	-	-	-	-	(5,285,521)	5,285,521	-	(2,642,760)
Pension Expense	59,408,219	28,741,788	88,150,007	73,779,113	-	18,180,855	18,180,855	9,090,427
Non-Plant Rate Base (Liability)								
Post Employment Benefits - FAS 106(Short-Term)	(4,192,663)	-	(4,192,663)	(4,192,663)	(747,851)	-	(747,851)	(747,851)
Retiree Medical - FAS 106	(55,647,852)	3,080,575	(52,567,277)	(54,107,565)	(63,126,948)	(290,333)	(63,417,281)	(63,272,115)
Post Employment Benefits FAS 112	(16,471,528)	201,602	(16,269,926)	(16,370,727)	(14,485,639)	(331,110)	(14,816,748)	(14,651,193)
Total Non-Plant Rate Base	(16,903,825)	32,023,965	15,120,140	(891,842)	(83,645,959)	22,844,933	(60,801,025)	(72,223,492)
Associated Accumulated Deferred Tax (Liability)								
Pension Expense (Short Term)	-	-	-	-	(2,159,495)	2,159,495	-	1,079,747
Pension Expense	24,211,760	11,699,936	35,911,696	(30,061,728)	-	7,426,279	7,426,279	(3,713,140)
Associated Accumulated Deferred Tax (Asset)								
Post Employment Benefits - FAS 106(Short Term)	(1,708,716)	654	(1,708,062)	1,708,389	(305,547)	75	(305,472)	305,510
Retiree Medical - FAS 106	(22,679,227)	1,263,686	(21,415,541)	22,047,384	(25,791,651)	(112,216)	(25,903,867)	25,847,759
Post Employment Benefits FAS 112	(6,712,955)	84,701	(6,628,254)	6,670,604	(5,918,369)	(133,784)	(6,052,152)	5,985,260
Total Accumulated Deferred Tax	(6,889,137)	13,048,976	6,159,839	364,649	(34,175,061)	9,339,849	(24,835,212)	29,505,137
Net Rate Base Impact				(527,193)				(42,718,355)

Northern States Power Company

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Attachment B - Page 1 of 1

Non-Plant Rate Base (Assets & Liabilities)
Total Company - Electric Utility

($'s)	2013 Test Year				2011 Test Year			
	BOY	Current	EOY	Rate Base Impact (Decrease) Increase	BOY	Current	EOY	Rate Base Impact (Decrease) Increase
Non-Plant Rate Base (Asset)								
Pension Expense (Short Term)	-	-	-	-	(5,983,907)	5,983,907	-	(2,991,954)
Pension Expense	67,632,177	32,720,552	100,352,729	83,992,453	-	20,583,127	20,583,127	10,291,563
Non-Plant Rate Base (Liability)								
Post Employment Benefits - FAS 106(Short-Term)	(4,773,059)	-	(4,773,059)	(4,773,059)	(846,666)	-	(846,666)	(846,666)
Retiree Medical - FAS 106	(63,351,258)	3,507,023	(59,844,235)	(61,597,747)	(71,468,037)	(328,695)	(71,796,731)	(71,632,384)
Post Employment Benefits FAS 112	(18,751,704)	229,510	(18,522,194)	(18,636,949)	(16,399,655)	(374,860)	(16,774,514)	(16,587,085)
Total Non-Plant Rate Base	(19,243,844)	36,457,085	17,213,241	(1,015,301)	(94,698,265)	25,863,480	(68,834,785)	(81,766,525)
Associated Accumulated Deferred Tax (Liability)								
Pension Expense (Short Term)	-	-	-	-	(2,444,833)	2,444,833	-	1,222,416
Pension Expense	27,563,426	13,319,573	40,882,999	(34,223,213)	-	8,407,528	8,407,528	(4,203,764)
Associated Accumulated Deferred Tax (Asset)								
Post Employment Benefits - FAS 106(Short Term)	(1,945,256)	745	(1,944,511)	1,944,884	(345,920)	85	(345,835)	345,877
Retiree Medical - FAS 106	(25,818,742)	1,438,619	(24,380,123)	25,099,433	(29,199,553)	(127,043)	(29,326,596)	29,263,074
Post Employment Benefits FAS 112	(7,642,238)	96,426	(7,545,812)	7,594,025	(6,700,374)	(151,461)	(6,851,835)	6,776,105
Total Accumulated Deferred Tax	(7,842,810)	14,855,363	7,012,553	415,128	(38,690,680)	10,573,942	(28,116,738)	33,403,709
Net Rate Base Impact				(600,173)				(48,362,816)

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Xcel Energy

Docket No.:	E002/GR-13-868		
Response To:	Department of Commerce	Information Request No.	2137
Requestor:	Nancy Campbell, Angela Byrne, Dale Lusti		
Date Received:	May 7, 2014		

Question:

Reference: Xcel's response to DOC IR 2108

Please explain why it is reasonable to include the prepaid assets and unfunded accrued benefits liabilities in rate base. What are these rate base amounts for, FAS 158, or something else?

Response:

These rate base amounts are not for FAS 158 but rather represent a timing difference between cash flow and expense recognition. See the Company's response to DOC IR 2107 for a detailed explanation as to how these amounts are calculated.

We support the reasonableness of including the prepaid assets and unfunded accrued benefits liabilities in rate base on pages 124-126 of Mark Moeller's direct testimony. The prepaid pension asset and the unfunded accrued benefit liabilities are no different from other assets or liabilities on the Company's balance sheet, in the sense that they represent the difference between cash flow and expense recognition. Just as capital asset balances on the balance sheet represent the difference between cash expended at the time of acquisition and the amount expensed through depreciation, the pension-related assets and liabilities represent the difference between the cash flow (or lack thereof) in the form of cash contributions to the pension plans and expense recognition.

In addition, we believe it is appropriate to include the prepaid pension assets and unfunded accrued benefits liabilities in rate base because inclusion in rate base keeps the Company whole for lost revenue attributable to earnings on pension plan contributions made by the company in excess of amounts recoverable as pension expense. As Mr. Moeller notes on page 125 of his direct testimony, the Minnesota electric revenue requirement will be $6.6 million lower in the test year for pension expense because of earnings on the prepaid pension asset. It would be inequitable and asymmetrical to reduce the Company's revenue requirement by $6.6 million as a result of the earnings on the net prepaid pension asset without allowing the Company to earn a return on that asset.

Viewed another way, the net prepaid pension asset is a loan from the Company to customers, and that loan reduces the revenue requirement by reducing pension expense in the test year. Including the net prepaid pension asset in rate base simply requires customers to pay interest on that loan, as they would do with any other loan. In contrast, eliminating the net prepaid pension asset from rate base results in a situation similar to customers receiving an interest-free loan in the amount of the net prepaid pension asset.

Please see Moeller Direct, pages 121 through 128, for a full and complete discussion regarding the inclusion of prepaid assets and unfunded accrued liabilities in rate base.

Witness:	Mark P. Moeller
Preparer:	Todd M. Degrugillier
Title:	Employee Tax & Acct Manager
Department:	Payroll & Benefits Accounting
Telephone:	(612) 330-6557
Date:	May 19, 2014

Northern States Power Company Minnesota
Prepaid Pension Asset Qualified Pension

	2009	2010	2011	2012	2013	2014
Beginning Balance	(20,181,500)	(20,181,500)	(6,480,500)	22,166,500	71,689,833	102,395,562
Recognized Expense	-	(6,481,000)	(12,728,000)	(29,958,000)	(41,706,000)	(38,911,000)
Cash Contributions	-	20,182,000	41,375,000	79,481,333	72,411,729	52,115,150
Ending Balance	(20,181,500)	(6,480,500)	22,166,500	71,689,833	102,395,562	115,599,712

	2014 Actuals												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Beginning Balance	102,395,562	151,250,979	148,008,395	144,765,812	141,523,229	138,280,645	135,038,368	131,796,091	128,553,507	125,310,924	122,068,341	118,825,757	102,395,562
Recognized Expense	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(3,242,583)	(38,911,000)
Cash Contributions	52,098,000	-	-	-	-	306	306	-	-	-	-	16,538	52,115,150
Ending Balance	151,250,979	148,008,395	144,765,812	141,523,229	138,280,645	135,038,368	131,796,091	128,553,507	125,310,924	122,068,341	118,825,757	115,599,712	115,599,712
Beginning Balance	102,395,562												115,599,712
ADIT Percent	-40.85%												-40.85%
ADIT Amount	(41,833,606)												(47,228,148)
Net Prepaid Pension Asset	60,561,956												68,371,564
% to MN Electric	87.63%												87.63%
Actual Total	53,073,007												59,916,897
												BOY & EOY Avg	**56,494,952**

	2014 Test Year		
Beginning Balance	95,256,853		111,923,746
ADIT Percent	-40.85%		-40.85%
ADIT Amount	(38,917,093)		(45,726,336)
Net Prepaid Pension Asset	56,339,760		66,197,410
% to MN Electric	87.63%		87.63%
Actual Total	49,372,918		58,011,594
		BOY & EOY Avg	**53,692,256**

XCEL ENERGY'S PREFERRED
BABCOCK & WILCOX DECISION OPTIONS
COMPANY'S PROPOSED ALTERNATIVE DECISION OPTIONS

The Company recommends either: 1 and 2; <u>or</u> 1 and 3

1. Require Xcel to make a compliance filing providing all relevant information as to costs and interest paid to BWNE once the lawsuit is resolved and discuss what costs were included as plant in service in the current rate case. The compliance filing shall also include the basis for the Company's resolution of the litigation and why this resolution was in customers' interests.

   Require that any costs included in rate base but not paid be refunded as part of either the 2014 and 2015 refunds. If the lawsuit is not resolved at either of those times, then the refund should be made within 60 days after the lawsuit is resolved.

AND

2. Require Xcel to defer recovery of any costs included in the test year that are related to the Babcock & Wilcox litigation, plus interest accrued and paid to Babcock & Wilcox, if any, until conclusion of the litigation. At that time, the amount of costs to be included in rates will be determined following review of Xcel's required compliance filings.

OR

3. Allow Xcel to recover any costs included in rate base for the test year that are related to the Babcock & Wilcox litigation; however, Xcel may not earn its authorized rate of return on those costs which are included in rate base. The Company believes this would result in an approximately $3 million reduction to the test year revenue requirement.

CERTIFICATE OF SERVICE

I, Tiffany R. Hughes, hereby certify that I have this day served copies or summaries of the foregoing document on the attached list(s) of persons.

xx electronic filing

Docket No. E002/GR-13-868

Dated this 20th day of March 2015

/s/

____

Tiffany R. Hughes

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