

April 15, 2021

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E002/AA-19-293

Dear Mr. Seuffert:

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

The Petition of Northern States Power Company d/b/a/ Xcel Energy (Xcel) for Approval of its Annual True-up Compliance Report for its 2020 Annual Fuel Forecast and Monthly Fuel Cost Charges.

The Petition was filed on March 1, 2021 by:

Lisa R. Peterson  
Manager, Regulatory Analysis  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Xcel's Petition**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ MARK JOHNSON  
Financial Analyst Coordinator

MJ/ja  
Attachment



## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/AA-19-293

#### I. INTRODUCTION

On March 1, 2021, Northern States Power d/b/a Xcel Energy (Xcel or the Company) filed its Annual True-up Compliance Report for its 2020 Annual Fuel Forecast and Monthly Fuel Cost Charges (Petition) with the Minnesota Public Utilities Commission (Commission). The Company submitted its Petition pursuant to the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 and the applicable reporting requirements provided for in the rules that govern the automatic adjustment of charges, Minnesota Rules 7825.2800 to 7825.2840. Xcel requests that the Commission approve its 2020 True-up Report, its proposal to recover its 2020 under-collected fuel costs of \$3.8 million, and its Electric AAA reporting requirements included in its report.<sup>1</sup>

#### II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Xcel's Petition to determine (1) whether the Company's actual 2020 Fuel Clause Adjustment (FCA) costs were reasonable and prudent, (2) whether the Company correctly calculated the 2020 true-up amount and recovery factors for its FCA, and (3) whether the Petition complies with the reporting requirements set forth in the applicable Minnesota rules and Commission orders.

##### A. SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM

Minn. Stat. § 216B.16, subd. 7, authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect, on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation (Docket No. E999/CI-03-802) to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's December 19, 2017 *Order* in Docket No. E999/CI-03-802 approved certain reforms to the FCA mechanism. Specifically, Point 1 of the December 19, 2017 *Order* approved the Department's FCA reform proposals as follows:

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<sup>1</sup> Petition at 20.

- a. the Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.
- b. each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.
- c. the monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. utilities will be allowed to track any changes in \$/MWh fuel costs that occur over the year and there will be no carrying charge on the tracker.
- e. annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year.
- f. each electric utility will refund any over-collections and show prudence of costs before allowing recovery of under-collections. If annual revenues collected (\$/MWh) are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under-collections) to ratepayers through a true-up mechanism.

The Commission's December 12, 2018 *Order* in Docket No. E999/CI-03-802 modified certain aspects of and added to the FCA reform previously approved in the Commission's December 19, 2017 *Order* in the same docket. In particular, the December 12, 2018 *Order*:

- Established a January 1, 2020 implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year following the relevant calendar year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rule 7825.2600, subp. 3, which requires that the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base fuel rates annually.

The Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019 *Order* approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these rules.
- A procedural schedule, as shown in Appendix A of the *Order*.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 joint comments<sup>2</sup> in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices.
- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019 joint comments<sup>3</sup> in Docket No. E999/CI-03-802.
- Discontinuation of Xcel's reporting of Part H, Section 4 narrative and Schedule 1 (transformers); Part I (MISO Day 1); Part J, Section 5, Schedules 1, 3-6 (MISO Day 2); Part K, Section 5, Schedule 3 (transformer maintenance); Part K, Section 4, Schedule 3 (designated resource planning for MISO).

The June 12, 2019 *Order* also permitted utilities to provide wind curtailment reporting as part of their annual true-up filings and permitted Xcel to implement its November and December 2019 true-up on March 1, 2020, subject to Commission review and approval.

On May 1, 2019, in Docket No. E002/AA-19-293, Xcel filed its initial petition requesting approval of its 2020 annual forecast for its FCA. The Company initially forecasted 28,627,389 mega-watt-hours (MWhs) in Minnesota sales and \$796,349,000 in Minnesota fuel/purchased power costs, for an average fuel/purchased power cost per MWh of \$27.81.<sup>4</sup> Subsequently, in reply comments filed July 31, 2019 in the same docket, Xcel revised its forecasted 2020 Minnesota fuel/purchased power costs to \$796,051,000.<sup>5</sup> The Commission approved Xcel's revised 2020 forecast in its November 14, 2019 *Order* in Docket No. E002/AA-19-293.

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<sup>2</sup> In the March 1, 2019 joint comments, Attachment 3 corresponds to Xcel.

<sup>3</sup> In the March 1, 2019 joint comments, Attachment 6 corresponds to Xcel and reflects the Company's current FCA Rate Schedule, Section 5, Sheet Nos. 91.0 – 91.3, as approved by the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 (Part A, Attachment 9 to the instant Petition is the proposed nineteenth revision of the Company's FCA tariff).

<sup>4</sup> See Part A, Attachment 1, Page 1 of 2 of Xcel's initial May 1, 2019 filing in Docket No. E002/AA-19-293.

<sup>5</sup> See Attachment A of Xcel's July 31, 2019 reply comments in Docket No. E002/AA-19-293.

Pursuant to the Commission's November 14, 2019 Order in Docket No. E002/AA-19-293, on January 13, 2020, Xcel filed a compliance report providing a list of all MISO charges and revenue offsets that are embedded in the 2020 fuel rates and the costs and revenues for asset-based margins that are embedded in the Company's fuel forecast.

On December 19, 2019, Xcel filed a petition requesting Commission approval to operate its King and Sherco 2 coal-fired plants on a seasonal basis in Docket No. E002/M-19-809. The Commission approved Xcel's request in its July 15, 2020 Order in the same docket.

On April 23, 2020 Xcel filed a petition requesting that the Commission approve its a \$25 million reduction to its monthly June 2020 to August 2020 fuel forecasts rates to provide immediate relief to customers due to the COVID-19 pandemic in Docket Nos. E002/M-20-437 and E002/AA-19-293. The Commission approved Xcel's request in its June 9, 2020 Order in the same dockets.

The instant Petition provides the true-up between the Company's actual fuel/purchased power cost recovery through its FCA and the actual corresponding fuel/purchased power costs incurred by Xcel for the period of January 1 - December 31, 2020. The Company's Rate Schedule Section 5-91 provides for the FCA.

#### *B. PURPOSE OF XCEL'S PETITION*

In its Petition, Xcel: (1) demonstrated that the Company's fuel/purchased power costs for 2020 were reasonable and prudent, (2) requested Commission approval of the Company's 2020 FCA true-up amount of \$3.8 million to be collected in September 2021, and (3) requested Commission approval of the FCA true-up compliance reporting required by Minnesota Rules 7825.2800 – 7825.2840 and applicable Commission orders. The Department discusses each of these three areas in the following sections.

#### *C. PRUDENCY AND REASONABLENESS OF XCEL'S ACTUAL 2020 FUEL/PURCHASED POWER COSTS*

Xcel's actual 2020 fuel/purchased power costs were slightly less than the forecasted costs that were approved by the Commission in its July 15, 2020 Order. However, Xcel's actual MWh sales were also lower than forecasted. The combination of these two factors resulted in an under-recovery amount of \$3.8 million for the Minnesota jurisdiction. According to Xcel, its 2020 actual fuel/purchased power costs and sales were less than forecasted primarily because of:

- a reduction in coal production due to a shift from must-commit status to economic dispatch and seasonal operations of coal units;
- a corresponding increase in gas production;
- lower gas and location marginal prices than forecast;

- less wind production than forecast due to the reduction in size of the Crowned Ridge project, lower production during wind repowering construction, delayed in-service dates of several new wind facilities, and lower wind output than forecast;
- less community solar garden production than forecast;
- lower cost recovery due to lower sales, largely driven by the pandemic; and
- higher costs from the MISO market than forecast.

The following table summarizes and compares select energy sales and cost data relevant to Xcel’s 2020 FCA true-up:

**Department Table 1: Comparison of Select Forecasted to Actual Data for Xcel’s 2020 Fuel Clause Adjustment True-up for Minnesota Jurisdiction<sup>6</sup>**

<i>Data Description</i>	<i>2020 Actual (A)</i>	<i>2020 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
MWh Sales Subject to Cost of Energy	27,564,206	28,627,389	(3.7%)
Total Cost of Fuel/Purchased Power	\$746,292,000	\$796,051,000	(6.3%)
Average Fuel/Purchased Power Cost Per MWh	\$27.07	\$27.81	(2.6%)

Department Table 1 shows that Xcel’s relevant 2020 MWh sales were approximately 3.7 percent less than forecasted and that the Company’s total system actual fuel/purchased power costs recoverable through the FCA for 2020 were about 6.3 percent less than the forecasted 2020 costs, which results in an approximate 2.6 percent decrease in the average fuel/purchased power cost on a per MWh basis.

The cost and offsetting credit/revenue components of the Company’s actual and forecasted 2020 fuel/purchased power costs recoverable through the FCA can be broken into several major categories, as summarized in the following table:

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<sup>6</sup> Data in Department Table 1 retrieved from Petition, Part A, Attachment 1.

**Department Table 2: Xcel's Forecasted and Actual 2020 FCA Cost Summary (in 1000's)**

		2020 Actuals <sup>7</sup>	2020 Forecast <sup>8</sup>	Percentage Difference
1	Xcel's Generating Stations	\$450,934	\$494,595	(8.8%)
2	Plus: LT Purchased Energy	\$459,843	\$465,901	(1.3%)
3	Plus: LT CSG <sup>9</sup>	\$151,466	\$175,824	(13.9%)
4	Plus: ST Market Purch	\$108,791	\$18,017	503.8%
5	Total System Costs	\$1,171,034	\$1,154,337	1.4%
6	Less: Sales Revenues <sup>10</sup>	(\$200,170)	(\$119,333)	67.7%
7	Less: CSG-AMC <sup>11</sup>	(\$130,594)	(\$143,527)	(1.7%)
8	Less: Windsource	(\$9,474)	(\$7,605)	24.6%
9	Less: Renewable Connect	(\$6,139)	(\$6,395)	(4.0%)
10	Net System FCA Costs	\$824,657	\$877,476	(6.0%)
11	Total System Sales MWh	39,033,390	40,469,326	
12	Less: Windsource MWh	(394,474)	(291,602)	
13	Less: Renewable Connect	(182,541)	(190,907)	
14	Net System Sales MWh	38,456,375	39,986,817	(3.8%)
15	MN Juris. Sales MWh's	<b>28,141,221</b>	<b>29,109,898</b>	
16	Less: Windsource MWh's	(394,474)	(291,602)	
17	Less: Renewable Connect	(182,541)	(190,907)	
18	<b>Net MN Sales MWh's</b>	<b>27,564,206</b>	<b>28,627,389</b>	<b>(3.7%)</b>
19	MN FCA Costs	\$591,397	\$628,440	(6.0%)
20	Add: CSG-AMC <sup>12</sup>	\$130,420	\$143,527	(10.0%)
21	Add: Laurentian Buyout	\$13,134	\$13,180	(0.3%)
22	Add: Pine Bend Buyout	\$113	\$120	(5.8%)
23	Add: Benson Buyout	\$10,452	\$10,783	(3.1%)
23a	Other <sup>13</sup>	\$777	-	-
24	<b>Net MN FCA Costs</b>	<b>\$746,292</b>	<b>\$796,051</b>	<b>(6.3%)</b>
25	<b>Net MN FCA Costs \$/MWh</b>	<b>\$27.07</b>	<b>\$27.81</b>	<b>(2.7%)</b>

<sup>7</sup> Data in Department Table 2 retrieved from Petition, Part A, Attachment 2.

<sup>8</sup> Per Xcel's July 31, 2019 Reply Comments, Attachment A, Page 1 of 4.

<sup>9</sup> Long-term purchased energy from Community Solar Gardens (CSGs).

<sup>10</sup> Revenues received from MISO attributable to the Company's asset-based sales.

<sup>11</sup> Community Solar Gardens – Above Market Costs.

<sup>12</sup> *Id.*

<sup>13</sup> Includes SES Exemption Recovery, Saver's Switch Discount Adjustment, and Other. See Petition at 16-17.

Department Table 2 shows that Xcel's actual 2020 FCA costs were 6.3 percent less than forecasted on a Minnesota jurisdictional basis (line 24). However, Xcel's actual 2020 sales were 3.7 percent less than forecasted on a Minnesota jurisdictional basis (line 18). Taken together, these changes resulted in a 2.7 percent decrease to Minnesota's net FCA costs on a per MWh basis (line 25).

Xcel identified numerous reasons for the difference between its actual and forecasted fuel costs. Xcel stated that one primary driver for the difference between actual and forecasted fuel costs was a major shift in how they dispatch coal units on their system. Xcel stated they changed from a must-commit status on most of their coal units to a combination of economic and seasonal commitment. According to Xcel this change in coal dispatch, along with lower natural gas commodity prices, resulted in an increase in the use of natural gas on the system. Xcel stated that another significant driver was less wind production than forecasted, which was largely driven by COVID-19 pandemic-related construction delays on several new wind projects, reduction in the size of its Crowned Ridge project, lower production during construction of several repowering projects, and overall lower wind performance. In addition, Xcel stated that solar production was lower than forecasted. Finally, Xcel stated that Locational Marginal Prices (LMPs) were lower in 2020 than 2019. Xcel stated that on average the LMPs for the day-ahead market were 22.6 percent lower than 2019 for the MINN.HUB. A more detailed explanation for the variances in specific FCA cost categories is provided on pages 6-15 of the Petition.

The Department reviewed Xcel's explanations for the variances between its actual and forecasted 2020 fuel/purchased power costs. Based on our review, the Department concludes that Xcel has reasonably explained the differences between its actual and forecasted 2020 fuel/purchased power costs. Therefore, the Department recommends that the Commission find that Xcel's actual 2020 fuel/purchased power costs recoverable through the FCA were reasonable and prudent for 2020.

Regarding retail sales, Xcel stated that its actual 2020 Minnesota retail sales (including Windsource and Renewable\*Connect) were 28,141,222 MWh (line 15) compared with the 2020 sales forecast of 29,109,898 MWh (line 15), which results in an actual-to-forecast variance of (968,676) MWh. According to Xcel, contributing factors to the forecast variance include achievement of more demand-side management (DSM) savings than forecasted, unforeseen loss of electricity sales due to large commercial and industrial customer relocations/ shutdowns of operations, and COVID-19 pandemic impacts from reduced economic and business activity. Xcel stated that these factors were in part offset by the positive effects of weather on actual 2020 sales, less Combined Heat and Power (CHP) plant generation than forecasted, and other additional factors. In summary, Xcel stated that the COVID pandemic impact on sales, which is estimated to be a reduction of 981,588 MWh, was the largest contributor to the forecast variance in 2020. A more detailed table showing Xcel's retail sales-to-forecast variances is provided on page 16 of the Petition.

The Department reviewed Xcel's explanations for the variances between its actual and forecasted 2020 retail sales. Based on our review, the Department concludes that Xcel has reasonably explained the differences between its actual and forecasted 2020 retail sales.



*D. XCEL'S 2020 FUEL CLAUSE ADJUSTMENT TRUE-UP*

In the instant Petition, Xcel requests approval to recover its 2020 under-collected fuel costs of \$3.8 million from ratepayers. Xcel's 2020 true-up calculation, which shows how the Company arrived at the proposed refund amount, is summarized in the following table:

**Department Table 3: Xcel's 2020 Fuel Clause Adjustment True-Up and Refund Amount - Minnesota Jurisdiction<sup>14</sup>**

<i>True-Up Component</i>	<i>Amount</i>
Actual 2020 total FCA Costs	\$746,292,000
Less: Recovered 2020 FCA Costs (including \$25 million pandemic relief)	\$741,262,000
Less: 2019 True-up Amount (November-December 2019)	\$1,188,000
Total 2020 FCA True-up Amount	<u>\$3,842,000</u>

Xcel proposed to collect the \$3.8 million true-up amount in one month, September 2021, as outlined in the Commission's June 12 Order. Xcel's proposed true-up factors by customer class for the month of September 2021 are as follows:

**Department Table 4: Proposed True-Up Factors by Customer Class (\$/kWh) September 2021<sup>15</sup>**

	Residential	Commercial & Industrial				Outdoor Lighting
		Non-Demand	Demand			
			Non-TOD	On-Peak	Off-Peak	
Proposed True-Up	\$0.00177	\$0.00179	\$0.00174	\$0.00217	\$0.00142	\$0.00139
Approved Rate	\$0.02890	\$0.02927	\$0.02836	\$0.03546	\$0.02320	\$0.02266
Total September Rates	\$0.03067	\$0.03106	\$0.03010	\$0.03763	\$0.02462	\$0.02405

Xcel stated that to determine its proposed true-up factors by customer class, they compared 2020 forecasted Minnesota costs to actual costs, which included the mid-year rate adjustment as well as the 2019 final true up. Xcel stated that the resulting amount, divided by the forecasted Minnesota jurisdiction MWh sales subject to the Fuel Clause Adjustment, yields the true-up per unit cost. Xcel then multiplied the per unit cost by the Fuel Adjustment Factor (FAF) ratio to determine the proposed class true-up factors. Xcel stated that its proposed class true-up factors will be added to the September 2021 fuel cost charge. Xcel's true-up factor details are shown in Part A, Attachment 3 and Part A,

<sup>14</sup> Data in Department Table 3 retrieved from Petition at 4.

<sup>15</sup> Petition, page 6.

Attachment 5 of the Petition. Xcel's proposed tariff sheets reflecting the total proposed September 2021 rates are included in Part A, Attachment 9 of the Petition.

Xcel also proposed to update the Company web site with the true-up factors by August 1, 2021, or upon issuance of the Commission's Order, to provide customers 30 days' notice of the rate change. Xcel's monthly fuel rates are provided in the following link:

[https://www.xcelenergy.com/company/rates\\_and\\_regulations/rates/rate\\_riders](https://www.xcelenergy.com/company/rates_and_regulations/rates/rate_riders)

The Department reviewed Xcel's 2020 true-up calculations and resulting rate factors. Based on our review, the Department concludes that Xcel 2020 true-up calculations and resulting rate factors appear reasonable and recommends that the Commission approve them.

#### *E. COMPLIANCE WITH REPORTING REQUIREMENTS*

The Department verified that the instant Petition included the information required per the following:

- Minnesota Rules 7825.2800 - 7825.2840, as revised on pages 3 - 4 and approved in Point 1 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up reporting compliance matrix specific to Xcel, as shown in Attachment 3 of the March 1, 2019 joint comments and approved in Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.<sup>16</sup>

The Department did perform a more detailed review of Xcel's Generation Maintenance Expenses and correlation to incremental forced outage costs compliance filing, as discussed below.

#### *1. MAINTENANCE EXPENSES OF GENERATION PLANTS AND COORELATION TO INCREMENTAL FORCED OUTAGE COSTS (IN THE MATTER OF THE REVIEW OF THE 2005 AAA OF CHARGES FOR ALL ELECTRIC UTILITIES, DOCKET NO. E999/AA-06-1208)*

In its February 6, 2008 Order in Docket No. E999/AA-06-1208 (06-1208 Order), the Commission required all electric utilities subject to automatic adjustment filing requirements, with the exception of Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case.

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<sup>16</sup> Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 also stated that "each Electric Utility shall provide a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices." The Company provided this analysis and discussion in its March 1, 2021 filing in Docket No. E999/CI-19-704.

This requirement stems from the drastic increase in IOUs' outage costs during FYE06 and FYE07. When a plant experiences a forced outage, the utility must replace the megawatt hours that plant would have produced if it had been operating, usually through wholesale market purchases. The cost of those market purchases flows through the FCA directly to ratepayers. The high level of outage costs in FYE06 and FYE07 raised the issues of whether plants were being maintained appropriately to prevent forced outages, and whether IOUs were spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Interveners that "utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work." 06-1208 Order at 5.

The Department summarizes the maintenance spending of Xcel in the following table:

**Department Table 5: Comparison of Generation Maintenance Expense for Xcel  
(\$ Millions)**

Test Year	Approved Amount	Actual 2016-2020 Avg	Difference
2016	\$184.7	\$158.6 <sup>17</sup>	\$26.1

Due to the link between the level of maintenance expense and forced outages, and due to the different ratemaking incentives that have existed for maintenance expenses versus replacement fuel costs (incentive to minimize operations and maintenance expense between rate cases with little to no incentive to minimize replacement power costs because of flow through recovery), the Department intends to continue to monitor the IOUs' actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance amount approved in Xcel's most recent rate cases in future FCA true-up filings.

The Department notes that Xcel's average maintenance spending for 2016-2020 was \$158.6 million or 14.1 percent lower than the \$184.7 million provided in Xcel's rates. As a result, the Department considered Xcel's incremental forced outage costs for 2020 as reported in Part C, Attachment 5 of the Petition. As shown therein, Xcel's incremental forced outage costs were significantly less than forecasted. As a result of the low incremental forced outage costs for 2020, the Department will accept Xcel's forced outage costs for the 2020 true-up. However, the Department will carefully review Xcel's generation maintenance expense level in the upcoming rate case and correlation to incremental force outage costs in future FCA forecasts and true-up filings.

The Department concludes that Xcel's Petition complies with the applicable reporting requirements and recommends that the Commission approve the compliance reporting portions of the Company's Petition.

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<sup>17</sup> Xcel's actual generation maintenance expense was \$187.8 million for 2016, \$160.5 million for 2017, \$173.4 million for 2018, \$140.0 for million 2019, and \$131.1 million for 2020.

### **III. CONCLUSION AND RECOMMENDATIONS**

Based on our review, the Department concludes that (1) Xcel's actual fuel/purchased power costs for 2020 were reasonable and prudent, (2) Xcel correctly calculated its 2020 true-up amount for under-recovered costs of \$3.8 million and the resulting rate factors and recommends that the Commission approve them, and (3) Xcel's Petition complies with the applicable reporting requirements. Therefore, the Department recommends that the Commission take the following actions:

- Find that Xcel's actual 2020 fuel/purchased power costs recoverable through the FCA rider were reasonable and prudent for 2020.
- Find that Xcel correctly calculated its 2020 true-up amount for under-recovered costs of \$3.8 million and the resulting rate factors.
- Approve the compliance reporting portions of Xcel's Petition.

/ja

## **CERTIFICATE OF SERVICE**

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

**Minnesota Department of Commerce  
Comments**

**Docket No. E002/AA-19-293**

**Dated this 15<sup>th</sup> day of April 2021**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alison C	Archer	aarcher@misoenergy.org	MISO	2985 Ames Crossing Rd Eagan, MN 55121	Electronic Service	No	OFF_SL_19-293_AA-19-293
Mara	Ascheman	mara.k.ascheman@xcelenergy.com	Xcel Energy	414 Nicollet Mall Fl 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_19-293_AA-19-293
Gail	Baranko	gail.baranko@xcelenergy.com	Xcel Energy	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_19-293_AA-19-293
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-293_AA-19-293
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-293_AA-19-293
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd. St. Louis, MO 63119-2044	Electronic Service	No	OFF_SL_19-293_AA-19-293
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-293_AA-19-293
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-293_AA-19-293
Brooke	Cooper	bcooper@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_19-293_AA-19-293
George	Crocker	gwillc@nawo.org	North American Water Office	PO Box 174 Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_19-293_AA-19-293

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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