

**Xcel Energy - 2013 Rate Case**  
Minnesota Public Utilities Commission, Docket No. E-001/GR-13-868

Commission Meeting: July 9, 2015

**Deliberation Outline<sup>1</sup>**

**Rehearing, Reconsideration (and Clarification) of the May 8, 2015 Order**

1. Grant Xcel Energy's (Xcel's) petition for reconsideration.
2. Deny Xcel's petition for reconsideration.
3. Grant the Department of Commerce's (Department's) request for reconsideration and clarification.
4. Grant the Department's request for reconsideration and clarification.
5. Grant the Office of Attorney General's (OAG's) petition for reconsideration.
6. Deny the OAG's request for reconsideration.
7. On its own motion, reconsider and clarify the May 8 Order.
8. Take no action and allow Xcel's, the Department's and the OAG's petitions for reconsideration to be denied by operation of law.
9. Direct that the written order memorializing this decision may clarify, as necessary, whether, and the extent to which, the Commission is reconsidering, clarifying, amending, modifying, not reconsidering or rejecting a particular parties' request or recommendation or acting on its own motion.

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<sup>1</sup> Staff has attempted to clearly identify the parties' positions next to the decision alternative in the deliberation outline. Please also note that when only one alternative is listed, that does not mean that is the only alternative available. Every decision has a theoretical alternative. It usually means that parties did not provide a clear alternative to the one they recommend. Please also note that when Staff is listed next to an alternative it does not necessarily mean that that is a staff recommendation. It can also mean that it is an alternative not advocated by a particular party for the Commission to consider.

## **General Issues and Interim Rate Refund (Volume I)**

### **General Housekeeping**

(Please see staff briefing papers, Volume I, pp. 1-2, 5)

If the Commission grants one or more of the petitions for reconsideration and clarification or on its own motion decides to reconsider, clarify or modify the May 8, 2015 Order, the Commission may want to

10. Extend the time period for issuing the order after this meeting to allow additional time to prepare the order.
11. State that the order issued after this meeting in this docket shall contain revised summary financial schedules including: a calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
12. Direct that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity and may standardize or correct abbreviations, punctuations, and format.

### **Interim Rate Refund Plan**

(Please see staff briefing papers, Volume I, p. 19)

13. Approve Xcel's proposal, and authorize Xcel, in its thirty-day compliance filing, to net its test-year interim rate revenue refund obligation against its step-year interim rate revenue under-collections.
14. Approve the Department's proposal, and do not authorize Xcel, in its thirty-day compliance filing, to net its test-year interim rate revenue refund obligation against its step year interim rate revenue under-collections.
15. Find exigent circumstances and approve the Department's alternative refund scenario, and authorize Xcel, in its thirty-day compliance filing, to net its test-year interim rate revenue refund obligation against step-year interim rate revenue under-collections for the March 3 through May 7, 2015 time period, i.e. the "delay" period.
16. Approve the OAG's proposal, and do not authorize Xcel, in its thirty-day compliance filing, to: (a) net its test-year interim rate revenue refund obligation against its step-year interim rate revenue under-collections, (b) reduce the amount

of interest paid on excess interim rates collected in 2014 by offsetting the average balance of excess interim rates collected using under-collections in 2015, and (c) use billing month interim rate revenue instead of prorated calendar month interim rate revenue.

### **Interest Rate on Interim Rates Refund**

(Please see staff briefing papers, Volume I, p. 24)

17. Determine that the appropriate interest rate to be paid on a possible interim rate refund should be the prime interest rate, or 3.25%. (Xcel, ALJ – if refund amount is not large)
18. Determine that the appropriate interest rate to be paid on a possible interim rate refund should be based on the Company's rate of return. (OAG, CG, AARP, ALJ – if refund amount is large)
19. Determine that the appropriate interest rate to be paid on over-collections older than twelve months should be based on the Company's rate of return and, conversely, the appropriate interest rate to be paid on over-collections than twelve months old should be the prime interest rate, or 3.25%. (Staff alternative)

## **Financial Issues (Volume II)**

### **Nuclear Refueling Outage – Reconsideration**

(Please see staff briefing papers, Volume II, p. 3)

20. Modify the Order and require Xcel to reduce its 2015 Nuclear Refueling Outage Expense by \$5.5 million downward adjustment. (OAG)
21. Deny the OAG's Reconsideration Petition regarding the 2015 Nuclear Refueling Outage Expense. (Xcel)
22. Take no action.

### **Passage of Time Adjustments – Reconsideration**

(Please see staff briefing papers, Volume II, p. 5)

#### Adjustment

23. Grant the Department’s request and modify the Order to allow for the passage of time and a \$17.53 million downward adjustment. (DOC)
24. Deny the Department’s Petition to allow for the passage of time adjustment. (Xcel)
25. Take no action

#### Future multiyear rate case filing requirements

26. Require the following in future multiyear rate cases regarding the issue of the passage of time:
  - A directive that the Company must explicitly explain in Direct Testimony how the Company adjusts rates in years following the first year for the passage of time (all increased and decreased adjustments shown clearly); and
  - A requirement for clear calculations, including narrative, detailed calculations, well-labeled information, and support for how calculations tie out to rate case requirement requested by the Company. (DOC)
27. Take no action

### **Prairie Island Debt-Only Return - Reconsideration**

(Please see staff briefing papers, Volume II, p. 8)

28. Modify the Order and allow Xcel to recover its Prairie Island EPU costs without AFUDC and without any return. (OAG)
29. Deny the OAG’s Reconsideration Petition. (Xcel)
30. Take no action.

### **Monticello Depreciation - Clarification**

(Please see staff briefing papers, Volume II, p. 10)

31. Clarify that all past depreciation expense recorded in accumulated depreciation/depreciation reserve for 2009 to 2014 be assigned to the portion of the Monticello plant for which Xcel is allowed a return. (DOC)
32. Clarify that all (past, present and future) depreciation expense recorded in accumulated depreciation/depreciation reserve be allocated on a pro-rated basis between the \$415 million that Xcel is allowed to earn a return and the \$333 million that it is not. (Xcel)
33. Take no action.

### **Monticello EPU - Clarification**

(Please see staff briefing papers, Volume II, p. 13)

34. Clarify that the Monticello EPU was considered used and useful as of January 1, 2015 and allow Xcel to include EPU costs in rate base as of that date. (Xcel)
35. Clarify that the Monticello EPU was not considered used and useful as of January 1, 2015. (DOC, Staff)
36. Instruct Xcel to make a compliance filing that provides the Commission with the date Monticello completed its full ascension to 671 MW. (Staff)

### **Multi-Year Rate Plan – Application of Step-Year Cost of Capital - Clarification**

(Please see staff briefing papers, Volume II, p. 16)

37. Clarify that the 2015 Step-Year cost of capital should apply to the entire rate base which would produce retail-related revenues of \$2,995,708,000 for the 2015 Step. (Xcel, DOC – if Passage of Time Adjustment is reconsidered and approved)
38. Clarify that the 2015 Step-Year cost of capital should only apply to the 2015 Step capital projects which would produce retail-related revenues of \$2,993,760,000 for the 2015 Step. (DOC – if Passage of Time Adjustment is not reconsidered and approved, Staff)
39. Clarify that any changes in future Step-Year's cost of capital will only apply to step projects. (Staff)
40. Clarify that any changes in future Step-Year's cost of capital will be apply to total rate base. (Staff alternative)

### **Sherco 3 Insurance – Other Financial Items**

(Please see staff briefing papers, Volume II, p. 19)

41. Order Xcel to include Sherco 3 insurance proceeds as an offset to its rate base in this proceeding. (DOC, OAG supports alternative 1 or 2)
42. Order Xcel to refund Sherco 3 insurance proceeds to ratepayers. (OAG supports alternative 1 or 2)
43. Determine that it is appropriate for Xcel to include Sherco 3 insurance proceeds in its 2014 Capital True-Up. (Xcel)

### **Babcock & Wilcox Settlement - Other Financial Items**

(Please see staff briefing papers, Volume II, p. 21)

44. Accept Xcel's proposed handling of the Babcock & Wilcox settlement and instruct Xcel to include the \$367,000 with the 2014 refunds. (Xcel)
45. Accept Xcel's proposed refund and order the Company to incorporate its proposed adjustment into the interim rate refund and the calculation of final rates. (OAG)

### **2014 Property Tax - Other Financial Items**

(Please see staff briefing papers, Volume II, p. 22)

46. Accept Xcel's proposal to incorporate final 2014 Minnesota electric jurisdictional property tax expense into 2014 and 2015 revenue requirement calculations filed in compliance with the Commission's final decision in this proceeding. (Xcel)
47. Accept Xcel's proposal to incorporate final 2014 Minnesota electric jurisdictional property tax expense into 2014 and 2015 revenue requirement calculations. Require Xcel and parties to work with Commission staff to prepare such schedules in compliance with the Commission's final decision in this proceeding for inclusion in the Order issued after this meeting and prior to Xcel submitting its thirty-day compliance filing. (Staff)
48. To allow for stakeholders' analysis and comments, postpone making a final determination on the proper handling of the 2014 Minnesota electric jurisdictional property tax expense.

## **Class Cost of Service Study (Volume III)**

### **Classification of Grand Meadow and Nobles Wind Farms and Allocation of other O&M Costs** (Please see staff briefing papers, Volume III, p. 11)

- 49. Accept Xcel's June 8, 2015 filing as in compliance with the Commission's May 8, 2015 Order; or
- 50. Modify Xcel's June 8, 2015 filing in light of parties' concerns or comments; or
- 51. Reject Xcel's June 8, 2015 filing as not being in compliance with the Commission's Order.

and

- 52. Direct Xcel to fully accommodate the Department's and other interested parties' concerns in preparing cost studies in future rate cases.

### **Weather-Normalized Sales Data Revision**

(Please see staff briefing papers, Volume III, p. 15)

- 53. Accept the energy sales data revisions (Table 5, in this briefing paper, third column (marked as Column 2)) in Xcel's May 1, 2015 compliance filing. or
- 54. Reject the energy sales data revisions. or
- 55. Other action by the Commission.

### **Customer Count Data Revision**

(Please see staff briefing papers, Volume III, p. 17)

- 56. Accept the customer count data revisions (Table 8, in this briefing paper, third column (marked as Column 2)) in Xcel's May 1, 2015 compliance filing. or
- 57. Reject the customer count data revisions. or
- 58. Other action by the Commission.

**Revenue Data Revision**

(Please see staff briefing papers, Volume III, p. 18)

59. Accept the revenue data revisions (Table 10 above, column 2) in Xcel's May 1, 2015 compliance filing. or
60. Reject the revenue data revisions. or
61. Other action by the Commission.

**Amount of Economic Development Discounts**

(Please see staff briefing papers, Volume III, p. 22)

62. Accept Xcel's May 1, 2015 filing as in compliance with the ALJ's report. or
63. Reject Xcel's May 1, 2015 filing; direct Xcel to limit the total amount of discounts used to adjust customer class responsibility to \$68,514,000. or
64. Take no action.

**Overall Compliance with Commission's Order in this Docket and the Monticello Docket**

(Please see staff briefing papers, Volume III, p. 27)

65. Accept
- a. the following class cost of service results for test year 2014 and step year 2015 contained in the June 8, 2015 filing:

**Summary of 2014 Compliance Class Cost of Service Study Results (\$000)**

ADJUSTED <u>COST</u> RESPONSIBILITIES						
		<u>Total</u>	<u>Residential</u>	<u>Non-Demand</u>	<u>Demand</u>	<u>Street Ltg</u>
[11]	Adjusted Rate Revenue Reqt (line 1 + line 10)	2,884,839	1,047,820	109,712	1,702,974	24,332
[12]	Incr Misc Chrgs & Late Pay (CCOSS page 7, line 21 to line 23)	<u>107</u>	<u>78</u>	<u>5</u>	<u>24</u>	<u>0</u>
[13]	Adjusted Operating Revenues (line 11 + line 12)	2,884,946	1,047,899	109,717	1,702,998	24,333
[14]	Present Rates (line 4)	<u>2,826,039</u>	<u>1,023,255</u>	<u>108,102</u>	<u>1,668,360</u>	<u>26,321</u>
[15]	Adjusted Deficiency (line 13 - line 14)	58,908	24,643	1,615	34,638	(1,989)
[16]	Defic / Pres Rates (line 15 / line 14)	2.1%	2.4%	1.5%	2.1%	-7.6%
[17]	Ratio: Class % / Total %	1.00	1.16	0.72	1.00	-3.62

**Summary of 2015 Compliance Class Cost of Service Study Results (\$000)**

ADJUSTED <u>COST</u> RESPONSIBILITIES						
		<u>Total</u>	<u>Residential</u>	<u>Non-Demand</u>	<u>Demand</u>	<u>Street Ltg</u>
[11]	Adjusted Rate Revenue Reqt (line 1 + line 10)	2,994,440	1,087,141	113,603	1,767,855	25,841
[12]	Incr Misc Chrgs & Late Pay (CCOSS page 7, line 21 to line 23)	<u>306</u>	<u>224</u>	<u>14</u>	<u>67</u>	<u>1</u>



[13]	Adjusted Operating Revenues (line 11 + line 12)	2,994,746	1,087,364	113,617	1,767,923	25,842
[14]	Present Rates (line 4)	<u>2,826,661</u>	<u>1,023,121</u>	<u>108,086</u>	<u>1,669,134</u>	<u>26,319</u>
[15]	Adjusted Deficiency (line 13 - line 14)	168,085	64,243	5,530	98,789	(477)
[16]	Defic / Pres Rates (line 15 / line 14)	5.9%	6.3%	5.1%	5.9%	-1.8%
[17]	Ratio: Class % / Total %	1.00	1.06	0.86	1.00	-0.30

and require Xcel to:

- b. ensure internal consistency within its CCOSS in time for the next rate case and provide direct links to all inputs used in its model;
- c. include specific tabs within its CCOSS model that clearly identify all inputs (non-financial and financial) as well as all relationships between variables used in the cost model;
- d. link input sources to the financial data and non-financial data filed in the record so that any changes made in compliance are clearly and promptly reflected in the relevant compliance cost study; and
- e. provide estimated rate and bill impacts for customer classes to affirm the methodology of apportioning revenue responsibility.

66. Modify Xcel's May 1, 2015 and June 8, 2015 compliance filings.

## **Class Revenue Apportionment (Volume IV)**

### **Class Revenue Apportionment**

(Please see staff briefing papers, Volume IV, p. 5)

67. Accept Xcel's proposed class revenue apportionment (Xcel, MCC, XLI); or
68. Modify Xcel's proposed class revenue apportionment as recommended by the Department in its May 28, 2015 comments (Department, OAG); or
69. Reject Xcel's proposed class revenue apportionment and adopt one of the alternate class revenue apportionments.

### **Compliance Filing**

(Please see staff briefing papers, Volume IV, p. 5)

70. Require Xcel to provide estimated rate and bill impacts for customer classes (in its thirty-day compliance filing) once the financial and CCOSS issues are finalized in this proceeding. (Department)

## **Revenue Decoupling (Volume V)**

### **Decoupling Cap - Reconsideration**

(Please see staff briefing papers, Volume V, p. 6)

If the Commission grants Xcel's Petition for Reconsideration

71. Set the decoupling cap at 10 percent of base revenue, or
72. Adopt partial decoupling with a soft cap as originally proposed by Xcel, or
73. Affirm the Commission's May 8 decision.

### **Implementation plan for the decoupling mechanism - Clarification**

(Please see staff briefing papers, Volume V, p. 12)

#### Starting Date for calculating revenue deferrals

74. Keep the January 1, 2016 start date for calculating decoupling deferrals; or
75. Authorize a different starting date for calculating decoupling deferrals, for example, June 1, 2016 as originally proposed by Xcel.

#### Baseline fixed revenue per customer and baseline fixed energy charges

76. Set the baseline fixed revenue per customer and baseline fixed energy charges using 2016 interim rate data; or
77. Set the baseline fixed revenue per customer and baseline fixed energy charges using 2015 test year data from this case; or
78. Set the baseline fixed revenue per customer and baseline fixed energy charges using the authorized revenues from whatever rates are in place, be that final rates from this rate case (if Xcel decides not to file another rate case) or interim rates from a future rate case (if Xcel files a rate case for 2016); and
79. Eventually the Company must true-up the calculations using the final authorized revenue requirements and actual customer counts for the applicable period.

#### Implementation Schedule

80. Adopt the Company's proposed implementation schedule; or
81. Adopt the Department's proposed implementation schedule.