

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

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In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota

DOCKET NO. E-002/GR-13-868

**COMMENTS OF THE OFFICE OF THE
ATTORNEY GENERAL - RESIDENTIAL
UTILITIES AND ANTITRUST DIVISION**

The Office of the Attorney General – Residential Utilities and Antitrust Division (“OAG”) submits the following Comments in response to the Notice Clarifying Time Period for Comments On Xcel’s Compliance Filing Related To Interim Rate Refund issued by the Commission on May 13, 2015. The Commission should reject the interim rate proposal submitted by Northern States Power Company (“Xcel” or “the Company”) and make several changes to comply with Minnesota law and ensure that the interim rate refund is equitable for ratepayers.¹

I. XCEL SHOULD RETURN THE INTERIM REFUND WITH INTEREST AT ITS APPROVED RATE OF RETURN.

Xcel has borrowed tens of millions of dollars in excess interim rates from ratepayers. Minnesota Statutes section 216B.16, subdivision 3 (“the Interim Rate Statute”) requires Xcel to pay those excess interim rates back to ratepayers with interest as determined by the Commission. The Commission’s rules specify that the interest rate should be the prime rate, but the

¹ The technical details of the OAG’s recommendation are described in Attachment A. To simplify comparisons, Attachment A is presented in a format similar to the schedules that Xcel included in its proposal.

Commission should vary its rules and require interest at Xcel's full rate of return because of the magnitude of excess interim rates and Xcel's pattern of continually over-collecting interim rates from ratepayers. The Commission must vary its rules when three elements are met: (1) enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule; (2) granting the variance would not adversely affect the public interest; and (3) granting the variance would not conflict with standards imposed by law.² The elements for variance have been met in this case, just like they were in Xcel's 2012 case,³ and the Commission should take the same approach and set the interest rate at Xcel's full rate of return.

Permitting Xcel to hold tens of millions of dollars in ratepayer funds for more than a year at the prime interest rate would impose an excessive burden on ratepayers. The ALJ concluded that the magnitude of excess interim rates would determine whether applying the prime rate created an excessive burden.⁴ While the question of whether there is an excessive burden should not be limited to the magnitude of the over-collection alone, it is an important factor for consideration. Preliminary estimates indicate that Xcel collected tens of millions of dollars in excess interim rates; differences in the interest rate on this over-collection could change the interim rate refund by millions of dollars. The magnitude of this over-collection indicates that applying the prime rate would be an excessive burden.

Further, as the Commission noted in Xcel's last case, "[T]he magnitude and frequency of the Company's interim rate over-collection over successive years has a cumulative effect on

² Minn. Rules part 7829.3200, subpart 1.

³ Findings of Fact, Conclusions, and Order, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961, at 37-38 (Sept. 3, 2013).

⁴ Findings of Fact, Conclusions of Law, and Recommendations of the ALJ, at ¶ 984 (Dec. 26, 2014).

ratepayers.”⁵ This problem has only been exacerbated in this case; save for a few months of respite while the Company prepared new rate cases, Xcel’s ratepayers have been paying interim rates nearly continuously since at least *January, 2009*.⁶ In its last Order on this issue, the Commission recognized that other circumstances, which are also true in this case, supported setting the interest rate at Xcel’s full rate of return:

The utility has much greater control than ratepayers over whether, when, and how much ratepayers must borrow from or lend to the utility. The Company acknowledges that the interest required by the rule is paid in recognition that the Company had use of funds while interim rates were in effect. [In] one circumstance . . . , when the positions are reversed, the Company imposes a substantially higher rate of interest on ratepayers; the Commission commonly sets carrying charges at the Company’s authorized rate of return. Additionally, the prime rate is at historically low levels to accommodate a federal monetary policy that was not anticipated when the interim rate refund rule was adopted.

Not only does it serve the public interest to recognize this disparity in borrowing costs, but in this case, the rule’s low interest rate relative to the Company’s authorized rate of return constitutes an excessive burden on ratepayers as captive lenders. Low-income households may particularly suffer hardship when interim rates are over-recovered, and ratepayers generally cannot replace the money the Company borrows at near the prime rate. To impose this hardship in light of the magnitude of this and other recent interim rate over-collections would be an excessive burden. The Commission finds that the first element of Rule 7829.3200 is met.⁷

Each of these issues is also present in this case, and for that reason the first requirement for variance is satisfied.

⁵ Findings of Fact, Conclusions, and Order, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961, at 37–38 (Sept. 3, 2013).

⁶ See Docket Nos. E-002/GR-08-1065, E-002/GR-09-1153, E-002/GR-10-971, and E-002/GR-12-961.

⁷ Findings of Fact, Conclusions, and Order, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961, at 38 (Sept. 3, 2013).

The second and third requirements for variance are also satisfied in this case, as noted by the ALJ.⁸ The second element requires the Commission to determine that the variance would not adversely affect the public interest.⁹ In the 2012 rate case, the Commission concluded that the second requirement was met because “it serves the public interest to promote greater equity between utility and ratepayer borrowing costs and to further discourage overstatement of interim rate requests.”¹⁰ And, as the ALJ concluded, “The Company has failed to explain how the public interest is served by the Company paying only 3.25 percent interest on the interim rate refund [while] at the same time imposing a much higher rate on its customers as a carrying charge.”¹¹ Varying the interest rate in this circumstance would not adversely affect the public interest.

The third element requires the Commission to determine that the variance would not conflict with the law.¹² Variance in this instance would not conflict with any law, because the Interim Rate Statute provides that the interest on excess interim rates “shall be set at the rate of interest determined by the Commission.”¹³ The Commission has the authority to set the interest rate it deems appropriate.

Each of the requirements for variance is met in this case. The Commission should order Xcel to refund excess interim rates with interest at its full rate of return. As the Commission

⁸ Findings of Fact, Conclusions of Law, and Recommendations of the ALJ, at ¶¶ 979–982 (Dec. 26, 2014).

⁹ Minn. Rules part 7829.3200, subpart 1.

¹⁰ Findings of Fact, Conclusions, and Order, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961, at 38 (Sept. 3, 2013).

¹¹ Findings of Fact, Conclusions, and Recommendation of the ALJ, *the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-13-868, at ¶ 982 (Dec. 26, 2013).

¹² Minn. Rules part 7829.3200, subpart 1.

¹³ Minn. Stat. § 216B.16, subd. 3.

concluded in the 2012 rate case, requiring the full rate of return “appropriately balances the interests of ratepayers, the utility, and the public.”¹⁴ The Commission continued,

The utility’s overall cost of capital represents the cost of alternative sources of utility funds, weighted for the utility’s reliance on those sources. Returning borrowed interim rate funds to ratepayers at this rate most equitably compensates ratepayers for forgone opportunities had they not been compelled to lend money to the utility, without penalizing the Company relative to its average cost to obtain funds in the market. Requiring a refund with 7.45% interest will also more closely align the Company’s interests with the public’s interest that interim rates not repeatedly exceed final rates by large margins.¹⁵

Each fact that led the Commission to this decision in the 2012 case is present in this case as well, and the Commission should reach the same conclusion.

II. THE INTERIM RATE REFUND SHOULD REFLECT THE FACT THAT XCEL’S CASE INCLUDES MULTIPLE TEST YEARS.

At the outset of this proceeding, Xcel chose to file a multi-year rate plan that included two separate test years, with a different revenue requirement and different rates in each year. Xcel’s interim rate refund proposal, however, ignores this basic fact, and asks the Commission to combine the two test years for the purpose of interim rates in a manner that benefits the Company. Instead, the Commission should make changes to Xcel’s proposal to ensure that the interim rate refund reflects the fact that Xcel filed a multi-year rate plan that includes two test years and two separate rates.

There are several reasons that the Commission should make changes to Xcel’s proposal. First, by filing a multi-year rate plan, Xcel chose a proceeding that includes two separate test years. Two test years means that there are two different revenue requirements, two different rate

¹⁴ Findings of Fact, Conclusions, and Order, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961, at 39 (Sept. 3, 2013).

¹⁵ *Id.*

base totals, two cost of service studies, two sales forecasts, and, ultimately, two different rate schedules.¹⁶ The two test years were considered separately for each of these issues; in the same way, each test year should result in separate interim rate refunds. Combining the two test years for the purpose of interim rates would treat the interim rate issue differently from every other issue in this case, where the two test years have been regarded as entirely separate. Instead, the interim rate refund should be consistent with the rest of the proceeding, and should be calculated on the basis of two separate test years.

Second, Xcel's proposal to combine the two test years would be an end-run around the limitation on surcharging ratepayers in the event of an interim rate under-collection. The Interim Rate Statute is *not* silent about what to do if under-collections occur during a time when interim rates are collected. Rather, the Interim Rate Statute provides that if final rates are lower than interim rates, the utility may recover the difference only "between the date of the final determination and the date the new rate schedules are put into effect."¹⁷ The Interim Rate Statute clearly prohibits utilities from surcharging interim rate under-collections *except* for the limited time period between the Commission's final determination and when rates become effective. As a result, assuming that there are under-collections in the 2015 step year, Xcel may surcharge customers only from the date that the Commission issued its Order on May 8, 2015. But Xcel's proposal would have the effect of surcharging customers for the entire year of 2015.

Xcel's proposal to offset excess interim rates collected in 2014 with under-collections from 2015 effectively asks for permission to begin surcharging on January 1, 2015, rather than May 8, 2015. Xcel's proposal would add up the under-collections from January, February,

¹⁶ In fact, Xcel acknowledges that separate test years must have an impact on calculating interim rates because it calculates a different interim rate refund factor for each year, even though Xcel ignores this fact in making its proposal to combine the two test years for the interim rate refund.

¹⁷ Minn. Stat. § 216B.16, subd. 3(c).

March, April, and part of May, which total more than \$12 million, and transfer it from ratepayers to Xcel—the same process that would occur if surcharging began on January 1. This is not permitted by Minnesota law. The Interim Rate Statute is clear: the utility may *only* recover under-collections “between the date of the final determination and the date the new rate schedules are put into effect.”¹⁸ The Commission must reject Xcel’s proposal because it would violate the law.

Xcel argues that its proposal is consistent with how interim refunds were conducted in other cases, but the Company fails to acknowledge important differences between this case and other cases. As the first ever multi-year rate case, this case is clearly distinguishable from traditional rate cases because there are two test years in this case. What Xcel normally does in a case involving only a single test year is not a relevant comparison to this multi-year case—this scenario has simply never happened before. While Xcel’s 2010 rate case did involve a limited step-year,¹⁹ that case was significantly different from this one because the interim rates were higher than final rates even after the step year was included. This is the first case in which the interim rates are higher than final rates in one year and lower in another; as such, it is unique, and what Xcel has done in other cases is not relevant.

Xcel also implies that the Commission should grant Xcel’s proposal because the Company may be disadvantaged as a result of several voluntary waivers the Company made in this proceeding.²⁰ But, as the OAG noted in its Reply Comments on January 30, 2015, in the

¹⁸ Minn. Stat. § 216B.16, subd. 3(c).

¹⁹ See Xcel Energy Final Rates Compliance Filing, Docket No. E-002/GR-10-971 (June 4, 2012).

²⁰ See Preliminary Compliance – Interim Rate Refund Schedules, at 4 (Apr. 30, 2015) (“At the time we filed our initial rate case application and requested interim rates, we anticipated this proceeding would be completed in March 2014. . . . This case has since been extended by voluntary Company waiver . . .”).

course of its voluntary waiver, Xcel explicitly agreed that it would comply with Minnesota law in regard to interim rates as a result of the waiver. The Company stated,

The Company affirmatively commits to refund any amounts collected in interim rates in excess of rates approved by the Commission's final determination in this case *in accordance with Minn. Stat. § 216B.16, subd. 3, including those interim rates collected during the additional time interim rates may be in effect due to the Company's commitment to waive the statutory time constraints discussed in this letter.*²¹

Xcel agreed that it would conduct its refund in accordance with the Interim Rate Statute, *including* changes in timing, and how much would be refunded, that resulted from extending the final determination in this case. Xcel was well aware that its waiver could affect the interim rate refund in this case, acknowledged that fact, and *voluntarily* agreed to waive the deadlines regardless of those concerns; the Company should not be permitted to withdraw that commitment when it becomes inconvenient.

Moreover, Xcel should have addressed this issue earlier in the proceeding, as is required by the statute and the Commission's Multi-Year Rate Plan Order ("MYRP Order"). The MYRP Order states,

Regarding any proposal to establish new rates on an interim basis, an application for a multiyear rate plan must include or be accompanied by an explanation of how the utility proposes to collect and possibly refund interim rates in conjunction with the collection of and transition to the rates arising from a multiyear rate plan.²²

²¹ Waiver of Statutory Deadline, Doc. ID 201410-104113-01 (Oct. 24, 2014).

²² Order Establishing Terms, Conditions, and Procedures for Multiyear Rate Plans, *In the Matter of the Minnesota Office of the Attorney General – Antitrust and Utilities Division's Petition for a Commission Investigation Regarding Criteria and Standards for Multiyear Rate Plans under Minn. Stat. § 216B.16, subd. 19*, Docket No. E,G-999/M-12-587, at 14 (June 17, 2013).

The Interim Rate Statute also requires a utility to file its interim rate plan at the *outset* of a case.²³ Instead, at the beginning of this case, Xcel mentioned in a single paragraph that it may seek to increase interim rates at a later date—a suggestion to which the OAG objected²⁴—*and then waited for more than a year before raising the issue again*. Xcel should have recognized at the beginning of this case that there could be interim rate complications as a result of the magnitude of Xcel’s rate increase request, the rate moderation proposals, and the Monticello investigation, and presented a fully-formed plan to resolve those issues at the outset of the case. Its failure to do so more than a year and a half ago should weigh against the Company’s proposal to reduce the interim rate refund at this late date.

The Commission should reject Xcel’s proposal and adopt the OAG’s recommendation, described in Attachment A,²⁵ to ensure that the interim rate refund is reasonable and is conducted consistent with Minnesota law.

III. XCEL SHOULD BE REQUIRED TO COMPENSATE RATEPAYERS FOR THE TIME VALUE OF THEIR MONEY.

The Interim Rate Statute instructs utilities to return excess interim rates with interest,²⁶ but Xcel’s request inappropriately reduces the amount of interest calculated for ratepayers because it does not properly account for the time value of money. In order to account for the time value of money, Xcel should calculate interest for ratepayers for the entire period of time that Xcel holds their excess funds. In other words, the excess interim rates that Xcel collected in January, 2014, should continue to accumulate interest until they are refunded. Xcel’s proposal,

²³ See Minn. Stat. § 216B.16, subd. 3(a) (directing the Commission to order an interim rate refund “not later than 60 days after the initial filing date”).

²⁴ OAG Correspondence to Dr. Burl W Haar Doc ID 201311-93702-01 (Nov. 14, 2013).

²⁵ The OAG’s recommendation is similar to the “Alternative” that Xcel attributes to the Department in its April 30, 2015 filing, but has several significant difference regarding interest calculation, which are described further in Sections III and IV.

²⁶ Minn. Stat. § 216B.16, subd. 3.

however, reduces the amount of interest paid on excess interim rates collected in 2014 by offsetting the average balance of excess interim rates using under-collections in 2015.

For example, in January, 2014, Xcel averaged approximately \$1.2 million in excess interim rates. Xcel will hold those excess rates until they are repaid, after final rates become effective. In order to fairly compensate its ratepayers for holding their money, Xcel should continue to calculate interest on the full \$1.2 million *for the entire period until the money is returned*. Instead, Xcel's proposal would begin to reduce the \$1.2 million in excess interim rates from January, 2014, by subtracting the under-collections beginning in 2015. Specifically, in January, 2015, Xcel proposes to subtract an under-collection of around \$3.4 million from the excess interim rates, effectively wiping out the excess interim rates collected in January, 2014, and beyond. As a result, ratepayers would effectively stop gaining interest on those funds in January, 2015, even though interest should continue to be paid until the funds are returned in order to account for the time value of money. In other words, Xcel's proposal would deprive ratepayers of months of interest on millions of dollars in loans they gave to the Company.

Xcel's proposal is unreasonable and inconsistent with Minnesota law. Regardless of which form of interim rate refund is ordered, the Commission should ensure that Xcel compensates ratepayers for the full time value of their money by providing interest for the full period that Xcel holds the funds, rather than offsetting it by under-collections.

IV. MINNESOTA LAW DOES NOT PERMIT THE SURCHARGE DATE TO BE CHANGED.

Regardless of whether the interim rate refund incorporates two test years, the Interim Rate Statute does not permit Xcel—or the Commission—to change the date that surcharges may begin, as suggested by Order Point 49(b)(i). The Interim Rate Statute is clear: the surcharge period is limited to the time between the “date of the final determination and the date the new

rate schedules are put into effect.” The Interim Rate Statute provides only one situation in which the surcharge date may be modified: “when an extension is granted for *settlement discussions* under subdivision 1a.”²⁷ The Company did not request a waiver to pursue the settlement discussions referenced in subdivision 1a. Instead, the Company referenced that it was waiving its rights under subdivisions 2(a), 2(e), and 19.²⁸ Because the waiver was not requested or granted for the purpose of settlement discussions, the law does not permit the surcharge date to be changed. Unlike the Commission’s Rules, which may be varied in certain circumstances, the requirements of the Minnesota Public Utilities Act may not be waived or varied.

V. XCEL SHOULD MODIFY ITS SCHEDULES TO ACCOUNT FOR TIMING DIFFERENCES CAUSED BY USING BILLING MONTH REVENUE.

In the course of investigating Xcel’s April 30, 2015 filing, the OAG identified that the interim rates collected in January, 2014, were significantly lower than other months, according to Xcel’s interim rate schedules.²⁹ The OAG consulted with Xcel about the discrepancy and identified several additional changes that should be made to Xcel’s interim rate proposal.

Xcel explained that January, 2014, included fewer interim rates because Xcel had prepared the schedule using billing month revenue, rather than calendar month revenue. According to Xcel, basing the schedule on billing month revenue means that the line item for January, 2014, includes bills that were issued in January, 2014. Those bills included consumption during the first half of January, 2014, *and* the second half of December, 2013; the consumption from December, 2013, is excluded because it happened before interim rates became effective. During the conversation with Xcel, it became apparent that using billing month

²⁷ Minn. Stat. § 216B.16, subd. 3(c).

²⁸ Waiver of Statutory Deadline, Doc. ID 20142-96267-01 (Feb. 7, 2014).

²⁹ Xcel’s schedules indicate \$4,497,016 in interim rates were collected in January 2015, while no other months were less than \$8.5 million. Xcel Preliminary Compliance – Interim Rate Refund Schedules, Schedule A, at 3 (Apr. 30, 2015).

revenue for the interim rate schedule will create similar irregularities at several other points. For example, Xcel indicated to OAG staff that it would change its interim rate proposal to add back consumption from August, 2015, that was excluded because it was billed in September, 2015. This change would increase the funds collected during the surcharging period.

Additional changes are necessary at two critical cutoff dates to ensure that the interim rates are correctly prorated using billing month revenue. First, Xcel's schedules show \$10,876,256 in interim rates were collected in January, 2015. But, because that figure is based on billing month revenue, a significant portion of those interim rates were actually tied to consumption that took place in December, 2014. This is particularly significant because interim rates collected under the 2014 test year were over-collected and will be refunded, while interim rates collected in 2015, under a different test year, may not. For that reason, the portion of January, 2015 interim rates tied to consumption that took place in 2014 should be prorated back to December, 2014. This change would increase the amount of the 2014 over-collection.

Second, Xcel's schedules indicate that an estimated \$9,000,000 in interim rates will be collected in May, 2015. As a result of using billing month revenue, a significant portion of those interim rates were for usage in April, 2015, and also before the Commission's Order was issued on May 8. Those interim revenues are not within the statutory surcharge period and Xcel should not be permitted to recover any related under-collections. For that reason, the portion of May, 2015 interim rates tied to consumption that took place in April, 2015, or before May 7, 2015, should be prorated back to the month of April, 2015, and be excluded from the surcharge calculation.

These changes are necessary to correct for the timing differences caused by applying the billing month revenue to the interim rate refund, and they are incorporated into Attachment A.

VI. CONCLUSION.

The Commission should reject Xcel's proposal and make several changes, as described in Attachment A, to ensure that the interim rate refund is consistent with Minnesota law and equitable for ratepayers.

Dated: May 28, 2015

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

s/ **Ryan Barlow**
RYAN P. BARLOW
Assistant Attorney General
Atty. Reg. No. 0393534

445 Minnesota Street, Suite 1400
St. Paul, Minnesota 55101-2131
(651) 757-1473 (Voice)
(651) 297-7206 (TTY)

ATTORNEYS FOR OFFICE OF THE
ATTORNEY GENERAL-RESIDENTIAL
UTILITIES AND ANTITRUST DIVISION

OAG Interim Rate Refund Schedules

This schedule describes the OAG's recommended interim rate refund. The OAG's methodology is similar to the Company's recommendation and the Alternate recommendation describe in Xcel's filing in some respects, but different in others.

The OAG's methodology uses the same method as the Alternate and the Company to determine "test year refund factors," which are defined as being equal to the test year interim over- or under-recovery as a percent of the test year interim rate increase. In other words, the test year factors are applied to the respective monthly interim revenues collected in 2014 and 2015 to determine either the amount of the actual monthly refund amount (in the case of a positive factor) or the amount of the actual surcharge amount (in the case of a negative factor).

Despite this initial similarity, both the Alternate and the OAG's methodology incorporate significant changes from the Company's proposal. The Alternate methodology as described in Xcel's April 24, 2015 filing, which appears to be based on the recommendations of the Department, is superior to Xcel's methodology because it reflects the fact that there are two separate test years in this case. The OAG's methodology, for that reason, is similar to the Alternate, but incorporates two additional changes.

First, the primary difference from the Alternate methodology is the definition of the interim revenues used for calculating the 2014 over-collection and 2015 under-collection. The Alternate, as well as Xcel, uses billing month revenue, which reflects revenue billed from the first day to the last day of a particular month. The OAG's methodology adjusts the revenue for the timing differences between when energy is consumed and when it is billed, for three critical cutoff dates:

- (1) December, 2014, and January, 2015, to ensure the over-collections and under-collections between the two separate test years are prorated appropriately;
- (2) April, 2015, and May, 2015, to ensure the revenues before May 8 are excluded from the calculation of the surcharge; and
- (3) August, 2015, and September, 2015, to ensure the revenues billed in September for August consumption under interim rates are prorated appropriately.

These prorations of revenue are necessary because the amount of the interim revenue in each month is used to calculate the interim refund and, by extension, the amount of interest.

A second difference from the Alternate methodology is that the OAG's methodology does not incorporate the surcharge into the average refund balance when calculating the interest for each month that interim rates were collected and held (January, 2014, through August, 2015). This change is necessary to compensate ratepayers for the full time value of their money.

Finally, the Alternate methodology uses the prime rate of 3.25 percent to calculate the refund related interest, while the OAG's methodology uses the Company's approved rate of return of 7.34 percent in 2014 and 7.37 percent in 2015 to calculate the interest.

ESTIMATED INTERIM REFUND AMOUNTS

Interim Refund Estimates	Company Proposal	Alternative Proposal	OAG Proposal
2014 over-collection	\$65.5 million	\$65.5 million	\$68.6 million
2015 under-collection (Jan 3 - May 7)	-\$13.5 million	\$0	\$0
2015 statutorily allowed surcharge (May 8 - Aug 31)	-\$13.5 million	-\$13.5 million	-\$14.4 million
2015 total under-collection/surcharge	-\$27 million	-\$13.5 million	-\$14.4 million
Final refund	\$38.5 million	\$52.0 million	\$54.2 million
Interest	\$2.2 million	\$2.4 million	\$5.8 million
Final refund plus interest	\$40.7 million	\$54.4 million	\$60.1 million
Estimated Average Residential Refund	\$14.55	\$19.46	\$20.80

SUMMARY OF INTERIM REFUND

<u>Interim Refund Factor Calculation</u>	2014 TY	2015 TY	Total
1 Authorized Annual Interim Rate Increase	\$ 127,406,000	\$ 127,406,000	
2 Approved Annual Base Rate Increase	\$ 58,908,000	\$ 168,084,000	
3 Annualized Excess Interim Recovery (line 1 - line 2)	\$ 68,498,000	\$ (40,678,000)	
4 % Refundable or % Surcharge Factor (line 3 / line 1)	53.7636%	-31.9279%	
5 Actual Interim Revenue Collected	\$ 127,590,919	\$ 85,914,442	\$ 213,505,361

6 Interim Refund Excluding Interest (line 4 x line 5)	\$ 68,597,471
7 Interest on Interim Refund Balance	\$ 5,874,896
8 Interim Refund Including Interest (line 6 + line 7)	\$74,472,368

Surcharge Period	
May-15 Est. (assumes start date of 5/8/2015)	\$ (869,237)
Jun-15 Est.	\$ (3,352,430)
Jul-15 Est.	\$ (3,990,988)
Aug-15 Est.	\$ (3,990,988)
Add: Aug 15 Est. (for usage in 2nd half of Aug-15, billed in Sept -15)	\$ (2,199,034)
Surcharge Total	\$ (14,402,676)

Interim Refund Including Interest	\$74,472,368	\$ (14,402,676)	\$60,069,692
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9 Interim Refund Factor

28.1350%

<u>Est. Average Residential Customer Interim Refund</u>	
10 Estimated Interim Revenues for Residential Customers	\$ 82,091,130
11 Average Residential Customers	1,110,256
12 Average Interim Revenues per Customer (line 10 / line 11)	\$ 74
13 Est. Average Interim Refund per Residential Customer (line 9 x line 12)	\$ 20.80

Interim revenues for April 2015 to August 2015 are estimated

INTERIM RATE REFUND OF OVERCOLLECTIONS BY MONTH

	Interim Revenue Collected	% Refundable	Interim Refund (excl. Interest)
Jan-14	\$ 4,497,016	53.7636%	\$ 2,417,738
Feb-14	\$ 9,506,631	53.7636%	\$ 5,111,107
Mar-14	\$ 10,406,888	53.7636%	\$ 5,595,118
Apr-14	\$ 9,488,877	53.7636%	\$ 5,101,562
May-14	\$ 9,016,154	53.7636%	\$ 4,847,409
Jun-14	\$ 10,719,414	53.7636%	\$ 5,763,143
Jul-14	\$ 12,766,677	53.7636%	\$ 6,863,825
Aug-14	\$ 12,654,300	53.7636%	\$ 6,803,407
Sep-14	\$ 12,602,539	53.7636%	\$ 6,775,579
Oct-14	\$ 11,007,820	53.7636%	\$ 5,918,200
Nov-14	\$ 8,570,840	53.7636%	\$ 4,607,992
Dec-14	\$ 16,353,763	53.7636%	\$ 8,792,372
2014 Total	\$ 127,590,919		\$ 68,597,471

SURCHARGE OF DIFFERENCE BETWEEN INTERIM RATE & FINAL RATE

	Interim Revenue Collected	Surcharge Factor	Surcharge Total
Jan-15	\$ 5,187,974	0.0000%	\$ -
Feb-15	\$ 9,282,777	0.0000%	\$ -
Mar-15	\$ 10,556,191	0.0000%	\$ -
Apr-15 Est	\$ 15,777,500	0.0000%	\$ -
<i>Final Determination May 8th - surcharge period begins</i>			
May-15 Est	\$ 2,722,500	-31.9279%	\$ (869,237)
Jun-15 Est	\$ 10,500,000	-31.9279%	\$ (3,352,430)
Jul-15 Est	\$ 12,500,000	-31.9279%	\$ (3,990,988)
Aug-15 Est	\$ 12,500,000	-31.9279%	\$ (3,990,988)
Add' Aug-15 Est (for usage in 2nd half of Aug-15, billed in Sept-15)	\$ 6,887,500	-31.9279%	\$ (2,199,034)
2015 Total	\$ 85,914,442		\$ (14,402,676)
Grand Total	\$ 213,505,361		

INTERIM REFUND INTEREST CALCULATION FOR 2014 OVERCOLLECTIONS

Revenue Month	Beginning Balance	Curr Mo Int Rev Refund	Ending Balance	Average Balance	Days	Annual Interest	Monthly Interest
Jan-14	\$ -	\$ 2,417,758	\$ 2,417,758	\$ 1,208,879	29	\$ 7,34%	\$ 7,050
Feb-14	\$ 2,424,808	\$ 5,111,107	\$ 7,535,915	\$ 4,980,361	28	\$ 7,34%	\$ 28,043
Mar-14	\$ 7,563,958	\$ 5,595,118	\$ 13,159,075	\$ 10,361,516	31	\$ 7,34%	\$ 64,593
Apr-14	\$ 13,223,669	\$ 5,101,562	\$ 18,325,230	\$ 15,774,450	30	\$ 7,34%	\$ 95,165
May-14	\$ 18,420,396	\$ 4,847,409	\$ 23,267,805	\$ 20,844,100	31	\$ 7,34%	\$ 129,942
Jun-14	\$ 23,397,746	\$ 5,763,143	\$ 29,160,889	\$ 26,279,318	30	\$ 7,34%	\$ 158,540
Jul-14	\$ 29,319,429	\$ 6,863,825	\$ 36,183,254	\$ 32,751,342	31	\$ 7,34%	\$ 204,171
Aug-14	\$ 36,387,425	\$ 6,803,407	\$ 43,190,832	\$ 39,789,129	31	\$ 7,34%	\$ 248,044
Sep-14	\$ 43,438,877	\$ 6,775,579	\$ 50,214,455	\$ 46,826,666	30	\$ 7,34%	\$ 282,500
Oct-14	\$ 50,496,955	\$ 5,918,200	\$ 56,415,155	\$ 53,456,055	31	\$ 7,34%	\$ 333,244
Nov-14	\$ 56,748,399	\$ 4,607,992	\$ 61,356,391	\$ 59,052,395	30	\$ 7,34%	\$ 356,256
Dec-14	\$ 61,712,647	\$ 8,792,372	\$ 70,505,018	\$ 66,108,833	31	\$ 7,34%	\$ 412,121
2014 Total							\$ 2,319,668
Jan-15	\$ 70,917,139	\$ -	\$ 70,917,139	\$ 70,917,139	31	\$ 7,37%	\$ 443,902
Feb-15	\$ 71,361,041	\$ -	\$ 71,361,041	\$ 71,361,041	28	\$ 7,37%	\$ 403,454
Mar-15	\$ 71,764,495	\$ -	\$ 71,764,495	\$ 71,764,495	31	\$ 7,37%	\$ 449,206
Apr-15 Est	\$ 72,213,702	\$ -	\$ 72,213,702	\$ 72,213,702	30	\$ 7,37%	\$ 437,437
May-15 Est	\$ 72,651,139	\$ -	\$ 72,651,139	\$ 72,651,139	31	\$ 7,37%	\$ 454,756
Jun-15 Est	\$ 73,105,895	\$ -	\$ 73,105,895	\$ 73,105,895	30	\$ 7,37%	\$ 442,841
Jul-15 Est	\$ 73,548,736	\$ -	\$ 73,548,736	\$ 73,548,736	31	\$ 7,37%	\$ 460,375
Aug-15 Est	\$ 74,009,111	\$ -	\$ 74,009,111	\$ 74,009,111	31	\$ 7,37%	\$ 463,256
2015 Total							\$ 3,555,229
Grand Total							\$ 5,874,896