



414 Nicollet Mall  
Minneapolis, MN 55401

**PUBLIC DOCUMENT  
TRADE SECRET DATA EXCISED**

November 25, 2015

—Via Electronic Filing—

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: REPLY COMMENTS  
NEW BASE COST OF ENERGY  
DOCKET NO. E002/MR-15-827

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the November 19, 2015 Comments of the Minnesota Department of Commerce – Division of Energy Resources in the above-referenced docket.

Portions of Exhibits B and D of this Reply contain Non-Public information as defined by Minn. Stat. §13.37 and have been marked pursuant to Minn. R. 7829.0500. Xcel Energy's projected monthly production costs by fuel and purchased energy type and its costs pursuant to competitively bid solar energy projects have economic value to Xcel Energy, its customers, suppliers, and competitors and the Company has made reasonable efforts to maintain the secrecy of this information.

Because Xcel Energy purchases fuel and transportation services in a competitive marketplace, disclosure would directly harm Xcel Energy by making its delivered supply costs less competitive. The forecast of future fuel and purchased power costs include assumptions of future market prices for fuel and purchased power not yet procured under contract. This information would give future potential suppliers knowledge of Xcel Energy's forecast of fuel and purchased power prices that may not be the actual market price when procurement bids are requested.

Mr. Daniel P. Wolf  
November 25, 2015  
Page 2 of 2

This knowledge could directly affect the prices submitted under bid or renegotiated during contract renewal. In addition, information regarding the costs of the competitively bid solar energy projects could impact future competitive bids.

Xcel Energy requests trade secret protection of this information to maintain its competitive position in the marketplace.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list.

Please contact Gail Baranko at 612-330-6935 or [gail.baranko@xcelenergy.com](mailto:gail.baranko@xcelenergy.com) if you have any questions regarding this filing.

Sincerely,

/s/

AAKASH CHANDARANA  
REGIONAL VICE PRESIDENT, RATES AND REGULATORY AFFAIRS

Enclosures  
c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF  
NORTHERN STATES POWER COMPANY  
FOR APPROVAL OF A NEW BASE COST  
OF ENERGY

Docket No. E002/MR-15-827

**REPLY COMMENTS**

**OVERVIEW**

Northern States Power Company, doing business as Xcel Energy, respectfully submits its Reply Comments to the Department of Commerce's November 19, 2015 comments regarding the Company's Petition for Approval of a New Base Cost of Energy. The Department recommends approval of the Petition, with two modifications, which would reduce our Base Cost of Energy (BCOE). The first modification reduces energy costs to match the information the Department could verify on schedules filed with the Petition and in our rate case application; we note the Department's proposed reduction to our BCOE is largely attributable to this modification. The second modification would exclude community solar garden (CSG) costs.

With this Reply, we address the Department's first proposed modification by providing information reconciling the different schedules identified by the Department and showing the information presented in the Petition matches our rate case application. We believe this information clarifies this matter and demonstrates that a change to our proposed BCOE is not needed. Regarding CSG costs, we explain that any substantive difference in the parties' positions is *de minimus*, as the Department acknowledged. To confirm the financial impact is *de minimus*, we performed a preliminary assessment of excluding CSG costs from the BCOE this past week. Our analysis shows that resolution of this issue will have only a negligible impact on the 2016 test year deficiency and does not change the Company's interim rate request. Therefore, consistent with past Commission practice, the Commission can approve the Petition and the Company's Interim Rate Petition, as originally filed.

We note that the Department's comments and Commission Staff's questions highlight confusion with several of the schedules included in the Petition, especially when they are being compared to our rate case application. We appreciate the feedback, apologize for the confusion and will strive to do better. We will also provide any additional information necessary through the course of discovery.

## **I. PETITION SCHEDULES AND CONSISTENCY WITH THE RATE CASE**

In its review of the Petition, the Department noted that the Company provided two different total fuel costs, in Attachments 1 and 2 to the Petition, and raised a concern that the Company "did not use the same base cost of energy for the Petition and for the Rate Case."<sup>1</sup> While the labeling of these schedules should have been clearer, Attachments 1 and 2 to the Company's Petition do not present "mismatched" costs. Rather, they serve different purposes, with Attachment 1 providing a revenue-based view and Attachment 2 providing an expense-based view. The purpose of Attachment 1 to the Petition is to show our proposed recovery of fuel costs from customers, while the purpose of Attachment 2 is to show the proposed fuel expense and energy purchases included in our 2016 test year. Exhibit A to these Reply Comments is a reconciliation of Attachment 1 and Attachment 2 and shows that the 2016 test year fuel revenue included in retail revenue is consistent with the 2016 test year fuel and purchased energy expense. In future BCOE filings, the Company will include this reconciliation with our Petition.

In setting the BCOE, consistent with past practice, the total fuel cost per kWh is multiplied by Minnesota customer sales, resulting in total fuel expenses to be recovered from Minnesota customers. These calculations are shown on Attachment 1 of our Petition. These calculated fuel costs are included in the Minnesota jurisdictional Cost of Service Study (COSS) as Fuel Clause revenue, a component of retail revenue.

Also consistent with past practice, a fundamentally different approach is used to develop the fuel expense included in the COSS. The COSS includes fuel expense from generation sources owned by NSPM, purchased energy costs and Interchange Agreement (IA) billings from NSPW for the Company's use of NSPW owned generation sources to serve NSPM customers. These costs are offset by Interchange Agreement billings to NSPW for their use of NSPM resources to serve Wisconsin and Michigan customers (a component of Other Revenue). All of these costs and IA revenues are then allocated to the Minnesota jurisdiction based on the energy

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<sup>1</sup> Department Comments, p. 4.

allocator, the result of which is the Minnesota jurisdictional electric fuel expense. Attachment 2 to our Petition shows the NSPM cost of fuel, energy purchases and IA billings from NSPW to NSPM, all on a Minnesota electric jurisdiction basis. However, since this reconciliation was meant to support the fuel and purchased energy costs included in the COSS, it does not reflect the offsetting IA billings to NSPW included in Other Revenue. Exhibit A to these Reply Comments, therefore, does a complete reconciliation between Attachment 1 and Attachment 2 from our Petition and includes references to Volume 4 Test Year Workpapers and Exhibit \_\_\_(AEH-1), Schedule 25, 2016 Test Year Base Cost of Fuel Reconciliation.

Table 1 below summarizes the reconciliation between the Minnesota jurisdictional Fuel Expense shown in Attachment 2 and the Minnesota Fuel Cost shown in Attachment 1:

**Table 1**  
**(\$ in Thousands)**

	<b>Exhibit A Reference</b>	<b>Minnesota Jurisdiction</b>
Attachment 2 Minnesota Jurisdictional Fuel Expense	Line 18	\$986,269
Interchange Agreement Revenue from NSPW	Line 20	\$(162,202)
Off-System Costs not related to Fuel Expense	Line 21 (Footnote 1)	\$1,966
Difference in Sales (BCOE) vs. Energy (COSS) Allocation methods	Line 23 (Footnote 2)	\$3,040
Attachment 1 Minnesota Fuel Cost (used in Petition and Rate Case)	Line 25	\$829,073

Therefore, as shown in Exhibit A, the Company has appropriately based its BCOE request on the same costs as are included in the 2016 test year COSS.

## **II. COMMUNITY SOLAR GARDEN COSTS**

By way of background, we typically include all of our forecasted fuel costs as part of a BCOE petition, including those incurred as part of a power purchase agreement. As we prepared the Petition, we looked out over the next three to five years and took inventory of the power purchase agreements that we know will increase our fuel costs. We believed that community solar gardens should be included in our fuel forecast because (1) the program involves power purchase agreements that require us to purchase all of the energy produced by developers; (2) we generally know the rate at which we must purchase the produced energy; and (3) we have a general

understanding of the number of community solar garden MWh that will be placed into service next year. As it pertains to the last point, our fuel forecast includes a conservative estimate of solar garden MWh compared to the current queue projections.

### **A. Department's Recommendation**

The Department recommends that the BCOE calculation should not include any community solar garden costs because any “costs and lost sales” due to community solar gardens are too uncertain at this time.<sup>2</sup> At the same time, the Department acknowledges the *de minimus* nature of this issue and recommended the Company list the factors that could be affected by a change to the BCOE to remove CSG costs, as opposed to requiring the Company to re-file all of the impacted schedules:

While it would be possible to require Xcel to reconcile and re-file numerous schedules for its rate case and interim rates that could be affected, the Department does not recommend that the Commission do so. Such an approach would not only be inefficient, it could lead to confusion in the record. Instead, to ensure that Xcel's rates are set appropriately and to ensure that ratepayers' rates accurately reflect the decisions in the rate case as soon as those decisions are known, the Department recommends that Company identify in its Reply Comments how all relevant rate case factors (for example, bad debt and any other rate base or income statement items) are affected by this change in the base cost of energy.<sup>3</sup>

The Company agrees with the Department's recommendation. A change in the BCOE impacts the following rate case income statement items: bad debt, fuel revenues, other operating revenue, fuel expense and taxes. In addition, the following rate base items will also change: cash working capital and accumulated deferred income taxes. As such, a change would also impact the testimony and schedules of the Company's revenue requirements, multi-year rate plan, class cost of service and rate design witnesses. Further, such a change would impact the majority of the jurisdictional financial schedules provided in Volume 3 of the initial filing, as well as the rate structure, rate design and class cost of service study schedules. Regarding interim rates specifically, a change in the BCOE would impact 2016 and 2017 Schedules A through D and 2017 Schedule F to the Company's Petition, with the exception of Schedule C, Part 4 of 4, concerning cost of capital. Given the relatively

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<sup>2</sup> Department Comments, p. 7.

<sup>3</sup> Department Comments, p. 5.

minor impact of the CSG cost issue in this proceeding, the Company agrees that refiling this information would be inefficient and lead to confusion in the record.

Before responding to Staff's questions, the Company shares a few additional observations. First, the Department estimates that removing the CSG costs in this case would result in a change to the BCOE of approximately five one-thousandths of a cent per kWh.<sup>4</sup>

Second, the CSG program will not lead to "lost sales." Under the program, sales to our end use customers will continue, and they will receive a bill credit in the amount of our cost of purchasing the output of the solar gardens. It is the cost associated with our purchase of the output of the solar gardens that the Company projected in its Petition. If these CSG costs are removed from the BCOE, as recommended by the Department, the Company will still need the energy it assumed would be provided by the CSG. The Company will incur costs for that energy – costs that must be accounted for in the BCOE.

While we have not performed a precise forecast of the net impact of "backing out" all CSG costs and replacing them with other energy, Exhibit B provides a preliminary estimate of this impact. This estimated impact on the BCOE, in turn, yields a revenue requirement impact of less than ten thousand dollars, as shown in Exhibit C. At these levels, the Company's interim rate request would not change.

Lastly, CSG costs and other costs impacting the BCOE will be better understood at the conclusion of this proceeding. As the Company and Department agree:

Upon implementation of final rates in [the Company's] concurrent electric rate case filing, a revised base cost of energy will be established using updated class usage information adopted in that case, subject to the terms of the Commission's final Order.<sup>5</sup>

## **B. Staff's Questions**

Commission Staff also asked the Company for clarification on certain aspects of our CSG calculations. Staff noted that Windsource is a Minnesota program and Windsource MWh sales are deducted from both the NSP System and Minnesota Jurisdiction numbers on a one-to-one basis. Given that, Staff asked if CSG sales also needed to be backed out on a one-to-one basis.

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<sup>4</sup> Department Comments, p. 5 (\$0.0267930 - \$0.026740).

<sup>5</sup> Petition, p. 4; Department Comments, p. 6.

CSG sales are not backed out on a one-to-one basis because the treatment of fuel costs in the Windsource program and Community Solar Gardens differs. Windsource customers do not pay the fuel clause cost, and the PPAs associated with the program are not eligible for Fuel Clause recovery. Therefore, the Windsource PPAs are deducted from system purchases, and the MWh Sales are deducted from both the NSP System and Minnesota Jurisdiction numbers.

In contrast, CSG subscribers continue to pay all fuel costs through the Fuel Clause and the Solar Gardens energy is purchased for the Minnesota jurisdiction. Since CSG costs are direct assigned to the Minnesota Jurisdiction, the costs and MWh associated with the energy purchase are removed from the NSP System and added directly to the Minnesota Jurisdiction numbers. Thus the proposed test year 2016 base cost of fuel captures the NSP System fuel cost in the same manner as in prior rate cases, plus the additional new cost recovery for CSG.

Staff also sought clarification as to whether the MWh sales presented in the Petition at Attachment 1, Line 23 were attributed solely to community solar garden generation. Staff noted that the rate case filing included a higher total purchased cost for solar energy than shown in the Petition for the cost of community solar garden energy. Staff is correct that the Petition, Attachment 1, Line 23 reflects only community solar gardens MWh generation. The Company provides a reconciliation of the total solar energy costs to the community solar garden only energy costs in Exhibit D to these Reply Comments.

### **III. INTERIM RATES**

The Department's November 12, 2015 Comments regarding the completeness of our rate case filing in Docket No. E002/GR-15-826 did not propose a change to the effective date of interim rates or otherwise address interim rate issues. In those comments, the Department recommended that the Commission accept Xcel Energy's Petition as being complete on November 10, 2015 rather than November 2, 2015. The Department now states, "the effective date for interim rates should be adjusted accordingly."<sup>6</sup> We respectfully disagree with the Department's clarification because it is, in our view, unsupported by law. Furthermore, the Commission has consistently approved interim rate effective dates as requested by the utility, including in those instances where utilities have filed additional information following an initial filing, as the Company did here.

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<sup>6</sup> Department Comments, p. 6. The Department's earlier comments, filed on November 12, 2015 in the rate case docket, E002/GR-15-826, did not address any issues related to interim rates.



Minnesota law and the Commission's Rules do not link the effective date of interim rates and the completeness of a rate case filing. Minnesota law provides that interim rates shall go into effect "...not later than 60 days after the initial filing date."<sup>7</sup> As a result, the timing of interim rate effectiveness is tied to the date when a rate case application is filed, here, November 2, 2015. Under the plain language of the statute, interim rates should go into effect no later than January 1, 2016.

The Commission's Rules address completeness and provide that a rate case application should be accepted if it is "in substantial compliance with applicable filing requirements, as required by the Commission's Rules."<sup>8</sup> We believe our case meets the Commission's Rules.

To the extent there is any doubt about our interpretation of Minnesota law and the Commission's Rules, we note the Commission has recognized on multiple occasions that the Interim Rate Statute expressly allows interim rates to be put into effect earlier than 60 days from the date of initial filing, or the date of "completeness" of a rate case filing.<sup>9</sup> In short, the date of "acceptance" or the date a filing is deemed "complete" does not determine the date interim rates become effective.

## CONCLUSION

With the clarifications provided in this Reply, the Company respectfully requests that its Petition be approved and that interim rates become effective on January 1, 2016.

Dated: November 25, 2015

Northern States Power Company

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<sup>7</sup> Minn. Stat. §216B.16, subd. 3 (a) (emphasis added).

<sup>8</sup> Minn. R. 7829.2400.

<sup>9</sup> See, e.g., Docket Nos. G004/GR-02-1682 (financial schedules required by Rule filed 15 days after initial filing and interim rates approved as requested in initial filing); G002/GR-04-1511 (supplemental testimony, schedules and workpapers filed 35 days after initial filing and interim rates approved as requested in initial filing); G008/GR-04-901 (additional information filed 8 days after initial filing and interim rates approved as requested in initial filing); E017/GR-07-1178 (supplemental testimony addressing requirement filed 16 days after initial filing and interim rates approved as requested in the initial filing); E002/GR-10-871 (additional information filed 34 days after initial filing and interim rates approved as requested in initial filing).

Northern States Power Company  
**2016 Test Year Fuel Expenses - Walk Forward from Total NSP System to MN Jurisdiction**  
**Reconciliation of Base Cost of Energy (BCOE) Petition Attachment 1 and Attachment 2**

Docket No. E002/MR-15-827  
 Reply Comments  
 Exhibit A  
 Page 1 of 1

	<u>2016 Test Year</u>		<u>Reference</u>
1 Total NSP System Fuel Expense (excluding Solar Gardens)	1,189,381,157	a	BCOE filing, Attachment 1, Line 14
2 Less NSPW Fuel Expense	15,318,106	b	Volume 4, Workpaper V O2-1, page A
3 Less Windsorce Direct Assigned costs	5,258,492	c	BCOE filing, Attachment 1, Line 16; Volume 4, Workpaper V O2-1 page B
4 NSPM Fuel Expense	<u>1,168,804,558</u>	d = a - b - c	
5			
6 MN Jurisdictional Energy Allocator	<u>87.3278%</u>	e	Volume 4, Workpaper VII-1
7 NSPM Fuel Expense Allocated to MN Jurisdiction	<u>1,020,691,307</u>	f = d * e	
8			
9 Plus Windsorce Direct Assigned costs	5,258,492	c	BCOE filing, Attachment 1, Line 16; Volume 4, Workpaper V O2-1 page B
10 Plus Solar Gardens Direct Assigned costs	10,501,444	g	BCOE filing, Attachment 1, Line 29; Volume 4, Workpaper V O2-1 page B
11 MN Jurisdiction Fuel Expense (Including Windsorce and Solar Gardens)	<u>1,036,451,244</u>	h = f + c + g	BCOE filing, Attachment 2, Line: Subtotal
12			
13 Add Fuel Costs billed to NSPM through the Interchange Agreement, Allocated to MN Jurisdiction	12,552,297	i	BCOE filing, Attachment 2, Line: NSP WI Interchange net of handling; Volume 4, Workpaper V O2-3 page D
14 MN Jurisdiction Fuel Expense (Including Windsorce, Solar Gardens and Interchange Agreement billings from NSPW)	<u>1,049,003,541</u>	j = h + i	BCOE filing, Attachment 2, Line: Subtotal
15			
16 Less Off System Sales costs - MN Jurisdiction portion	57,475,732	k	BCOE filing, Attachment 2, Line: Off System Sales Costs; Volume 4, Workpaper V O2-1 page B
17 Less Windsorce Direct Assigned costs	5,258,492	c	BCOE filing, Attachment 1, Line 16; Volume 4, Workpaper V O2-1 page B
<b>18 MN Jurisdiction Fuel Expense</b>	<b><u>986,269,317</u></b>	<b>l = j - k - c</b>	<b>BCOE filing, Attachment 2, Line: Total</b>
19			
20 Plus Interchange Agreement Revenue (Related to Fuel Expense) allocated to MN Jurisdiction	(162,202,020)	m	Docket No. E002/GR-15-826; Exhibit___(AEH-1), Schedule 25, Line: Minnesota Fuel Costs Offset by Interchange Revenue
21 Plus Off System sales not related to fuel - MN Jurisdiction	<u>1,965,957</u>	n	Footnote (1)
22 2016 Test Year Fuel Expense Net of Interchange Agreement Billings to NSPW	<u>826,033,254</u>	o = l + m + n	Docket No. E002/GR-15-826; Exhibit___(AEH-1), Schedule 25, Line: Total Minnesota Fuel Costs included in Cost of Service
23 Higher Fuel Clause Revenue Due to Sales Allocator Vs. Energy Allocator	3,039,987	w = x - o	Footnote (2)
24			
<b>25 Minnesota Fuel Cost (Fuel Clause Revenue)</b>	<b><u>829,073,241</u></b>	<b>x</b>	<b>BCOE filing, Attachment 1, Line: 30</b>

**Footnotes:**

(1) Off-System Sales Expense Reconciliation	Total NSP System	MN Electric Jurisdiction	
Fuel Related Off-System Sales Expense	63,564,838	55,509,775	BCOE filing, Attachment 1, Line: 15 (Intersystem Sales); Docket No. E002/GR-15-826; Exhibit___(AEH-1), Schedule 25, Line: Off System Sales Net of Interchange
Total Off-System Sales Expense	65,816,077	57,475,732	BCOE filing, Attachment 2, Line: Off System Sales Costs
Non-Fuel Related Off-System Sales Expense	<u>2,251,239</u>	1,965,957	To Line: 21
(2) Calculation of the Difference in Fuel Expense and Fuel Clause Revenue			
Net System Fuel Costs	1,120,557,826	r	Base Cost of Energy (BCOE) filing, Attachment 1, Line: 20
Energy Allocator Net of Interchange used in Cost of Service	73.179%	s	
Sales Allocator used in Base Cost of Fuel	73.473%	t	
Higher Fuel Clause Revenue Due to Sales Allocator Vs. Energy Allocator	3,294,767	u = (t - s) * r	Difference due to different Allocation Process
Other (Net)*	<u>(254,780)</u>	v = w - u	
Difference due to allocation methodologies	<u>3,039,987</u>	w	To Line: 23

\* Difference in Sales and Energy allocators is slightly different due to the monthly calculation of the Base Cost of Fuel (sales allocator) versus the annual calculation of fuel expense in the Cost of Service (energy allocator).

Northern States Power Company  
**Base Cost of Fuel Calculation - Test Year Ending December 31, 2016**  
 Assumes no Minnesota Solar Gardens

Docket No. E002/MR-15-827  
 Reply Comments  
 Exhibit B  
 Page 1 of 1

**PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED**

<i>Costs in \$,000's</i>		January	February	March	April	May	June	July	August	September	October	November	December	Total	
<b>Own Generation</b>		[TRADE SECRET BEGINS]													
	Fossil Fuel	[TRADE SECRET BEGINS]													
[1]	Coal	[TRADE SECRET BEGINS]													
[2]	Wood/RDF	[TRADE SECRET BEGINS]													
[3]	Natural Gas CC	[TRADE SECRET BEGINS]													
[4]	Natural Gas & Oil CT	[TRADE SECRET BEGINS]													
[5]	Subtotal [1]+[2]+[3]+[4]	[TRADE SECRET BEGINS]													
[6]	Nuclear Fuel	[TRADE SECRET BEGINS]													
<b>Purchased Energy</b>		[TRADE SECRET BEGINS]													
[7]	Wind	[TRADE SECRET BEGINS]													
[8]	Long Term	[TRADE SECRET BEGINS]													
[9]	Short Term & MISO	[TRADE SECRET BEGINS]													
[9a]	Solar Gardens Replacement Power	[TRADE SECRET BEGINS]													
[10]	Subtotal [7]+[8]+[9]	[TRADE SECRET BEGINS]													
<b>MISO Day 2 Charges</b>		[TRADE SECRET ENDS]													
[11]	Schedules 16 & 17	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[12]	Schedules 24	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[13]	MISO Exclusion [11]+[12]	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[14]	<b>Total System Costs</b> [5]+[6]+[10]+[13]	\$105,743	\$93,896	\$93,537	\$86,639	\$89,809	\$101,202	\$114,880	\$111,329	\$100,254	\$97,376	\$94,973	\$101,969	\$1,191,607	
[15]	<b>Less Intersystem Sales</b>	(\$10,206)	(\$4,278)	(\$3,931)	(\$7,607)	(\$6,917)	(\$4,256)	(\$2,577)	(\$1,749)	(\$4,192)	(\$7,245)	(\$5,342)	(\$5,265)	(\$63,565)	
[16]	<b>Less WindSource</b>	(\$456)	(\$417)	(\$437)	(\$408)	(\$459)	(\$389)	(\$463)	(\$482)	(\$455)	(\$445)	(\$412)	(\$434)	(\$5,258)	
<b>Margin Sharing</b>															
[17]	Asset Based	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[18]	Non-Asset Based	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[19]	Margin Sharing Refund [17]+[18]	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[20]	<b>Net System Fuel Costs</b> [14]+[15]+[16]+[19]	\$95,081	\$89,201	\$89,169	\$78,624	\$82,434	\$96,557	\$111,839	\$109,098	\$95,606	\$89,686	\$89,219	\$96,270	\$1,122,784	
<b>Net System MWh Sales</b> (Excluded Intersystem MWh Sales)															
[21]	Calendar Month System MWh Sales	3,679,227	3,321,262	3,482,023	3,116,353	3,209,831	3,554,907	4,006,463	3,925,375	3,471,788	3,363,117	3,326,594	3,594,651	42,051,592	
[22]	Less Windsource MWh Sales	(12,254)	(11,200)	(11,866)	(10,986)	(12,256)	(11,175)	(13,405)	(14,332)	(12,870)	(12,254)	(10,963)	(12,179)	(145,740)	
[23]	Less Solar Gardens MWh Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	
[24]	<b>Net Sys MWh Sales [21]+[22]+[23]</b>	3,666,973	3,310,062	3,470,157	3,105,367	3,197,576	3,543,733	3,993,058	3,911,043	3,458,918	3,350,862	3,315,632	3,582,472	41,905,852	
[25]	<b>System Cost in Cents/KWh</b> [20] / [24] x 100	2.59290	2.69484	2.56961	2.53188	2.57801	2.72472	2.80084	2.78948	2.76404	2.67650	2.69087	2.68725	2.67930	
<b>Minnesota Juris. MWh Sales</b>															
[26]	Calendar Month MWh Sales	2,645,179	2,396,271	2,512,544	2,261,708	2,358,753	2,624,339	2,971,714	2,901,884	2,567,481	2,467,872	2,407,606	2,574,634	30,689,986	
[27]	Less Windsource MWh Sales	(12,254)	(11,200)	(11,866)	(10,986)	(12,256)	(11,175)	(13,405)	(14,332)	(12,870)	(12,254)	(10,963)	(12,179)	(145,740)	
[28]	<b>Calendar Month MWh Sales</b>	2,632,925	2,385,071	2,500,678	2,250,722	2,346,497	2,613,164	2,958,309	2,887,552	2,554,612	2,455,618	2,396,644	2,562,455	30,544,246	
[29]	<b>Minnesota Solar Gardens</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
[30]	<b>Minnesota Fuel Cost</b> [25] x [28] / 100 + [29]	\$68,269	\$64,274	\$64,258	\$56,986	\$60,493	\$71,202	\$82,858	\$80,548	\$70,611	\$65,725	\$64,491	\$68,859	\$818,571	
[31]	<b>Proposed Base Cost of Fuel (in Cents/kWh)</b> sum of [30] / sum of [28] *100														2.6800

Northern States Power Company  
Electric Utility - State of Minnesota  
**STATEMENT OF OPERATING INCOME**  
2016 Interim Rate Deficiency assuming no MN Solar Gardens  
(\$000's)

Docket No. E002/MR-15-827  
Reply Comments  
Exhibit C  
Page 1 of 1

Line No.	Description	2016 Interim Rate Petition with Solar (1)	Adjustment		Secondary Calculations		2016 Interim Rate Petition without Solar (5)	Change (6)
			Remove Solar Gardens (2)	Bad Debt (3)	NOL Calculation (3)	CWC Change (4)		
<b>Operating Revenues</b>								
1	Retail	\$2,974,218	(\$8,873)				\$2,965,345	(\$8,873)
2	Interdepartmental	788	(2)				786	(2)
3	Other Operating	585,315	308				585,624	308
4	<b>Total Operating Revenues</b>	<b>\$3,560,322</b>	<b>(\$8,567)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,551,755</b>	<b>(\$8,567)</b>
<b>Expenses</b>								
Operating Expenses:								
5	Fuel and Purchased Power	\$1,001,096	(\$8,558)				\$992,539	(\$8,558)
6	Power Production	680,471					680,471	
7	Transmission	205,186					205,186	
8	Distribution	108,023					108,023	
9	Customer Accounting	49,315		(24)			49,291	(24)
10	Customer Service & Information	91,110					91,110	
11	Sales, Econ Dvlp & Other	69					69	
12	Administrative & General	206,579					206,579	
13	<b>Total Operating Expenses</b>	<b>\$2,341,850</b>	<b>(\$8,558)</b>	<b>(\$24)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,333,269</b>	<b>(\$8,582)</b>
14	Depreciation	\$451,676					\$451,676	
15	Amortizations	\$39,672					39,672	
Taxes:								
16	Property	\$178,439					\$178,439	
17	Deferred Income Tax & ITC	163,422					163,422	
18	Federal & State Income Tax	(59,443)	(4)	10	(0)	(0)	(59,438)	6
19	Payroll & Other	27,550					27,550	
20	<b>Total Taxes</b>	<b>\$309,968</b>	<b>(\$4)</b>	<b>\$10</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>\$309,974</b>	<b>\$6</b>
21	<b>Total Expenses</b>	<b>\$3,143,166</b>	<b>(\$8,561)</b>	<b>(\$14)</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>\$3,134,590</b>	<b>(\$8,576)</b>
22	<b>Operating Income</b>	<b>417,156</b>	<b>(5)</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>417,165</b>	<b>9</b>
23	AFUDC	\$33,884					\$33,884	
24	<b>Total Operating Income</b>	<b>\$451,040</b>	<b>(\$5)</b>	<b>\$14</b>	<b>\$0</b>	<b>\$0</b>	<b>\$451,049</b>	<b>\$9</b>
<b>Revenue Requirement</b>								
25	Total Rate Base	7,452,310			(1)	52	7,452,362	52
26	Require Operating Inc (RB * Req Return)	547,000	-	-	(0)	4	547,003	4
27	Operating Income	451,040	(5)	14	0	0	451,049	9
28	Operating Income Deficiency	95,960	5	(14)	(0)	3	95,954	(6)
29	<b>Revenue Deficiency</b>	<b>163,670</b>	<b>9</b>	<b>(24)</b>	<b>(0)</b>	<b>6</b>	<b>163,660</b>	<b>(9)</b>

Notes:(1) Electric Utility - Minnesota Jurisdiction

**PUBLIC DOCUMENT - TRADE SECRET DATA EXCISED**

Station	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016 Total
<b>Fuel Expense (\$ in Thousands)</b>	[TRADE SECRET BEGINS]												
Solar Aurora													
Solar Best Power International PV													
Solar Best Power International PV II													
Solar Gardens													
Solar Juwi													
Solar Marshall													
Solar North Star													
Solar Slayton													
Total Purchased Energy - Solar													
<b>MWH Purchases</b>	[TRADE SECRET BEGINS]												
Solar Aurora													
Solar Best Power International PV													
Solar Best Power International PV II													
Solar Gardens													
Solar Juwi													
Solar Marshall													
Solar North Star													
Solar Slayton													
Total Purchased Energy - Solar													
<b>\$/MWH</b>	[TRADE SECRET BEGINS]												
Solar Aurora													
Solar Best Power International PV													
Solar Best Power International PV II													
Solar Gardens													
Solar Juwi													
Solar Marshall													
Solar North Star													
Solar Slayton													
Total Purchased Energy - Solar													

TRADE SECRET ENDS]

**CERTIFICATE OF SERVICE**

I, Jim Erickson, hereby certify that I have this day served copies or summaries of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States Mail at Minneapolis, Minnesota

xx electronic filing

**DOCKET NO. E002/MR-15-827**

Dated this 25<sup>th</sup> day of November 2015

/s/

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Jim Erickson

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