

Direct Testimony and Schedule
Amy A. Liberkowski

Before the Minnesota Public Utilities Commission
State of Minnesota

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

Docket No. E002/GR-19-564
Exhibit __ (AAL-1)

Multi-Year Rate Plan Implementation

November 1, 2019

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1 **I. INTRODUCTION**

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3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Amy A. Liberkowski. I am employed by Northern States Power
5 Company-Minnesota as Director, Regulatory Pricing and Analysis.

6
7 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

8 A. In my current role I am responsible for the Company’s regulatory strategy for
9 electric and natural gas pricing and renewable programs, and the general
10 administration of the Northern States Power Company-Minnesota (NSPM)
11 Regulatory Pricing and Analysis area. This includes the development and
12 preparation of electric and gas rate design, rider filings, fuel filings, class cost
13 of service studies and renewable, solar and electric vehicle rates in Minnesota,
14 North Dakota and South Dakota.

15
16 A statement of my qualifications and experience is provided as
17 Exhibit__(AAL-1), Schedule 1.

18
19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. In my testimony, I:

- 21 • Discuss the basic structure of the Company’s three-year Multi-Year
22 Rate Plan (MYRP) proposal;
- 23 • Explain the Company’s proposed process for setting 2020 final rates,
24 patterned after the process used in our 2016-2019 MYRP, approved in
25 Docket No. E002/GR-15-826;
- 26 • Discuss the implementation of the decoupling and true-up mechanisms
27 we propose to use during this new MYRP, again patterned after the

1 true-ups approved by the Commission in our 2016-2019 MYRP; and

- 2 • Set forth our proposed implementation and compliance calendar.

3
4 Q. HOW IS YOUR TESTIMONY ORGANIZED?

5 A. I present the remainder of my testimony in the following sections:

- 6 • *Section II* – Overview of the Company’s three-year MYRP proposal;
- 7 • *Section III* – Implementation of the MYRP and True-Ups; and
- 8 • *Section IV* – Conclusion.

9
10 **II. OVERVIEW OF THE COMPANY’S**
11 **THREE-YEAR MYRP PROPOSAL**

12
13 Q. PLEASE SUMMARIZE THE STRUCTURE OF THE COMPANY’S THREE-YEAR MYRP.

14 A. Similar to our proposed MYRP in E002/GR-15-826, which led to the 2016-
15 2019 MYRP, we use our capital budgets to form the basis of our capital-
16 related revenue requirements for each year of the proposed MYRP. Unlike
17 our last case, however, we do not use escalators to establish our O&M
18 expenses or revenues. Rather, we provide full budget information for these
19 items as well. In other words, we have presented a “full cost of service
20 approach” to determining our revenue requirements for each year of the
21 MYRP. This provides the Commission and parties a full view of our planned
22 investments, expenses and anticipated revenues for all three years.

23
24 Q. DOES THE COMPANY’S MYRP PROPOSAL INCLUDE ADJUSTMENT MECHANISMS
25 OR CUSTOMER PROTECTIONS, SIMILAR TO THE 2016-2019 MYRP?

26 A. Yes. Our proposed MYRP includes the following features, similar to those
27 incorporated in our 2016-2019 MYRP:

- 1 1. *A one way true-up for capital-related revenue requirements.* The Company
2 would make a compliance filing similar to that provided in the 2016-
3 2019 MYRP. If the 2020, 2021 or 2022 total actual capital-related
4 revenue requirement were less than the approved 2020, 2021, or 2022
5 capital-related revenue requirements, a refund would occur.
- 6 2. *A symmetrical true-up for property taxes.* The Company would make a
7 compliance filing similar to that provided for 2017-2019 during the
8 2016-2019 MYRP (no true-up was implemented in 2016 due to a
9 property tax deferral provided for in the settlement of that case). For
10 each year 2020-2022, if the actual property tax level were less than the
11 approved level, a refund would occur, net of other true-ups; if higher,
12 the balance would be deferred, net of other true-ups.
- 13 3. *Setting of 2020 base rates based on actual weather normalized sales* (a test year
14 sales true-up) and for 2021 and 2022, continuation of our decoupling
15 mechanism for all of the Company's non-demand classes, together with
16 a decoupling mechanism for demand customers in lieu of the current
17 sales true-up for those classes. Company witness Mr. Lon Huber
18 presents the Company's decoupling proposals in his testimony.
- 19 4. *A continuation of Annual Incentive Compensation (AIP) and Net Operating Loss*
20 *(NOL) compliance filings*, which resulted from prior Commission Orders
21 in Docket Nos. E002/GR-92-1185 and G002/GR-92-1186 for AIP
22 and Docket No. E002/GR-10-971 for NOL. Company witness Ms.
23 Ruth Lowenthal further discusses the AIP true-up in her testimony.

24
25 I discuss the setting of base rates and each of these rate adjustment
26 mechanisms further, as well as the timing of the compliance filings necessary
27 to implement them in the following section of my testimony.

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Q. WHY DO YOU BELIEVE THIS OVERALL CONSTRUCT IS REASONABLE AND SHOULD BE APPROVED?

A. I believe the 2016-2019 MYRP has been a success worth replicating, and that MYRP has guided our structure of this proposal. Company witness Mr. Greg P. Chamberlain discusses the success of the 2016-2019 MYRP in achieving the overarching goals the parties and Commission had when that MYRP was approved, and the policy rationale for another MYRP. The 2016-2019 MYRP has provided increased predictability in rates for our customers and given the Company the ability to manage its business within the revenue limits set in that MYRP. At the same time, the Company has provided substantial information throughout the term of the 2016-2019 MYRP, including information on sales and our capital expenditures. The filings associated with these true-ups have allowed the Commission and parties to monitor our performance and the impact of the MYRP on rates. The MYRP we propose here can accomplish these same results.

III. IMPLEMENTATION OF THE MYRP AND TRUE-UPS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I describe how rates will be set and potentially adjusted during the MYRP. Throughout the MYRP and during the following year, the Company would make compliance filings and the Commission would review and approve certain adjustments or true-ups. I discuss each of these points and lay out our proposed compliance filings and proposed calendar for these various filings.

1 **A. Base Rates for 2020**

2 Q. HOW DOES THE COMPANY PROPOSE THE COMMISSION SET BASE RATES FOR
3 THE 2020 TEST YEAR?

4 A. The Company proposes that the 2020 base rates be set in the same manner as
5 has been used in the Company’s two previous rate cases. Due to the length of
6 time this proceeding will take, the Commission and parties will have the
7 benefit of knowing the actual sales for the test year and need not rely on a
8 forecast. Therefore, the Company proposes to true-up for actual weather
9 normalized sales to determine the final 2020 revenue requirement. I discuss
10 the implementation of this test year sales true-up below.

11
12 **B. Base Rates for 2021 and 2022**

13 Q. HOW DOES THE COMPANY PROPOSE THE COMMISSION SET BASE RATES FOR
14 THE 2021 AND 2022 PLAN YEARS?

15 A. Base rates for 2021 and 2022 should also be set based on the full cost of
16 service. This full cost of service approach appropriately sets rates for 2021
17 and 2022 based on each year’s forecasted capital-related revenue requirements,
18 sales, O&M, revenues and other margins, and cost of capital. By doing so, the
19 plan year rates will best reflect the Company’s expected revenue requirements
20 each year and provide the appropriate “base” from which to calculate any
21 true-ups or other rate adjustments during the term of the MYRP.

22
23 **C. True-Ups and Decoupling Filings**

24 Q. PLEASE DESCRIBE THE RATE ADJUSTMENTS AND CUSTOMER PROTECTION
25 MECHANISMS THE COMPANY PROPOSES AS PART OF ITS MYRP.

26 A. The Company proposes two true-ups (capital and property tax) and two
27 decoupling mechanisms, similar to the mechanisms used in the 2016-2019

1 MYRP. In addition, the Company will continue the annual AIP and NOL
2 filings.

3
4 1. *Capital True-up*

5 Q. WHAT DOES THE COMPANY PROPOSE WITH RESPECT TO A CAPITAL TRUE-UP
6 DURING THE TERM OF THE MYRP?

7 A. We propose a one-way capital true-up, similar to the 2016-2019 capital true-
8 up, with compliance filings made for the test year and each plan year to
9 establish whether any adjustment is necessary.

10
11 Q. HOW WILL THE CAPITAL TRUE-UP BE MEASURED AND IMPLEMENTED?

12 A. We propose to use the same methodology we have used during the 2016-2019
13 MYRP. The Company will submit an annual compliance filing that calculates
14 the prior-year actual plant-related base rate revenue requirements.

15
16 For the 2020 test year, the Company would provide a compliance filing in May
17 of 2021. In the event the actual capital-related revenue requirements are lower
18 than the approved test year capital-related revenue requirements, the
19 Company will include an update as an adjustment for calculation of final rates
20 or otherwise provide a refund plan, depending on the timing of final rate
21 implementation.

22
23 Q. IS THIS TRUE-UP NECESSARY FOR RATES TO BE JUST AND REASONABLE DURING
24 THE MYRP?

25 A. I do not believe it is. The Company has a sound capital budget and
26 forecasting strategy, and the Commission can rely on that process to set just
27 and reasonable rates.

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Q. THEN WHY DOES THE COMPANY PROPOSE THIS TRUE-UP?

A. We propose to continue the one-way capital true-up used during our 2016-2019 MYRP as a reasonable customer protection during the MYRP period. Through this true-up, the Commission and ratepayers can be assured that the Company will not receive recovery for capital-related items if its capital additions fall short of the Commission-approved amount during any year of the MYRP. At the same time, if the Company has greater capital additions than approved by the Commission and reflected in that year's base rates, the Company will not adjust rates for those incremental additions.

2. *Property Tax True-Up*

Q. WHAT DOES THE COMPANY PROPOSE WITH RESPECT TO A PROPERTY TAX TRUE-UP DURING THE TERM OF THE MYRP?

A. The Company proposes a symmetrical true-up for property taxes for each of the MYRP years.

Q. HOW WILL THE PROPERTY TAX TRUE-UP BE MEASURED AND IMPLEMENTED?

A. We propose that the Company will submit an annual compliance filing that shows the prior year property tax expense. These reports will include calculations that support a one-time refund if the prior year actual property tax accruals are lower than the prior plan year. If actual expenses are higher, the balance would be recorded as a regulatory asset.

3. *Test Year Sales True-up and Decoupling Mechanisms*

Q. PLEASE DESCRIBE HOW THE COMPANY'S PROPOSED TEST YEAR SALES TRUE-UP WOULD WORK.

1 A. We propose following the same process used in our 2013 rate case and used
2 again at the start of the 2016-2019 MYRP. For the 2016-2019 MYRP, the
3 Company filed its 2016 test year sales information in February of 2017, to
4 provide the basis for setting final rates for the 2016 test year. Similarly, the
5 Company will file its actual 2020 test year sales information in February of
6 2021, so that our actual weather-normalized test year sales can be used to
7 determine the final 2020 revenue requirement and set 2020 final rates.

8

9 Q. WHAT IS THE STATUS OF THE COMPANY’S CURRENT SALES TRUE-UP FOR NON-
10 DECOUPLED CLASSES AND ITS CURRENT DECOUPLING MECHANISM?

11 A. Both mechanisms were established in the 2016-2019 MYRP and expire on
12 December 31, 2019. The compliance filings for 2019 will be filed on February
13 1, 2020 with bill adjustments beginning on April 1, 2020.

14

15 Q. DESCRIBE THE COMPANY DECOUPLING AND SALES TRUE-UP PROPOSALS IN
16 THIS CASE.

17 A. Mr. Huber discusses the Company’s proposals with respect to decoupling. As
18 Mr. Huber explains, the Company proposes to continue the revenue
19 decoupling mechanism (RDM) and replace the sales true-up for previously
20 non-decoupled classes with a new decoupling mechanism, the RDM-D, for
21 our demand billed classes. He proposes to combine the annual reporting, but
22 otherwise continue the same timing of reporting and customer bill
23 adjustments.

24

25 Q. DOES THE COMPANY PROPOSE ANY CHANGES TO THE CURRENT DECOUPLING
26 MECHANISM OR SALES TRUE-UP IN THIS CASE?

27 A. Yes. Mr. Huber proposes to increase the surcharge caps, replace the sales

1 true-up with a decoupling proposal for demand billed customers, and include
2 actual instead of weather-normalized results for the demand billed class.

3
4 Q. HOW WOULD THESE DECOUPLING MECHANISMS WORK IN CONJUNCTION WITH
5 THE TEST YEAR SALES TRUE-UP?

6 A. The Company proposes these as separate and distinct mechanisms. As I
7 discussed above, the Company recommends that the Commission approve a
8 “true-up” of test year sales that sets 2020 test year rates based on weather-
9 normalized actual sales for 2020. If the Commission approves that true-up,
10 then the Company proposes that the RDM and RDM-D not be applied for
11 the test year, but begin effective January 1, 2021. Base rates for the 2021 and
12 2022 plan years would be set based on the sales forecast provided by
13 Company witness Ms. Jannell E. Marks and the RDM and RDM-D
14 adjustments would be calculated accordingly.

15
16 Q. WHY DOES THE COMPANY PROPOSE TO RESET BASE RATES AND REVENUES IN
17 2021 AND 2022 AND CALCULATE ANY RDM OR RDM-D ADJUSTMENT USING
18 THAT NEW BASE?

19 A. Resetting based rates for each year is consistent with the full cost of service
20 approach the Company proposes in this case and sends the most accurate
21 price signals to customers. Additionally, Ms. Marks explains that the
22 Company’s sales forecasts show continued sales declines in 2021 and 2022.
23 Failure to recognize those ongoing declines in base rates would not allow the
24 Company to recover the appropriate level of revenues during the 2021 and
25 2022 plan years. If, instead, 2020 actual sales continued to form the basis for
26 setting rates, the Company would recover its necessary revenues the following
27 year, through the RDM and RDM-D adjustments – adjustments that would be

1 larger than if the base rates had been set to incorporate the forecasted sales
2 decline.

3
4 Q. HOW WOULD THESE PROPOSALS BE IMPLEMENTED?

5 A. For the 2021 plan year and beyond, the Company would file its decoupling
6 report February 1 of the following year, consistent with our current practice.
7 That report would provide all information necessary to confirm the
8 adjustment necessary for the RDM and RDM-D, based on weather-
9 normalized sales during the prior year. The Company would implement a
10 credit or surcharge, as appropriate, to recover that adjustment beginning April
11 1 of each year and lasting until March 31 of the year following, again
12 consistent with current practice.

13
14 *4. AIP and NOL Compliance Filings*

15 Q. WHAT DOES THE COMPANY PROPOSE WITH RESPECT TO THE AIP AND NOL
16 COMPLIANCE FILINGS?

17 A. The Company proposes to continue these filings on the same schedule we
18 have followed throughout the 2016-2019 MYRP.

19
20 Q. DOES THE COMPANY PROPOSE ANY CHANGES TO EITHER OF THESE FILINGS?

21 A. Yes, Ms. Lowenthal proposes to change the basis of the AIP true-up. No
22 changes are proposed for the NOL filing.

23
24 **D. Compliance Filings and Calendar**

25 Q. PLEASE DESCRIBE THE FILINGS THE COMPANY PROPOSES DURING THE 2020-
26 2023 TIME PERIOD, IN CONJUNCTION WITH THE 2016-2019 MYRP AND THIS
27 MYRP PROPOSAL.

1 A. Table 1 provides the calendar of key compliance filings under a schedule
 2 similar to the 2016-2019 MYRP, and a proposal to combine any refunds into
 3 one refund plan filed with the July property tax filing to streamline the
 4 process.

5 **Table 1**
 6 **Key Compliance Filings for 2020-2022 MYRP**

Compliance Filing	Date
2019 Actual Sales Data and Related Revenue Calculations for Decoupling and Non-Decoupled Sales True-up	2/01/2020
2019 Capital True-Up Report	5/01/2020
2019 AIP, NOL annual compliance reports	5/31/2020
2019 Property Tax True-up Report and Combined Capital, AIP, NOL and Property Tax Refund Plan	7/01/2020
2020 Actual Sales Data	2/01/2021
2020 Capital true-up report	5/01/2021
2020 AIP, NOL annual compliance reports	5/31/2021
2020 Property Tax True-up Report and Combined Refund Plan	7/01/2021
2021 Decoupling Report	2/01/2022
2021 Capital true-up report	5/01/2022
2021 AIP, NOL annual compliance	5/31/2022
2021 Property Tax True-up Report and Combined Refund Plan	7/01/2022
2022 Decoupling Report	2/01/2023
2022 Capital true-up report	5/01/2023
2022 AIP, NOL annual compliance	5/31/2023
2022 Property Tax True-up Report and Combined Refund Plan	7/01/2023

18
 19 Q. WHAT OTHER WITNESSES PROVIDE DETAILED TESTIMONY ON THE TOPICS YOU
 20 HAVE RAISED?

21 A. Detailed testimony related to topics in my testimony is provided by the
 22 following Company witnesses:

- Mr. Chamberlain discusses the policy rationales supporting this MYRP proposal and the true-ups.
- Mr. Benjamin C. Halama discusses the Revenue Requirements calculation and the capital true-up methodology.
- Mr. Gregory J. Robinson presents the Company’s budgets.

- 1 • Mr. Huber discusses the Company's proposed mechanisms for revenue
- 2 decoupling.
- 3 • Ms. Lowenthal supports the AIP true-up.
- 4 • Ms. Marks provides a discussion of the Company's sales forecasts and the
- 5 test year sales true-up.
- 6 • Mr. Christopher A. Arend discusses the property tax true-up.

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9

IV. CONCLUSION

- 10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
- 11 A. Yes, it does.

Statement of Qualifications

Amy A. Liberkowski

**Director, Regulatory Pricing and Analysis
Northern States Power Company - Minnesota**

Current Responsibilities

Since June 2016, I have managed the Regulatory Pricing and Analysis team. In this position, I am responsible for the Company's regulatory strategy for electric and natural gas pricing and analysis, and the general administration of the Northern States Power Company-Minnesota (NSPM) Regulatory Pricing and Analysis area. This includes the development and preparation of electric and gas rate design, rider filings, fuel filings, class cost of service studies and renewable, solar and electric vehicle rates in Minnesota, North Dakota and South Dakota.

Previous Employment (1991 to 2016)

Manager, Regulatory Analysis - NSP
Pricing Consultant – Xcel Energy Services Inc.
Key Financial Consultant – Xcel Energy Services Inc.
Senior Financial Analyst – Viking Gas Transmission
Senior Financial Analyst – Nuclear Management Company
Various Pricing Analyst roles - NSP

Education

University of St. Thomas – MBA
University of St. Thomas – BA, Economics and Finance

Previous Testimony

Minnesota, Rate Design, Docket G002/GR-09-1153
Minnesota, Rate Design & Class Cost of Service, Docket G002/GR-06-1429
Minnesota, Rate Design, Docket G002/GR-04-1511
Minnesota, Rate Design, Docket G002/GR-97-1606