MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	May 27, 2021	Agenda Item 4**
Company	Northern States Power Company, d/b/a Xcel Energy (Xcel, Company)	
Docket Nos.	**E-002/M-20-743** **In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of 2021 True-Up Mechanisms.** **E-002/GR-20-723** **In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota.**	
Issues	1. Does the information contained in Xcel's March 3, 2021 letter materially change the Commission's rationale for approving Xcel's 2021 True-up Proposal? 2. Should the Commission reconsider its approval of Xcel's 2021 True-up Proposal in its April 2, 2021 Order Approving True-ups With Modifications And Requiring Xcel To Withdraw Its Notice Of Change In Rates And Interim Rates Petition and require Xcel to instead proceed with its rate case?	
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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

✓ Relevant Documents

Relevant Documents	Date
Xcel Energy – Letter	March 3, 2021
Xcel Large Industrials – Response to Xcel's Letter	March 8, 2021
Minnesota Public Utilities Commission – Order Approving True-Ups With Modifications And Requiring Xcel To Withdraw Its Notice Of Change In Rates And Interim Rates Petition	April 2, 2021
Xcel Energy – Comments	April 22, 2021
Department of Commerce – Comments	April 22, 2021
Office of the Attorney General – Comments	April 22, 2021
Xcel Large Industrials – Petition for Reconsideration and Initial Comments	April 22, 2021
Suburban Rate Authority – Comments	April 22, 2021
Xcel Energy – Reply Comments	May 3, 2021
Office of the Attorney General – Reply Comments	May 3, 2021
LIUNA – Reply Comments	May 3, 2021

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I. Statement of the Issues

Does the information contained in Xcel's March 3, 2021 letter materially change the Commission's rationale for approving Xcel's 2021 True-up Proposal?

Should the Commission reconsider its approval of Xcel's 2021 True-up Proposal in its April 2, 2021 Order Approving True-ups With Modifications And Requiring Xcel To Withdraw Its Notice Of Change In Rates And Interim Rates Petition and require Xcel to instead proceed with its rate case?

II. Background

On September 15, 2020, Xcel filed a proposal (2021 Stay-Out Proposal)[1] to extend is 2020 true-ups for one additional year and, if approved, Xcel committed to withdraw its new multi-year rate plan[2] (MYRP) that was subsequently filed on November 2, 2020.

On December 30, 2020, the Commission issued its Order Suspending Rates and Staying Petition in the 2021 Rate Case.[3]

On March 3, 2021, Xcel filed a letter indicating the Company had made a $43.2 million error in its initial MYRP filing. As a result of this error, Xcel's revenue requirement deficiency for the 2021 test year and proposed 2021 interim rates were overstated by $43.2 million.

On March 8, 2021, the Xcel Large Industrials (XLI) filed a letter responding to Xcel's $43.2 million error.

On April 2, 2021, the Commission issued its Order Approving True-Ups with Modifications and Requiring Xcel to Withdraw Its Notice of Change in Rates and Interim Rate Petition.[4] On the same day, the Commission issued a Notice of Comment Period asking parties to comment on whether Xcel's March 3 filing materially changes the underlying basis for the Commission's rationale for approving Xcel's 2021 Stay-Out Proposal and whether the Commission should reconsider its approval of Xcel's 2021 Stay-Out Proposal and require Xcel to instead proceed with its rate case.

On April 22, 2021, Xcel, the Minnesota Department of Commerce, Division of Energy Resources (Department), the Office of the Attorney General—Residential Utilities Division (OAG) and the Suburban Rate Authority (SRA) filed comments generally supporting the continuation of the 2021 Stay-Out despite the $43.2 million error. On the same day, Xcel Large Industrials[5] (XLI) formally filed for reconsideration of the April 2, 2021 Order and also filed

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[1] Docket E-002/M-20-743.

[2] Docket E-002/GR-20-723.

[3] Ibid.

[4] Docket E-002/M-20-743

[5] In its motion, XLI described itself as "an ad hoc consortium of large industrial customers of Xcel Energy

comments requesting that the 2021 Stay-Out Order be reversed and that a rate case proceeding be ordered instead.

On May 3, 2021, Xcel and the OAG filed reply comments recommending that XLI's reconsideration petition be denied. On the same day, LIUNA Minnesota & North Dakota (LIUNA) filed comments in support of the 2021 Stay-Out Proposal.

III. Party Positions

A. Xcel Energy – Letter

Xcel stated that its MYRP filing inadvertently included certain gas demand expenses twice which resulted in a $43 million overstatement of the 2021 test year revenue requirement and proposed 2021 interim rates. The Company asserted that this error did not have any impact on customers' rates, nor did it impact any elements of the rate case stay-out proposal. However, the Company acknowledged that the error revealed potential issues in its rate case data validation processes that Xcel committed to resolving.

In preparing to account for its 2021 earnings test, Xcel undertook work to reconcile its jurisdictional forecast data with the budget data included in the rate case and discovered a deviation – the rate-case data included a "Gas Demand Cost" line item that was also, appropriately, included in Fuel Expense. That line item specifically relates to costs associated with the reservation of firm transportation and storage capacity for its natural gas generating units. When preparing rate cases, the Company has reconciliation processes designed to identify and correct any duplication when we are preparing rate cases that, in this instance, did not catch this item. As shown in Table 1, the 2021 revenue should have been $362.6 million rather than $405.8 million. As a result, interim rates would have been reduced to $265.7 million from $308.9 million.

Table 1 - Adjusted 2021 Revenue Deficiency

Class	As Filed	Correction	Adjusted
Fuel & Purchased Energy	$919,983,867	($42,919,210)	$877,064,657
Other O&M	$1,432,974,557		$1,432,974,557
Depreciation & Amortization	$792,403,911		$792,403,911
Taxes	$167,787,770	($63,968)	$167,723,802
Non-Retail Revenue	($574,122,898)		($574,122,898)
Required Return	$731,367,331	($217,472)	$731,149,859
Total Revenue Requirements	$3,470,394,538	($43,200,650)	$3,427,193,888
Total Retail Revenues	$3,064,642,762		$3,064,642,762
Revenue Deficiency	$405,751,777	($43,200,650)	$362,551,127

In the stay-out proceeding, the Commission weighed the Company's interim rate request of $308.9 million with the stay-out proposal the Commission ultimately approved, composed of an

consisting for purposes of this filing of Flint Hills Resources Pine Bend, LLC; Marathon Petroleum Corporation; and USG Interiors, Inc.

estimated $171.1 million sales true-up increase,[6] which still compares favorably with the revised $265.7 million interim rate increase. Additionally, as part of the 2021 Stay-Out, Xcel agreed to an earnings cap of 9.06% return on equity (ROE), to withdraw its COVID-19 expense deferral request, and to fund a $17 million payment plan credit program.

Additionally, the Company, at its expense, has now committed to having an independent auditor review its 2021 earnings and provide a report that measures earnings against the 9.06% ROE cap.

B. Xcel Large Industrials – Response to Xcel's Letter

Based on the magnitude of Xcel's miscalculation coupled with other details described below, XLI requested that the Commission exercise its authority pursuant to Minn. Stat. § 216B.25 and reexamine its standing approval of Xcel's 2021 Stay Out prior to issuing its written order.[7] XLI asserted that stakeholders have the right to rates that comply with Minn. Stat. § 216B.03 and are just and reasonable. As such, XLI provides the following two initial points for the Commission's consideration.

First, Xcel's March 3 letter and its filings in PUC Docket No. E-002/M-19-688 (2020 Stay Out) create strong doubt as to the reasonableness of the 2021 Stay Out. In the 2020 Stay Out, Xcel originally estimated the cost of the true-up to be $94.3 million; however, that true-up projection is now $119.5 million. Of that, demand-billed customers were initially projected to pay $78.2 million and those customers are now projected to pay a true-up surcharge of $157 million.

XLI described Xcel's reasoning that remains the 2021 Stay Out is still the best outcome for customers is superficial and runs contrary to current trends. As demonstrated by the 2020 Stay Out, it is likely that Xcel's final true-up calculations will be significantly higher than projected. Therefore, reducing the delta between the 2021 sales true-up and the 2021 interim-rate adjustment, increases the likelihood that the final sales true-up will be a nonrefundable sum of nearly the same value as the projected interim-rate increase. Blindly accepting Xcel's untested projections does not lead to just and reasonable rates, and the Commission should exercise its authority to revisit the 2021 Stay Out approval.

Second, although XLI appreciates the Company's desire for accuracy and its offer to conduct an independent audit, the better way for stakeholders to feel confident is to have the Department of Commerce and stakeholders' own experts conduct their own inquiries into Xcel's financial calculations. This process is easily undertaken in the context of a general rate case. Rather than continuing to rely on Xcel's own projections and utilizing a regulatory process to increase rates that has not been authorized by the legislature, XLI asserted that a robust stakeholder process under section 216B.16 provides the best opportunity for parties to test and verify Xcel's projections.

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[6] The 2021 sales true-up would be collected in 2022.

[7] XLI's filing was made prior to the Commission's April 2 Order.

In light of Xcel's significant error and in the context of stay outs that are already proving costly to ratepayers, XLI urged the Commission to exercise its authority under Minn. Stat. § 216B.25 and revisit its approval of Xcel's 2021 Stay Out. Alternatively, XLI would welcome a Commission investigation pursuant to Minn. Stat. §§ 216B.21 and 23. Regardless of the methodology the Commission chooses, XLI underscored that Xcel's stay outs are based on consistently unreliable projections and fundamentally change the long-standing regulatory compact in Minnesota, resulting in rates that do not comply with Minn. Stat. § 216B.03 and, for C&I Demand Customers, rates that fail to comply with Minn. Stat. § 216C.05 subd. 2(4).

C. Xcel Energy – Comments

Xcel stated that none of the substantial mitigation measures mentioned above to reduce the impacts associated with the 2021 Stay Out Proposal have changed. Moreover, as shown below in Table 2, since this matter was initially considered by the Commission, Xcel has updated its sales true-up forecast to reflect a true up of $135.3 million, with reductions for nearly all customer classes. Because the 2021 Stay Out remains the best option for its customers, Xcel believes reconsideration is not warranted.

Table 2 - 2021 Projected Sales True Up, Updated

Class	Original Projection ($000s)	Current Projection ($000s)	Original Sales Projection ($000s)	Current Sales Projection ($000s)
Residential	($8,794)	($21,422)	8,647	8,784
Commercial	$8,440	$6,597	784	803
Demand	$171,401	$150,029	17,826	18,220
Metered Lighting	$41	$41	120	119
Interdepartmental	$53	$97	7	6
Total	$171,141	$135,342	27,384	27,931

D. Department of Commerce – Comments

The Department considers Xcel's $43.2 million error to be material in amount since it overstated the 2021 test year's revenue requirement by 10.6%.[8]

The Department asked Xcel to provide the impacts of the sales true-ups compared to the 2021 Rate Case with corrected numbers for Residential, Commercial and Lighting Classes.[9] As shown in Table 3 below, Residential and Lighting Classes are clearly better off under the 2021 sales true-up and Commercial slightly better off under the 2021 sales true-up compared to the 2021 interim rates, but slightly worse off under the 2021 sales true-up compared to 2021 final rates.

Based on this information, the Department concluded that the $43.2 million error's impact to Residential, Commercial and Lighting Classes is not significant. As a result, the Department focused its comments on the Demand Class' impact.

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[8] $43.2 million/$405.8 million = 10.6%

[9] See DOC Attachment A.

Table 3 - Sales True-Up Impacts Compared to 2021 Rate Case for Residential, Commercial, and Metered Lighting Classes

Residential	Avg Monthly Impact	Avg Monthly Bill	Increase, Percent
2020 Sales True-Up	($3.02)	$86.25	-3.50%
2021 Sales True-Up	($0.62)	$83.07	-0.75%
2021 Rate Case Final Rates - 100%	$11.39	$86.22	13.21%
2021 Rate Case Final Rates - 52%	$5.92	$86.22	6.87%
2021 Rate Case Interim Rates	$8.09	$86.22	9.38%

Commercial	Avg Monthly Impact	Avg Monthly Bill	Increase, Percent
2020 Sales True-Up	$6.68	$96.87	6.90%
2021 Sales True-Up	$8.09	$96.43	8.38%
2021 Rate Case Final Rates - 100%	$5.23	$99.68	5.25%
2021 Rate Case Final Rates - 52%	$2.72	$99.68	2.73%
2021 Rate Case Interim Rates	$9.15	$99.68	9.18%

Metered Lighting	Avg Monthly Impact	Avg Monthly Bill	Increase, Percent
2020 Sales True-Up	$1.38	$926.81	0.15%
2021 Sales True-Up	$1.10	$739.24	0.15%
2021 Rate Case Final Rates - 100%	$125.83	$807.05	15.59%
2021 Rate Case Final Rates - 52%	$65.43	$807.05	8.11%
2021 Rate Case Interim Rates	$90.61	$807.05	11.23%

As reflected in Tables 4 and 5, the Department asked Xcel to update the Department's Table 2 (Demand Class Rate Impact) on page 8 of the Department's October 16, 2020 Comments in Docket Nos. E-002/M-20-743 & E,G-002/M-20-716 by correcting for Xcel's $43.2 million error.

Table 4 (DOC Original Table 2) - Sales True-Up Impacts Compared to 2021 Rate Case for Demand Class

	Avg Monthly Impact	Avg Monthly Bill	Increase, Percent
2020 Sales True-Up	$269.04	$2,782.63	9.7%
2021 Sales True-Up	$293.54	$2,796.03	10.5%
2021 Rate Case Final Rates - 100%	$365.34	$2,936.94	12.4%
2021 Rate Case Final Rates - 52%	$189.98	$2,936.94	6.5%
2021 Rate Case Interim Rates	$276.71	$2,936.94	9.4%

Table 5 (DOC Corrected Table 2) - Sales True-Up Impacts Compared to 2021 Rate Case for Demand Class

	Avg Monthly Impact	Avg Monthly Bill	Increase, Percent
2020 Sales True-Up	$269.04	$2,782.63	9.7%
2021 Sales True-Up	$293.54	$2,796.03	10.5%
2021 Rate Case Final Rates - 100%	$326.44	$2,936.94	11.1%
2021 Rate Case Final Rates - 52%	$169.75	$2,936.94	5.8%
2021 Rate Case Interim Rates	$237.58	$2,936.94	8.1%

Consistent with its October 16 Comments, the Department considers the comparison between the "2021 Sales True-Up" and the "2021 Rate Case Final Rates – 52%" to be the most relevant comparison. Originally, for the Demand Class, the 2021 sales true-up was expected to be a 10.5% increase compared to a 6.5% increase from the rate case (assuming 52% of Xcel's revenue requirement deficiency was approved for recovery). The updated information reflects the same 10.5% 2021 sales true-up increase compared to a 5.8% increase from the rate case.

Based on its review, the Department did not consider the 0.7%[10] difference to be a significant change in the numbers that the Commission considered in its decision to approve Xcel's stay out or true-up proposal. However, the Department continued to recommend some mitigation for the Demand Class, which is expected to see a 10.5%[11] increase from the 2021 sales true-up, which is a significant increase outside of a rate case:

- a 1/3 sharing between the Demand Class, Xcel, and all other customers by using $57 million of Non-Protected ADIT that was paid for by all customers, and
- starting with the $171 million, then reducing it by $57 million of Non-Protected ADIT, and assigning the balance between Xcel and Demand Class.

The Department's reasoning for its proposed mitigation is that:

- Xcel's shareholders should be able to tolerate some risk and are not currently experiencing a downturn in earnings, as supported by the fact that Xcel's total company earnings in the 2nd and 3rd quarter of 2020 were higher than 2nd and 3rd quarter of 2019.
- Additionally, Commission staff briefing papers on page 11 of for agenda item 2, shows Xcel has consistently been earning its Rate of Return and Return on Equity for the four most recent years 2016 to 2019.

The Department asked Xcel, besides the use of Excess ADIT and shifting costs to other ratepayers, whether there are any other tools to mitigate the 2021 sales true-up for the

[10] 6.5% - 5.8% = 0.7%.

[11] The noted that that Xcel's updated 2021 sales reduced the Demand Class' expected increase to 9.2%. However, based on 2020 sales forecast actual results, the DOC considers the 2021 update to be questionable.

Demand Class and Xcel did not provide any. However, Xcel noted that mitigation was discussed at length in the Commission's review of Xcel's proposal and the Commission ultimately determined that, among the various tools the Commission considered, an extended recovery period for any demand class surcharge was in the best interest of customers. The extended recovery period is reflected in Order Point 7 of the April 2, 2021 Order. Xcel also mentioned its updated 2021 sales forecast.

The Department noted that, to ensure rates are reasonable, the Commission has broad authority to make changes to rate requests and encouraged the Commission to modify Xcel's proposal by adopting the Department's rate mitigation proposal.

The Department recommended approval of Xcel's offer to have an independent auditor review the Company's earnings against the 2021 9.06% ROE cap. Additionally, the Department supports Xcel reporting the improvements to the Company validation procedures, as part of its next rate case filing. Additionally, the Department recommended that, to ensure no future double recovery of costs, Xcel be required to have an independent auditor, at Xcel's expense, review the Company's validation procedures and resulting revenue requirement deficiency.

E. OAG – Comments

The OAG characterized Xcel's error as disappointing. The Commission and the parties should have had accurate information to evaluate and compare the Company's rate case filing with its Stay Out proposal. But while this did not happen, Xcel's correction should not change the Commission's ultimate conclusion: the Stay Out is the best option for ratepayers, even after accounting for Xcel's correction. In fact, updated information from Xcel shows that the Commission's decision to approve the Stay Out benefits ratepayers more than the Company previously projected. For these reasons, the Commission should not reconsider its decision to approve the Stay Out.

There are at least two reasons why the Commission should not reconsider its decision. First, even accounting for Xcel's correction, the Stay Out remains a much better option for ratepayers than proceeding with a full rate case. While Xcel's correction makes a rate case look somewhat "less bad" than it previously appeared, it is still much worse than the Stay Out. The Company's correction still shows a requested 2021 rate increase of $191.5 million more than the amount it previously anticipated from the Stay Out. Put differently, even with Xcel's correction, the Stay-Out projection represents a 52.8 percent reduction to the Company's proposed rate increase, and a 35.6 percent reduction to its proposed interim rates. And, unlike a rate case, any cost increase from the Stay Out will not be felt by ratepayers until a surcharge (or refund) is implemented in 2022. This provides rate stability during 2021, a time when the State is working to recover from the economic fallout of the COVID-19 pandemic. In a rate case, any increase in interim rates would impact ratepayers immediately.

Some parties may argue that comparing Xcel's requested rate increase to the projected impact of the Stay Out overstates the Stay Out's benefits since Xcel is unlikely to receive its entire rate case request. Parties could argue, for instance, that the rate case would be better than the Stay Out if Xcel received 47% or less of its requested increase. This thinking could lead to the conclusion that Xcel's correction makes the rate case a more preferrable option because it reduces the difference between Xcel's requested rate increase and its projected surcharge from the Stay Out. Those parties would be mistaken. A rate case would only result in lower costs for ratepayers if the Commission took the dramatic action of rejecting *all* of Xcel's claimed cost increases. This is true for both Xcel's previous projection and its corrected amounts. The reason for this is that the Stay Out's anticipated $171.1 million cost was also included as a line item of Xcel's rate case. Since the Stay Out's costs will reflect actual spending, any adjustments in the rate case for higher actual sales, lower capital spending, or lower property taxes in 2021 would also reduce the ultimate cost of the Stay Out. As a result, the outcome of a rate case would only be lower than the Stay Out if the Commission rejected every proposed cost increase Xcel claimed that is not a component of the Stay Out and then found additional reductions. While this is possible, it is far from guaranteed. Furthermore, it was reasonable for the Commission to take the cautious approach and approve the Stay Out during a year when the public is trying to recover from the economic harm of the pandemic. Xcel's correction does not change this fundamental ratepayers' benefit.

Because the Commission accepted Xcel's offer of additional ratepayer protections as a condition of approving the Stay Out, even if a hypothetical rate case resulted in slightly lower rates than the Stay Out, ratepayers could still be worse off with a rate case. These additional protections included tens of millions of dollars in withdrawn recovery requests and assistance for struggling ratepayers, an extension of the Demand Class' 2020 sales true-up recovery period, and protections against over-earning. These significant benefits would be lost if the Commission abandoned the Stay Out and proceeded with a rate case.

Xcel's most recent data shows that the Stay Out will likely be even better for ratepayers than the Company projected when the Commission approved it. XLI has again argued that the Stay Out should be rejected because the final outcome of Xcel's true ups will likely be worse for ratepayers than the Company claimed; however, Xcel's current data shows that the opposite result is more likely. Virtually all ratepayers will likely do much better under the Stay Out than Xcel previously projected. When Xcel initially proposed its Stay Out, it projected that its ratepayers would be surcharged $171 million from its sales true up. That amount has now been reduced to $135 million and the benefits of this update are flowing to all three of Xcel's largest customer classes, with the largest dollar change benefiting the Demand Class. Additionally, the Company now projects a customer refund of approximately $6.6 million from its property-tax true-up, and no change to its capital true-up. This means that the total amount Xcel currently projects to surcharge customers under the Stay Out has declined by more than $42 million.

It is certain that Xcel's projections will continue to change as more 2021 sales data is received. However, at this time, there is no evidence to suggest that ratepayers will be substantially worse off than Xcel projected when the Commission approved the Stay Out. Instead, it appears that the Commission's decision to approve the Stay Out will be even more beneficial. Xcel's correction does not change this fact, and the Commission should not alter its previous order to approve the Stay Out.

F. XLI – Comments & Reconsideration Petition

Pursuant to Minn. R. 7829.3000 and the Commission's April 2 Notice of Comment Period, XLI submitted its petition for reconsideration and initial comment. XLI stated that the Commission's approval of Xcel's 2021 Stay Out should be reconsidered and, instead, Xcel should proceed with its 2021 Rate Case for two reasons.

First, Xcel's 2021 Stay Out is unlawful as filed and the Commission had no legal authority to approve the 2021 Stay Out. Second, the information contained within Xcel's March 3, 2021, letter constitutes new and relevant evidence that should materially change the Commission's rationale for approving the 2021 Stay Out.

XLI noted that Xcel initially projected a $78.2 million 2020 Sales true up for the Demand Class compared to an interim-rate increase of $66.8 million in the 2020 Rate Case. Consistent with historical practice, on February 1, 2021, Xcel submitted a compliance filing, providing actual data for the 2020 True-Up[12] which showed a total 2020 True-Up of $119.5 million. That last amount was $25 million more than initially projected and only $2.5 million less than the 2020 Rate Case interim-rate increase. Further, the compliance filing assigned a $157 million true up to the Demand Class while seeking to refund residential customers $44.4 million. Based on these figures, Demand Class' 2020 True-Up is $78.9 million more than initially projected or more than 100% higher than the "information available" to the Commission when it first approved the 2020 Stay Out.

When Xcel filed its 2021 Stay Out, XLI, in response to concerns about significant rate increases and resource planning decisions being made absent normal procedural standards, submitted a motion to consolidate various Xcel dockets to provide stakeholders an opportunity to assess whether Xcel's various proposals result in just and reasonable rates. In its January 26, 2021 Order, the Commission denied XLI's motion to consolidate. In its April 2, 2021 Order, the Commission approved the 2021 Stay Out.

XLI's April 22, 2021 petition seeks to:

- reiterate why the Commission's approval of the 2021 Stay Out is unlawful, regardless of Xcel's accounting error identified in Xcel's March 3, 2021 Letter;
- emphasize that Xcel's accounting error further calls into question any supposed benefits of the 2021 Stay Out; and
- articulate additional concerns with Xcel's 2021 Stay Out while providing the Commission with potential procedural paths forward.

A petition for rehearing, amendment, vacation, reconsideration, or reargument must set forth specifically the grounds relied upon or errors claimed.[13] The Commission typically reviews petitions to determine whether they (1) raise new issues; (2) point to new and relevant evidence; (3) expose errors or ambiguities in the underlying order, or (4) otherwise persuade

[12] Docket No. E-002/M-19-688.

[13] Minn. R. 7829.3000, subd. 2.

the Commission that it should rethink its previous order. XLI asserted its analysis satisfies each of the four criteria for reconsideration.

As originally filed, the 2021 True-Up facially violates Minn. Stat. § 216B.03 because Demand-Billed customers are projected to pay more under the 2021 Stay Out than under the projected interim-rate increase in the 2021 Rate Case. Xcel's initial $171.4 million 2021 True-Up is $10 million higher than their initial $161.4 million interim-rate increase projection. State law mandates that rates shall be "just and reasonable…[and] [a]ny doubt as to reasonableness should be resolved in favor of the consumer."[14] XLI asserted that the initial $10 million difference creates precisely the doubt contemplated by Minn. Stat. § 216B.03 and surely cannot constitute rates that are just and reasonable. The updated $10 million difference does not rectify this problem. The 2021 Stay Out's detrimental impact on Demand-Billed customers renders the Commission's determination that approval of the 2021 Stay Out will ensure just and reasonable rates is demonstrably false. As such, the Order incorrectly claims that the 2021 Stay Out complies with Minn. Stat. § 216B.03, and XLI asserted that this error justifies reconsideration.

Additionally, the March 2021 Letter identifies new and relevant information further justifying reconsideration of the Order. That Letter confirms that the initial 2021 Rate Case interim-rate increase projection was overstated by approximately $43 million. Reducing the projected interim-rate increase necessarily shrinks the delta between customers' total 2021 True-Up surcharge compared to an interim-rate increase under the 2021 Rate Case. This diminishing difference, when combined with Xcel's inability to accurately forecast the 2020 True-Up, raises significant doubt as to whether the 2021 True-Up is in the best interest of all ratepayers.

XLI estimated that, for Demand-Billed customers, the updated interim-rate increase projection is $138.8 million, or $22.4 million less than Xcel's original interim-rate increase projection and $32.6 million less the initial 2021 True-Up surcharge projection and approximately $10 million less than the recently updated 2021 True-Up projection. Regardless of the veracity of this updated information, which XLI said cannot be tested now but should be viewed with skepticism given Xcel's admittedly erroneous interim rate calculation, it does not demonstrate that Demand-Billed customers fare better in a 2021 Stay Out than a 2021 Rate Case. Additionally, if the new projections hold true, Demand-Billed customers will fund about 75% (or roughly $15 million) of the 2021 True-Up Refund to residential customers.

With information showing that Demand-Billed customers would pay $10 million to $30 million less under interim rates than a proposed true-up, and funding a rate rebate to Xcel's residential class for the second consecutive year, it is unclear to XLI how approving the 2021 Stay Out results in rates that comply with Minn. Stat. § 216B.03. Also, Xcel's continually shifting numbers demonstrate the frailty of the alleged benefits of the 2021 True-Up. At a minimum, there is substantial doubt which should be resolved in favor of Demand-Billed customers. The Commission should, therefore, reconsider its approval of the 2021 Stay Out based on the new and relevant evidence demonstrating that the 2021 Stay Out does not lead to just and reasonable rates and bills for Demand-Billed customers.

[14] Minn. Stat. § 216B.03.

XLI argued that the Commission should also reconsider its Order because it violates Minn. Stat. § 216B.16, subd. 19 (a) that explicitly states that a MYRP cannot exceed five years and approval of the 2021 True-Up represents the sixth year since Xcel's most recently completed MYRP. While the Order implies that the 2021 Stay Out keeps rates consistent with the last year of Xcel's previous MYRP, in reality, the 2021 Stay Out, via the 2021 True-Up, impermissibly alters rates in violation of the unambiguous five-year requirement. Additionally, the 2021 True-Up hijacks Minn. Stat. § 216B.16, subd. 19, to create a perpetual rate rider not contemplated in state law, allowing Xcel to continue to increase its rates and rate base with minimal regulatory oversight. The purpose of MYRPs is to allow utilities to adjust revenue requirements over a period of time and the five-year restriction ensures that the underlying data and assumptions are periodically updated.

XLI noted that the Department recognizes that Xcel's sales true-up is no longer working as intended: "[t]o date, the sales true-ups, which compare sales in each year to the sales in 2016, have resulted in surcharges for all years – 2017 ($22.474 million), 2018 ($33.37 million); and 2019 ($37.782 million).[15] XLI did not find this surprising because one of the assumptions still being used from the 2015 Rate Case Settlement Agreement is demonstrably false: that C&I sales growth would continually occur when the evidence is clearly otherwise. In addition to the sales true-ups that were collected as part of the 2015 Rate Case Settlement Agreement, Xcel's 2020 and 2021 True-Ups suggest a more drastic departure from the outdated 2016 baseline. XLI does not understand how the Commission can conclude that a shifting all of Xcel's reduced sales risk to the Demand Class customers results in rates that are just and reasonable.

XLI added that Minn. Stat. § 216C.05, subd. 2(4), makes it "the energy policy of the state of Minnesota that: … retail electricity rates for each customer class be at least five percent below the national average." By foisting the entire 2021 True-Up on Demand-Billed customers, the 2021 True-Up will continue increasing rates for Demand-Billed customers in violation of unambiguous state energy policy. For industrial customers, Xcel's 2019 average delivered cost of energy for Xcel's was $.0802/kWh,[16] or 17.8% higher than the $.0681/kWh national average.[17] Not only are rates above the national average, so are bills: Xcel's average monthly bill for a 50 MW, 89% Load Factor large industrial customer is $2,697,000, while the national average is $2,384,000.[18] Since Xcel's 2021 Stay Out exacerbates already existing noncompliance with unambiguous state policy, a renewed examination of its rates in comparison to the national average should persuade the Commission to reconsider the Order.

XLI stated that, for a hypothetical 50 MW customer with an 89% load factor, that consumes 389,820 MWh annually, the 2019 True-Up cost approximately $63,345.75 per month. Now,

[15] Department of Commerce, Initial Comment, Oct. 16, 2020.

[16] U.S. Energy Information Administration, 2019 Utility Bundled Retail Sales – Industrial, https://www.eia.gov/electricity/sales_revenue_price/pdf/table8.pdf.

[17] U.S. Energy Information Administration, 2019 Average Monthly Bill – Industrial, https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_c.pdf.

[18] *In the Matter of the Petition of Northern States Power Company for Approval of General Time-of-Use Service Tariff*, PUC Docket No. E-002/M-20-86, XLI Reply Comment at 2-3, Ex. B (Jan. 13, 2021).

Xcel's 2020 True-Up will cost the same hypothetical customer $285,218.30 per month. Based on current projections, Demand-Billed customers will pay nearly $123 million more under the 2020 and 2021 True-Ups compared to the projected interim-rate increases for the 2020 and 2021 Rate Cases. Therefore, based on the combined harm to Demand-Billed customers stemming from the Commission's approval of both the 2020 and 2021 Stay Outs, XLI urges the Commission to reconsider the Order based on the volume of evidence demonstrating that Xcel's stay outs violate Minnesota law.

If the Commission is persuaded to reconsider its Order, XLI believes there are two paths forward. The first is to direct Xcel and the parties to proceed with review of Xcel's 2021 Rate Case filing. Under this alternative, the Commission can notice a hearing as soon as practicable to discuss the implementation of interim rates that will allow Xcel to begin collecting interim rates as soon as legally possible and determining the appropriate amount. Simultaneously, the Commission can refer the 2021 Rate Case to the Office of Administrative Hearings for a contested case proceeding, and the presiding Administrative Law Judge can convene a prehearing status conference for parties to meet and confer to determine an appropriate procedural timeline for the proceeding. Realistically, XLI suspects that such a prehearing conference would occur no earlier than May 2021, with Xcel implementing interim rates in June or July 2021. Similarly, any supplemental direct testimony on behalf of the Company would likely be due in July or August.

The second procedural path forward would be to assess whether there is a feasible rate mitigation approach that could be deployed to minimize the impact of the 2021 Stay Out on Demand-Billed customers. For example, the Commission could modify the 2021 True-Up to require Xcel's shareholders to share in a percentage of the final true-up value. XLI understands Xcel is opposed to this option. The Commission could also direct implementation of a one-third sharing of the 2021 True-Up between the Demand-Billed customers and all other customers through the use of Non-Protected Accumulated Deferred Income Taxes. XLI understands that the OAG opposes this option. Or the Commission could implement a different rate mitigation approach for Demand-Billed customers. Unfortunately, the second procedural path has two fundamental problems. First, it assumes the Commission has the legal authority to allow Xcel to continue adjusting rates outside of a multiyear rate plan, which it does not and, second, none of the procedural alternatives has unanimous support from stakeholders. Therefore, XLI believes that the most equitable path forward is for the Commission to reject the 2021 Stay Out and instruct Xcel to move forward with the 2021 Rate Case.

G. Suburban Rate Authority – Comments

The SRA noted that Xcel's revised interim rate calculation narrows the gap between the Sales True Ups and the proposed interim rate increase. The True Ups, however, remained smaller and less immediate than a January 1, 2021 interim rate increase paid by all ratepayers, including those most vulnerable to the effects of the Pandemic. To that point, the Commission was heavily influenced by the effect of a rate case/Stay-Out on those ratepayers most financially exposed to the continuing effects of the Pandemic. In its Order adopting the Stay-Out, the Commission's April 2 Order found the multiple Xcel-proposed contribution measures to the Stay-Out to be "substantial" mitigation to ratepayers, especially those most impacted by the Pandemic.

Although Xcel's error reduced the difference between a likely interim rate and a Sales True-up, the mitigating Stay-Out features remain unchanged. The error did not flip or reverse any of the factors the Commission highlighted in its Order. Accordingly, factoring in this large error does not appear to have materially altered the Commission's basis for approving the Stay-Out.

The SRA supported and continues to support the Stay-out due to, in substantial part, to the relief granted to residential customers, the extension of the LED/streetlighting settlement terms, and a 2021 Sales True-up for Other Sales to Public Authorities (OSPA) as a separate class. However, the gap between the Xcel estimates or estimates and actual results is a matter of concern. XLI asserts that, based on recent experience with the 2020 Sales True-up, it is likely that Xcel's final 2021 True-up calculations will be significantly higher. The difference in actual versus projected values for the 2020 Sales True-up was approved in December 2019 and, at that time, could not have anticipated the impact of the Pandemic. That discrepancy standing alone does not warrant relitigating the Stay-out and True-ups approved in the instant proceeding. At the present time, there are only three complete billing months for 2021; therefore, a dataset to determine the likelihood of another significant forecast miss for Sales True-up amounts is unavailable. The 2021 Sales True-up projections are unlikely to be subject to an impact as significant as the Pandemic, which impacted customer loads in unanticipated ways. Nonetheless, the SRA believes it would be helpful for Xcel to respond in reply comments with sales values by customer class through April 2021 along with an updated forecast of the expected 2021 Sales True-up to address XLI's identified concerns, which the SRA shares.

Although Xcel's filing from November 2020 is complete, enough time has passed that many of the workpapers will need to be updated to reflect new test year information such as current sales levels, customer counts, capital additions, O&M expense, etc. As a result, if the Commission were to issue an order that requires a rate case, it is likely that Xcel would need at least 6-8 weeks to prepare a revised rate case filing. Under this assumption, compelling Xcel to proceed with a rate case would simply accelerate the Xcel's anticipated new rate case filing that is expected in November 2021

Many large demand customers are major employers in SRA communities and maintaining their competitiveness is an important priority. The 2020 Sales True-up values will result in a surcharge of $0.00878/kWh for large demand customers. While this value was calculated using a pre-approved mechanism and in accordance with Commission approved orders, the magnitude of the result is concerning. The SRA will be interested in comments from the parties on the Sales True-up, its review in the next rate case and possible guardrails to protect affected customer classes.

H. Xcel Energy – Reply Comments

Xcel noted that the Department continued to recommend that the rate mitigation it previously proposed is needed to limit the impact of the sales true-up on the Demand Class. Xcel continues to believe that, given that average Demand Class bills have remained flat in recent years, the mitigation is unnecessary. The Department has shown no reason why the proposed true-up for 2021 should be any different and the Company's inadvertent overstatement of its revenue requirement in its rate case does not justify a different result. Xcel; however, did not object to the Department's recommendation that it hire an independent auditor to review the Company's data validation procedures and resulting revenue requirement deficiency in its next rate case.

Xcel noted that petitions for reconsideration are governed by Minn. Stat. § 216B.27, Subd. 3, which permits reconsideration of Commission decisions if they are "in any respect unlawful or unreasonable." Minn. R. 7829.3000 sets forth additional procedural requirements for petitions for reconsideration and requires that petitions "set forth specifically the grounds relied upon or errors claimed." Generally, the Commission will review petitions for reconsideration to determine whether the petition (i) raises new issues, (ii) points to new and relevant evidence, (iii) exposes errors or ambiguities in the underlying order, or (iv) otherwise persuades the Commission that it should rethink its decision. XLI's petition fails to satisfy this standard and should be denied. Each of XLI's arguments has previously been raised and considered by the Commission in this docket, and XLI has identified no relevant evidence that should impact the Commission's decision nor any legal errors in the Commission's Order requiring its reconsideration.

XLI argued that the Order violates Minn. Stat. § 216B.03 because Demand Class customers would have fared better under a rate case. XLI raised this argument in both its initial and reply comments, and the Commission's April 2 Order addressed it when it stated that "on balance, granting the Company's petition with modifications offers the broadest protection to ratepayers as a whole and will ensure just and reasonable rates." XLI has identified no new and relevant evidence that undermines this determination. In fact, XLI noted that, based on updated information since the Order was issued, leaving the Order in place would maintain the $10 million delta between the 2021 True-Up and the updated 2021 Rate Case interim-rate increase for Demand-Billed customers.

XLI further claims that the approved sales true-up is unfair because Demand-Billed customers will fund about 75% (or roughly $15 million) of the 2021 True-Up Refund to residential customers. This argument misconstrues the nature and purpose of the sales true-up which is to ensure each class of customer continues to pay their appropriate share of fixed costs. As shown in Table 6, the sales true-up has been very effective in that regard. Since 2016, the total number of Large C&I customers has remained stable and so have those customers' average monthly bills, which include all prior sales true-ups. Therefore, Demand-Billed customers are not "funding" any portion of residential customers' refunds; they are simply paying their share of the system's fixed costs.

Table 6 - Large C&I Average Bills
(C&I Customers with demand greater than or equal to 1 MW)

Year	Revenue, in $millions	Sales, MWH	Customer Counts	Average Bill, $/Month
2016	$631.9	8,159,584	503	$104,665
2017	$634.2	8,090,294	504	$104,826
2018	$661.4	8,127,676	506	$109,037
2019	$611.5	7,621,916	506	$100,796
2020	$580.3	7,004,313	502	$96,428
2021	$630.6	6,879,829	501	$104,893

XLI once again argues the April 2 Order is an impermissible extension of the Company's last MYRP under Minn. Stat. § 216B.16, subd. 19(a). XLI raised this argument in both its initial and reply comments and the Commission fully addressed it in the Order (as well as its 2020 Order approving the Company's prior true-up proposal). In both cases, the Commission correctly found that approval of the Stay Out Proposal does not violate the MYRP statute. Furthermore, in its April 2 Order, the Commission concluded that it is not persuaded that approval of the Stay Out Proposal violates the MYRP statute. XLI has not identified any evidence to support the Commission's reconsideration of this issue, which has now been decided by the Commission the same way in each of the past two years.

XLI, once again, raised the argument that the April 2 Order violates Minn. Stat. § 216C.05, subd. 2. The Commission carefully considered this argument and the impact of both the Stay Out Proposal and interim rates on all parties and concluded that:

> Avoiding an immediate interim rate increase for any customer class reduces the risk of additional economic hardship and service disconnections to individuals, families, and businesses already experiencing financial strain as a result of the pandemic. This level of certainty is the most reasonable and equitable course of action under these uniquely compelling and unforeseen circumstances.[19]

That finding is consistent with the Commission's obligation to ensure that every rate is just and reasonable. XLI's invocation of Section 216C.05 does not change this conclusion. That statute lays out the state's "vital interest" in providing for "increased efficiency in energy consumption, the development and use of renewable energy resources wherever possible, and the creation of an effective energy forecasting, planning, and education program." To that end, the statute includes a handful of specific "energy policy goals" related to annual energy savings, fossil fuel reductions, and renewable resource development. As noted by XLI, in addition to these specific goals, the statute includes an affordability goal that was added in 2017. But this is not a requirement for the Commission to apply when setting rates. Instead, it is a goal to be considered alongside other goals when the state is engaged in energy planning and does not justify the Commission's reconsideration of its Order in this docket.

[19] April 2 Order at 13.

In fact, on March 9, 2021, the Commission held a special planning meeting to assist it in monitoring retail electric prices consistent with Section 216C.05, subd. 2. In that meeting, the Commission reviewed the average monthly bills for Xcel, Minnesota Power, and Otter Tail Power, comparing them on a residential, commercial, and industrial class basis to the rates of other utilities in Minnesota and across the nation. That review showed that, from 2005 through 2019 and consistent with Table 6, the Company's rates across all classes have been very stable for the last 15 years, with residential rates growing at 0.5%, commercial rates growing at 0.3%, and industrial rates growing at 0.2% in real dollars. That analysis further demonstrated that Large C&I customers in Minnesota have not unfairly shouldered a disproportionate amount of costs or rate increases. In fact, as the Commission's review showed, industrial customers have experienced the lowest amount of rate growth compared to any other customer class from 2005 through 2019.

Xcel concluded that XLI has raised no new issues, presented no new and relevant evidence, and identified no errors or ambiguities in the Commission's Order and, for those reasons, XLI's request for reconsideration should be denied.

I. OAG – Reply Comments

The OAG stated that XLI's and the Department's requests should be rejected. XLI's argument that the Commission does not have the legal authority to approve the Stay Out and the Department's proposed modified Stay Out were presented and were rejected in the Commission's April 2 Order.

The Department acknowledged that Xcel's correction does not provide any new information to change the Commission's decision and that, except for the Demand Class, all the rate classes are likely better off under the 2021 sales true-up. The Department simply uses the new information to try to resurrect Stay Out modifications that were already rejected.

XLI's reconsideration argument relies on speculation that the Demand Class would be worse off under the Stay Out than in a hypothetical rate case and claims that Xcel's error makes this outcome more likely than the Commission realized when it approved the Stay Out and that any harm to the Demand Class will be worse. This argument fails for two reasons. First, the Commission approved the Stay Out for all of Xcel's ratepayers, not just the Demand Class. XLI's argument ignores the many meaningful benefits of the Stay Out for ratepayers as a whole, such as the projected lower rates for non-Demand customers, rate stability in 2021 for all classes (including Demand customers), and additional protections like the $17.5 million of Xcel-paid debt relief and an earnings cap. These significant benefits far outweigh the minimal harm that XLI claims the Demand Class will suffer from proceeding with the Stay Out instead of a rate case. These benefits have not changed with Xcel's correction and the Commission should not reconsider its decision.

The difference between Xcel's rate case request and the Stay Out is the amount of Xcel's other claimed cost increases. Xcel's correction does not change the fact that the rate case would only be better than the Stay Out if all of the requested increases whatever their amounts are entirely disallowed and if the Commission finds additional cuts. Xcel's correction does not make this possibility any more likely.

XLI has also failed to show that Xcel's correction makes it more likely that the Demand Class will be materially worse off under the Stay Out than in a rate case. This is because XLI's argument relies on an incomplete analysis that only compares the interim rates that the Demand Class would have paid to the surcharge Xcel previously projected the Demand Class would pay under the Stay Out. This one-year comparison of interim rates to a projected surcharge does not give a complete picture of how the Stay Out compares to the rate case, even for the Demand Class. There are other benefits of the Stay Out that the Demand Class ignores. For instance, interim rates would be paid in 2021. A true up from the Stay Out, however, would not be paid until 2022. This means the Stay Out gives the Demand Class a one-year reprieve on higher rates at a time when the State is attempting to recover economically from the COVID-19 pandemic. The Stay Out also gives the Demand Class an extension of its 2020 true up amount.

Even XLI's limited comparison of the Demand Class's interim rates to its projected surcharge shows that the Commission's decision should not be reconsidered because the Stay Out's projected "harm" on the Demand Class has not changed since the Commission approved it. The Demand Class was previously projected to pay a surcharge of approximately $10 million more than it would have paid in interim rates. In other words, the Commission approved the Stay Out despite this projected $10 million "premium" for the Demand Class. This made sense, because the decision to approve the Stay Out was not based solely on comparing the Demand Class' interim rate increase to its projected surcharge from the Stay Out. Rather, the Commission, in approving the Stay Out, accounted for all of the costs and benefits to all of Xcel's customers.

Xcel's correction has not increased the Demand Class' premium, it remained at $10 million. Xcel's updated sales numbers now show that the Demand Class will likely have a smaller surcharge under the Stay Out than Xcel previously projected. So while Xcel's correction shows that the Demand Class's interim rates would have been lower than previously forecast, its updated sales numbers shows an equally advantageous impact for the Stay Out. XLI also ignores the additional projected $6.6 million property tax decrease will also be refunded through the Stay Out.

When *all* of the latest information is considered, rather than just Xcel's correction, the Stay Out is no worse for the Demand Class than the Commission expected, and it is likely better; therefore, the Commission should not reconsider its decision when it appears that the final outcome will be even better for all ratepayers than originally expected.

J. LIUNA – Reply Comments

LIUNA agreed strongly with the OAG's assessment that the Xcel's correction to its projected revenue requirements does not change the basis for the Commission's action in the rate case and does not form a reasonable basis for the Commission to reconsider its Order.

The decision to postpone a rate case provided badly-needed relief to residential and small business ratepayers – including LIUNA members and employers – who have been hit hard by the COVID-19 pandemic and accompanying recession. The OAG's analysis shows that the revenue requirement change would not result in any material change to the comparative benefits of a rate case or a stay out and are not relevant to the Commission's conclusions.

The Commission made the right choice in this case: a choice that protected the most vulnerable ratepayers, freed up utility and agency staff time to focus on other important matters, and facilitated investments that are improving the Xcel system, delivering benefits to ratepayers, and creating jobs and economic development. XLI fails to show that the change meets the test for Reconsideration.

LIUNA urged the Commission to reaffirm its decision in this case.

IV. Staff Comments

While it is undoubtably regrettable that Xcel had a $43.2 million inadvertent error (or oversight) in its MYRP filing, the fact remains that, despite this error, ratepayers, in aggregate, continue to benefit from lower rates under the 2021 Stay-Out. Furthermore, the additional concessions that Xcel made in support of the 2021 Stay-Out would vanish if approval is reversed. Therefore, the reasoning behind the April 2, 2021 Order continues to be valid.

Regarding reconsideration, Staff agrees with other parties that, other than the oversight, XLI has not presented any new arguments or information that would warrant reconsideration of the April 2, 2021 Order. Furthermore, in its filings opposing the 2020 and 2021 Stay Outs, XLI has made very similar arguments and, in both instances, the Commission considered and rejected XLI's arguments.

V. Decision Alternatives

2021 Stay-Out (XLI March 8, 2021 Letter)

1. Reopen the Commission's April 2, 2021 Order and revoke approval of the 2021 Stay-Out. (XLI)

2. Take no action. (Xcel, DOC, OAG, SRA, LIUNA)

Reconsideration (XLI April 22, 2021 Petition for Reconsideration)

3. Grant XLI's request for reconsideration, reopen the Commission's April 2, 2021 Order and revoke approval of the 2021 Stay-Out. (XLI)

4. Grant the Department's request, reopen the Commission's April 2, 2021 Order and modify the 2021 Stay-Out to incorporate a 1/3 sharing between the Demand Class, Xcel, and all other customers by using $57 million of Non-Protected ADIT that was paid for by all customers. (DOC)

5. Deny XLI's reconsideration petition. (Xcel, OAG, LIUNA)

6. Take no action. Allow XLI's petition for reconsideration to expire.

If Reconsideration is Granted, the 2021 Stay-Out is Revoked and Xcel's Rate Case is Reinstated

7. Require Xcel to submit within 10 days of the Commission issuing its order a proposal for the process Xcel would recommend the Commission use for Xcel's reinstated rate case.

8. Authorize interested parties to comment on Xcel's proposal within 10 days of Xcel submitting its proposal.

2021 ROE Earnings Test

9. Require Xcel to hire, at its own expense, an independent auditor to evaluate its 2021 ROE. (Xcel, DOC)

10. Require Xcel to submit a copy of the independent auditor's evaluation with 15 days of the completion of the audit. (Staff)

11. Take no action.

Validation Procedures in Next Rate Case

12. Require Xcel to report improvements to its validation procedures. (DOC, Xcel agreed)

13. Require Xcel to hire, at its own expense, an independent auditor to review the Company's validation procedures and resulting revenue requirement deficiency. (DOC, Xcel agreed)

14. Take no action.