MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	May 3, 2017	Agenda Item **3
Company	Northern States Power Company d/b/a Xcel Energy (Xcel)	
Docket No.	**E-002/M-14-761**	
	In the Matter of Northern States Power Company's Petition for Approval of the 2016-2018 Triennial Nuclear Decommissioning Accrual.	

Issues

1. Should the Commission approve Xcel Energy's annual compliance filing?
2. As a result of Xcel Energy's third-party evaluation, should the Commission order any changes to the Nuclear Decommissioning Trust's investment strategy?

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✓ **Relevant Documents**	**Date**
Commission 2015 Order	October 5, 2015
Commission 2017 Order	February 27, 2017
Xcel Energy – Annual Compliance Filing	April 3, 2017
Xcel Energy – Third Party Evaluation	August 25, 2017
Xcel Energy – Comments	August 30, 2017
Department of Commerce – Comments	September 5, 2017
Xcel Energy – Reply Comments	September 15, 2017
Department of Commerce – Additional Comments	March 1, 2018
Xcel Energy – Additional Reply Comments	March 12, 2018

I. Statement of the Issues

- Should the Commission approve Xcel Energy's annual compliance filing?
- As a result of Xcel Energy's third-party evaluation, should the Commission order any changes to the Nuclear Decommissioning Trust's (NDT) investment strategy?

II. Background

On December 1, 2014, Xcel filed its 2016-2018 Triennial Nuclear Plant Decommissioning Accrual Petition.

In the Commission's October 5, 2015 Order (2015 Order) approving Xcel's Petition, the Company was instructed to include possible benchmarks and methodologies for assessing annual performance of the Qualified Trust Fund in its next annual decommissioning filing. The filing must include, at a minimum, proposals for:

- Annual performance benchmarks.
- The date the Qualified Trust Fund's achieved returns will be measured against the benchmarks.
- The date Xcel will make a compliance filing comparing the Qualified Trust Fund's achieved returns to the benchmarks.

and a discussion of:

- The acceptable deviation level between the performance benchmarks and the Qualified Trust Fund's achieved returns. (For example: 100 basis points).
- The amount of any true-up, in dollars, that falls outside of the acceptable band, if applicable.
- The date on which the true-up would take place.

On April 1, 2016, Xcel filed its Annual Information Report which included the information required in the 2015 Order. To better evaluate the NDT's financial results, the Commission's February 27, 2017 Order (2017 Order) required the Company to include the following information in subsequent annual compliance filings:

1. Over the five-, ten-, and twenty-year periods ending in the calendar year preceding the filing, the average annual return on –

    - the Nuclear Decommissioning Trust Fund (NDT) portfolio, including and the return on each individual asset,
    - the Standard & Poor's 500 stock market index,
    - 10-year treasury notes,
    - other qualified nuclear decommissioning trust funds,
    - any other benchmarks proposed by Northern States Power Company d/b/a Xcel Energy, or jointly by Xcel and the Minnesota Department of Commerce, and

- Vanguard Exchange-Traded Funds (ETFs) invested according to the Charles Schwab Moderately Aggressive Asset Allocation as set forth below:

Table 1 - Charles Schwab Moderately Aggressive Asset Allocation

Fund Name	Weight
Vanguard Large Cap ETF	45%
Vanguard Small Cap ETF	15%
Vanguard Total World Stock ETF	20%
Vanguard LT Corporate Bond ETF	20%

2. A reevaluation of its investment mix with the purpose of reducing the NDT's investment management fees and increasing the annual return on its investment portfolio.

The 2017 Order also required the following:

3. Xcel shall retain a third-party expert in long-term institutional investment strategies to evaluate Xcel's investment strategy with respect to the NDT with a goal of assuring sufficient funding to meet the decommissioning obligations at the time they are expected to come due and maximize return from the investment consistent with the appropriate risk level. The expert shall file a report on the matter with the Commission within six months of this order.

Xcel's 2019-2021 Triennial Nuclear Plant Decommissioning Accrual Petition was filed on December 1, 2017[1] ("2017 Docket").

III. Parties' Comments

A. Xcel Energy – Annual Compliance Filing

Xcel stated that, in 2016, it deposited $14.0 million into the Qualified Trust Fund (QTF) for the Minnesota jurisdiction and, at year's end, the book value for each nuclear facility was the following:

Table 2 - Qualified Trust Fund Book Value[2] as of December 31, 2016

Qualified Trust Fund	Balance
Monticello	$504,432,968
Prairie Island Unit 1	$292,599,639
Prairie Island Unit 2	$331,992,382
Total	$1,129,024,989

[1] Docket #E-002/M-17-828

[2] Minnesota Jurisdiction

As shown in table 3, the QTF's market value increased by $116 million in 2016:

Table 3 – Qualified Trust Fund 2016 Market Value Change, by Component

	Total Fund	Monticello	Prairie Island Unit 1	Prairie Island Unit 2
Interest/Dividends	$34,303,700	$14,477,536	$9,436,073	$10,390,091
Realized Gains/(Losses)	($733,107)	($289,056)	($258,518)	($185,533)
Management Fees	($6,160,298)	($2,549,167)	($1,736,622)	($1,874,510)
Trustee Fees	($273,608)	($91,354)	($91,140)	($91,114)
Income Taxes	($14,102,158)	($5,375,999)	($7,550,548)	($1,175,611)
Unrealized Gains/(Losses)	$103,209,117	$43,564,345	$28,691,490	$30,953,282
Total	$116,243,647	$49,736,305	$28,490,736	$38,016,606

Although Xcel explained that yearly returns reflect short-term factors and the QTF's focus is to achieve long-term returns, in Table 4 Xcel summarized the QTF's recent performance and how it compares to its benchmark[3].

Table 4 – NDT Qualified Trust Returns (Net of Fees)

	1 Year	3 Years	5 Years	1/1/2009 to 12/31/2016
Qualified Trust Fund	7.67%	4.38%	7.29%	8.41%
Qualified Trust Fund Benchmark	8.38%	3.31%	6.01%	7.12%

In compliance with the 2017 Order, Xcel provided a historical returns' comparison between the NDT and various financial benchmarks. In providing this information, the Company reiterated its previous years' position that comparisons to other asset allocations have limited value, particularly when those other allocations—such as the S&P 500 or the Schwab Moderately Aggressive Portfolio— reflect significantly different risk profiles than our current NDT asset allocation.

[3] QTF benchmark is the approximate weighted average of the individual asset class benchmarks.

Table 5 compares the NDT's historical returns to the Benchmark's:

Table 5 – Comparison, NDT Qualified Trust Returns vs. Benchmark Returns

	5 -Year Return	5 -Year Benchmark	10 - Year Return	10 - Year Benchmark	20 - Year Return	20 - Year Benchmark
NDT qualified composite	7.3%	6.0%	4.3%	3.3%	4.6%	4.1%
US equity	14.5%	14.7%	6.8%	7.1%	- -	7.9%
EAFE equity	6.7%	6.5%	- -	0.7%	- -	4.2%
EM equity	2.0%	1.3%	- -	2.0%	- -	5.6%
IG fixed income	3.2%	1.4%	5.2%	3.8%	5.1%	4.1%
High yield	6.0%	7.4%	- -	7.4%	- -	7.0%
EM debt	5.7%	5.9%	- -	6.7%	- -	8.7%
Hedge fund of funds	5.0%	1.9%	- -	1.3%	- -	4.5%
Commodities	-8.4%	-9.0%	- -	-5.6%	- -	50.0%
Real Estate	14.0%	11.3%	- -	6.9%	- -	9.8%
Private equity	17.0%	10.9%	- -	- -	- -	- -
Cash	3.7%	0.2%	- -	1.2%	- -	2.7%

Also in compliance to the 2017 Order, in Table 6, Xcel provided historical results for other financial benchmarks:

Table 6 – Other Financial Benchmarks' Historical Returns

	5 -Year Return	10 - Year Return	20 - Year Return
S&P 500 index	14.7%	6.9%	7.7%
10-year Treasury Note	1.5%	5.4%	6.3%
DOC portfolio	11.8%	- -	- -
Other NDTs (Proxy Return)	8.2%	5.1%	6.3%

B. Third Party Evaluation

As part of the 2017 Order, Xcel was instructed to retain a third party evaluator to assess Xcel's investment strategy. Xcel hired LCG Associates, Inc. ("LCG") to perform this task.

LCG's report ("Report") stated diversification decisions have been shown to provide the vast majority of a portfolio's performance. The Report includes a discussion of different investment theory and strategies and compares that information to Xcel's NDT results. The Report's findings include:

- Xcel's processes and asset allocations are sound and similar to its peers.
- Xcel has found an appropriate balance to achieving a reasonable risk adjusted return.
- Xcel's cost escalation rate assumptions are fair.
- Xcel has been prudently conservative in managing the ratepayers' contribution.
- Based on the 30-year expected returns and current target allocation, the expected NDT portfolio's return for that period will be 5.7% - after-taxes and net of fees.

- The DOC's portfolio, while diversified, is not protected from downside risks, and would cause the assets to be lower if the portfolio needed to be partially or fully liquidated during a time of market stress.
- Xcel should continue to evaluate its investment approach over time as new cost studies are performed and as they get closer to the start of decommissioning.

C. Xcel Energy – Comments

In response to the Commission's Notice of Comment Period, Xcel stated that, relative to net income, the reason why income taxes seem to be disproportionately higher is due to the timing of tax payments/refunds. Table 7 shows the Company's 2016 tax reconciliation for the QTF:

Table 7 – 2016 Income Tax Reconciliation

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2
Income Taxes, Per Table 3	($5,375,999)	($7,550,548)	($1,175,611)
2015 Estimated Tax Payments			
2015 Federal Extension Payments (3/15/2016)	($969,000)	($1,080,000)	($171,000)
2015 MN Extension Payments (3/15/2016)	($483,000)	($512,000)	($95,000)
2016 Estimated Tax Payments			
Federal Quarter 1 (4/15/2016)	($2,102,000)	($1,771,000)	($1,622,000)
Federal Quarter 2 (6/15/2016)	($2,247,000)	($976,000)	($1,457,000)
Federal Quarter 3 (9/15/2016)	($2,279,000)	($1,452,000)	($1,604,000)
Federal Quarter 4 (12/15/2016)	($2,121,000)	($1,344,000)	($1,543,000)
Total 2016 Federal	($8,749,000)	($5,543,000)	($6,226,000)
State Quarter 1 (4/15/2016)	($1,052,000)	($885,000)	($856,000)
State Quarter 2 (6/15/2016)	($1,134,000)	($511,000)	($687,000)
State Quarter 3 (9/15/2016)	($1,154,000)	($835,000)	($896,000)
State Quarter 4 (12/15/2016)	($168,000)	$0	($83,000)
Total 2016 State	($3,508,000)	($2,231,000)	($2,522,000)
Total 2016 Estimated Payments	($12,257,000)	($7,774,000)	($8,748,000)
Refunds Received in 2016			
Federal 2011 Amended Form 1120-ND	$301,389	$252,733	$272,074
Federal 2015 Original Form 1120-ND	$6,038,684	$0	$4,506,854

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2
Minnesota - 2013 Original MN Form M4	$0	$0	$1,351,968
Minnesota - 2014 Original MN Form M4	$2,020,938	$1,609,893	$1,735,775
Private Letter Rulings Requested in 2016			
IRS PLR Fee (from plan accounts)	($28,300)	($47,300)	($28,300)
Miscellaneous Other Entries	$290	$126	$18
Total Income Taxes	($5,375,999)	($7,550,548)	($1,175,611)

D. Department of Commerce – Comments

The Department noted that Xcel's April 3, 2017 compliance filing showed that, over the last five years, the Fund's 7.29% return was lower than the DOC's proposed portfolio's 11.80% percent return. Based on this information, the Department surmised that the April 2017 filing did not provide any new analyses to show either that the Company's portfolio is reasonable or that the Department's previous conclusions and recommendations are invalid.

Regarding Xcel's income tax reconciliation, the Department stated that it was generally satisfied with the reconciliation and related explanation; however, the DOC recommended that the Company provide additional information to support the 42.6% of 2016 estimated tax expense for Monticello. The reasoning for the recommendation is that the Fund's federal income tax rate is a flat 20% rate and Minnesota's applicable corporate income tax rate is 9.8%, resulting in a total effective tax rate of approximately 27-28%.

The Department pointed out that, in 2016, Xcel requested Private Letter Rulings[4] (PLRs) and explained the reason(s) for these PLRs. The Department recommended the Company be required to provide copies of the PLRs and explain the reason(s) for their request.

Finally, the Department expressed concern that, since income taxes for decommissioning funds are calculated on a stand-alone basis and the incomes taxes are deducted from the decommissioning fund, it does not appear to be reasonable for decommissioning costs that are included in rate cases to be grossed up for tax purposes. The DOC recommended that Xcel explain this possible double recovery and indicate how the Company will address this issue.

The Department repeated the following recommendations that were made after its review of the previous triennial filing:

[4] See Table 7, near the bottom

- Require Xcel to re-evaluate its investment mix with the purpose of reducing the Qualified Trust investment management fees and increasing the Qualified Trust annual return on its investment portfolio.

- Require the Company to file for each year during the triennial period, the average annual return on the NDT portfolio and the return on each individual asset and compare the annual return on the portfolio to the annual return for the S&P 500, 10-year treasury bonds, and the portfolio demonstrated by the Department in Table 2 of its August 15, 2016 Comments.

- Require Xcel to use the portfolio in Table 2 of the Department's August 15, 2016 Comments as a benchmark to measure the Fund performance.

- Require the Company to adjust the accruals collected from its ratepayers in the next triennial period by an amount equal to the difference in achieved returns on the portfolio for the Qualified Trust presented in Table 2 of the Department's August 15, 2016 Comments, and the return on Xcel's selected investment portfolio in the event Xcel's selected portfolio falls more than 100 basis points lower than the Table 2 portfolio. This requirement should be implemented going-forward based on a date to be decided by the Commission.

E. Xcel Energy – Reply Comments

1. NDT's Investment Strategy

Xcel stated that the Department advanced the same position and largely the same recommendations that were made in response to Xcel's 2016 compliance filing. The Company renewed its objection to those recommendations.

2. Monticello's Estimated Taxes

Xcel noted that Monticello's 42.6% estimated taxes represented its share of the Fund's market value, not its 27.84% composite tax rate. Table 8 illustrates the tax calculation:

Table 8 – Estimated Taxable Income and Income Taxes

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2	Total Fund
Interest/Dividends	$14,477,536	$9,436,073	$10,390,091	$34,303,700
Realized Gains/(Losses)	($289,056)	($258,518)	($185,533)	($733,107)
Management Fees	($2,549,167)	($1,736,622)	($1,874,510)	($6,160,299)
Trustee Fees	($91,354)	($91,140)	($91,114)	($273,608)
Estimated Taxable Income	$11,547,959	$7,349,793	$8,238,934	$27,136,686
% of Taxable Income	42.6%	27.1%	30.4%	100.0%
Tax Rate	27.84%	27.84%	27.84%	

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2	Total Fund
Total Taxes	$3,214,952	$2,046,182	$2,293,719	$7,554,853
% of Total Taxes	42.6%	27.1%	30.4%	100.0%

3. Possible Double Recovery of Taxes

Xcel clarified that inclusion of the accrual in its revenue means the Company has to pay tax on that revenue. Separately, the QTF pays taxes on its earnings; therefore, there is no double recovery of taxes.

4. Private Letter Rulings

In Attachment A of its reply comments, Xcel provided copies of the PLRs.

F. Department of Commerce – Additional Comments

The Department noted that, in Xcel's new triennial filing[5], the Company's revised target portfolio, as shown in Table 9, excludes the following previously included investments: Global Equity, Long Corporate Bond, Private Debt, Commodities and Hedge Funds.

Table 9 – Xcel's Revised Target Portfolio

Total Equity	**60%**
US Large Cap	23.2%
US Small Cap	2.6%
International Developed	14.1%
EM Equity	10.1%
Private Equity	10.0%
Total Debt	**30%**
Investment Grade	12.1%
High Yield	10.0%
EM Debt	7.9%
Private Real Estate	**10%**

As shown in tables 10 and 11, The Department compared Xcel's Target Allocation's expected and historical returns to the Department's proposed allocation and noted that, while returns under the Department's proposed portfolio continue to be higher than Xcel's, the differential has decreased. On that basis, the Department concluded that Xcel's performance has improved.

[5] Docket No. E-002/M-17-828.

Table 10 – Comparison of Expected Returns

	Xcel	Department	Difference
10 Years	5.09%	5.61%	52 basis points
30 Years	5.49%	7.95%	246 basis points

Table 11 – Comparison of Historical Returns

	Xcel	Department	Difference
5 Years	6.09%	7.59%	150 basis points
30 Years	5.86%	6.09%	23 basis points

To address other issues, the Department recommended the following changes to Xcel's allocation:

- increase Xcel's small cap equity to 15%,
- eliminate real estate, and
- reduce High Yield bond by 2.4%

Adoption of these recommendations would increase the 10-year expected NDT return to 5.64%.

The Department addressed Xcel's responses to the Monticello tax expense and the possible double recovery of NDT taxes issues by stating that the Company's explanations appear to be reasonable.

The Department explained that, in order to deduct contributions to the Qualified Trusts, Xcel should file a new PLR request whenever the authorized amount changes or every ten years. The DOC confirmed that the PLRs were related to the tax deductibility of decommissioning accruals; therefore, the Department considered that issue to be resolved.

G. Xcel Energy – Additional Reply Comments

Xcel expressed concerns regarding the changes recommended in the Department's additional comments. The Company stated that the recommendations would result in a fairly significant increase to the overall equity allocation and eliminate an entire asset class (real estate) as a hedge against inflation. The real estate hedge helps Xcel manage portfolio risk while contributing to returns in up and down markets. Furthermore, a significant portion of the real estate portfolio contains illiquid assets that cannot be readily liquidated without incurring some kind of penalty or discounted return. As such, any changes to this allocation would need to occur over time.

Despite the concerns, Xcel stated that it was open to studying the Department's recommendations further. In particular, the Company wants to better understand the assumptions underlying the Department's return calculations, asset allocation modeling, and how those assumptions differ from those used in its own analyses and calculations. Xcel would also like to better understand how the recommended changes would impact the portfolio's forward-looking risk profile. To that end, Xcel proposed to cooperate with the Department in conducting additional scenario analyses around the three recommendations, as well as its current portfolio, and to provide an update in the 2017 Docket.

IV. Staff Analysis

For years the Department has argued that Xcel's NDT's returns have been too low and, to support that position, the DOC provided comparisons to various benchmarks. In response, the Company has argued that those returns compare favorably to its benchmark returns which are based on the NDT's asset mix. Due to their competing analyses, one could consider the data used by both the Department and the Company as biased towards their respective positions. In order to provide more "apples-to-apples" comparison, Staff used information and made the following adjustments to information presented in table 6 above:

- S&P 500 returns do not reflect taxes; therefore, they need to be reduced by the NDT's 27.84% composite tax factor.

- The 10-year treasury notes returns also do not reflect taxes; therefore, they need to be reduced by the NDT's 20% federal tax factor[6].

- The DOC recommended portfolio returns also need to be reduced by the NDT's 27.84% composite tax factor.

Even after adjusting for taxes, as shown in table 12, Xcel's overall returns continue to rate unfavorably against all benchmarks except for the 5-year comparison to U.S. Treasury Notes.

Table 12 – NDT & Other Benchmarks, After Tax Returns

	5 -Year Return	10 - Year Return	20 - Year Return
NDT qualified composite	7.3%	4.3%	4.6%
S&P 500 index	10.6%	5.0%	5.6%
10-year Treasury Note	1.2%	4.3%	5.0%
DOC portfolio	8.5%	- -	- -

Considering that the nuclear industry regularly compares itself to its peers, Staff notes that, as shown in table 13, Xcel's NDT has under-performed its peers for an extended period of time.

[6] Treasury notes are only subject to federal taxes, i.e., they exempt from state and local taxes.

Table 13 – Xcel's NDT & Other NDTs Returns Comparison

	5 -Year Return	10 - Year Return	20 - Year Return
NDT qualified composite	7.3%	4.3%	4.6%
Other NDTs (Proxy Return)[7]	8.2%	5.1%	6.3%

At first glance the roughly 1% difference in returns could be dismissed as small and immaterial; however, due to the effects of compounding, the difference in dollars would be substantial. Using Table 10's data, Table 14 illustrates the percentage difference in compounded growth for Xcel's and the others' NDTs.

Table 14 – Xcel's NDT & Other NDTs Compounded Returns Comparison

	5 -Year Return	10 - Year Return	20 - Year Return
NDT qualified composite	142.2%	152.4%	245.8%
Other NDTs (Proxy Return)	148.3%	164.4%	339.4%

Table 15 illustrates the same difference in dollars[8] and shows that, if Xcel's NDT had achieved the other NDT's 20-year returns, the Fund's balance would be almost $430 million higher.

Table 15 – Xcel's NDT & Other NDTs Compounded Returns Comparison, In Dollars

	5 -Year Return	10 - Year Return	20 - Year Return
NDT qualified composite	$1,129,024,989	$1,129,024,989	$1,129,024,989
Other NDTs (Proxy Return)	$1,177,175,591	$1,218,674,238	$1,558,601,731
Difference	$48,150,602	$89,649,249	$429,576,742

Since all NDTs have similar cash outflow timelines the comparison to other NDT's could be considered more objective and relevant than other "market-driven" benchmarks. For this reason, the Commission may want to require Xcel to continue providing this comparison in future triennial filings.

In compliance with the 2017 Order, Xcel hired LCG to evaluate the NDT's investment strategy with respect to the NDT. In its report, LCG mentioned that approximately 7% of its $93 billion in assets under management are related to other NDTs.

Since the approximately 100 nuclear plants in service are owned by less than 30 companies, if LCG were to be overly critical of one of those companies, then LCG's relationship with its clients within the nuclear community could possibly be jeopardized. At a minimum, that risk may introduce the appearance of a conflict of interests.

[7] Source: Table 6

[8] Assumes all other inputs remain the same.

Additionally, as shown in table 16, there seems to be a "disconnect" between the NDT's target allocation and the one used by LCG.[9] Based on the divergent target allocations assumptions used, Staff concludes that LCG's report may be unreliable or not wholly relevant to an evaluation of Xcel's NDT.

Table 16 - Xcel NDT Target Allocation

	Xcel Filing	LCG Report
US Equities	24%	25.8%[10]
Non-US Equity - EAFE	19%	14.1%
Non-US Equity - EM	7%	10.1%
Total Equities	**50%**	**50.0%**
Fixed Income		
US Investment grade	5%	12.1%
High Yield	5%	10.0%
EM Debt	5%	7.9%
Total Fixed Income	**15%**	**30.0%**
Alternatives		
Fund of Hedge Fund	10%	0.0%
Private Equity	10%	10.0%
Real assets - Real estate	10%	10.0%
Real assets - Other	5%	0.0%
Total Alternatives	**35%**	**20.0%**
Total Portfolio	**100%**	**100.0%**

Based on the possible conflict of interest and the disconnect in the target allocation data, Staff cannot support using LCG's report as a basis for any Commission decisions. For this reason, the Commission may want to order Xcel to hire a new third-party evaluator that can assess the NDT's investment strategy from an "institutional investor" perspective and, consistent with the 2017 Order, with a goal of assuring sufficient funding to meet the decommissioning obligations at the time they are expected to come due and maximize return from the investment consistent with the appropriate risk level. If the Commission chooses to order a new third-party report then, also consistent with the 2017 Order, it may want to order Xcel to file the report, in the 2017 Docket, within six months.

Staff points out that the Commission's October 5, 2015 Order in this docket authorized a change in the NDT's investment mix. Since such a transition takes time to effect then, conceptually, most of the transition would have taken place in 2016. This means that 2017

[9] Xcel's data is found in the Company's April 3, 2017 filing - Attachment A, Table 7. NDT's data is found in the August 25, 2017 compliance filing – Exhibit 3.

[10] From Exhibit 3, US Large Cap 23.2% + US Small Cap 2.6% = US Equities 25.8%

would be the first *complete* year under the new strategy. As such, implementation of further changes would make it difficult for the Commission and other interested parties to assess the new strategy's results. Based on this analysis, Xcel's proposal to work with the Department in conducting additional scenario analyses and provide an update in the 2017 Docket seems reasonable.

Finally, Staff notes that on January 1, 2018, the newly enacted changes to the tax code ("Tax Reform") went into effect. Considering that comments in the 2017 Docket (i.e. Xcel's 2019-2021 Triennial Nuclear Plant Decommissioning Accrual Petition, in Docket No. E-002/M-17-828) are not due until June 1, 2018, the Commission may want to order Xcel to address the Tax Reform impact on the NDT in that docket. This will allow the Department and other interested parties to review Xcel's filing, incorporate their response into their comments and allow the Commission to include the Tax Reform's impact into its Order.

V. Decision Options

Compliance Filing

1. Accept Xcel's April 3, 2017 filing as compliant with all previous nuclear decommissioning Orders. (Xcel)

2. Reject Xcel's April 3, 2017 filing as non-compliant with all previous nuclear decommissioning Orders.

Performance Measurements

For all future triennial filings:

3. Authorize that the NDT fund's performance be compared to an overall fund benchmark, which would be comprised of the actual weights of each individual asset class in the NDT fund's benchmark. (Xcel)

4. Require Xcel to file the average annual return on the NDT portfolio and the return on each individual asset class and compare the portfolio's annual return to the annual returns for the S&P 500, 10-year treasury bonds, and the portfolio in Table 1 above. (DOC)

5. Require Xcel to file a comparison between the average NDT portfolio's annual return and those achieved by other NDTs. (Staff)

6. If Xcel's portfolio falls more than 100 basis points lower than the Table 1 portfolio, require Xcel to adjust the accruals collected from its ratepayers in the next triennial period by an amount equal to the difference in achieved returns on the portfolio for the Qualified Trust presented in Table 1 above and the return on Xcel's selected investment portfolio. (DOC)

Target Allocation

7. Require Xcel to make the following changes to the target allocation: increase Xcel's small cap allocation to 15%, eliminate the real estate allocation and reduce the High Yield bond allocation by 2.4%. (DOC)

8. Require Xcel and the Department to cooperate in conducting additional scenario analyses around the three recommendations (in decision alternative 7), as well as its current portfolio, and to provide an update in the 2017 Docket. (Xcel, Staff)

9. Take no action.

Third-Party Evaluator

10. Order Xcel to hire a new third-party evaluator to assess the NDT's investment strategy from an "institutional investor" perspective and with the goal of [a] assuring sufficient funding to meet the decommissioning obligations at the time they are expected to come due, and [b] to maximize the return from these investments consistent with the appropriate risk level. (Staff)

11. Order Xcel to file a new third-party evaluation report in the 2017 triennial nuclear decommissioning docket within six months of the Order in this docket. (Staff)

Tax Reform Impact

12. Order Xcel to file in the 2017 Docket, no later than July 31, 2018, its proposed handling of the Tax Reform's impact on the NDT. (Staff)