

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

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

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

**REPLY 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 Reply Comments to the Department of Commerce’s (“DOC”) Comments on Xcel’s May 28, 2015 Class Cost of Service Study (“CCOSS”) and class revenue apportionment compliance filing. The OAG supports the DOC’s calculation of class revenue apportionment. The OAG also agrees with the DOC’s recommendation for increased transparency with respect to the inputs used within the CCOSS model and its conclusion that the CCOSS should not be considered compliant until more information is provided.¹

I. XCEL’S CLASS REVENUE APPORTIONMENT IS A BLATANT ATTEMPT TO SHIFT COSTS ONTO THE RESIDENTIAL CLASS.

The DOC’s review explained that Xcel’s revenue apportionment method was inconsistent with the apportionment method Ordered by the Commission. The OAG fully supports the

¹ The DOC’s Comments also noted that Xcel reduced its administrative and general expenses by approximately \$840,000 for corporate aviation. The DOC deferred to the OAG to determine if Xcel’s adjustment was appropriate. The OAG has reviewed Xcel’s calculation of the Commission’s decision on corporate aviation, which was included on Schedule A9 of the company’s April 24, 2015 Preliminary Compliance Filing. The OAG is satisfied that Xcel’s adjustment is consistent with the Commission’s decision.

DOC's conclusion and sees Xcel's methodology as a blatant attempt to shift costs onto the Residential Class.

The Commission's May 5, 2015 Order clearly outlined the methodology to be used for class revenue apportionment: "any upward adjustment to the Residential Class will be limited to 75% of the difference between that class's updated present revenue figure and its revised CCOSS-indicated cost."² Xcel's method does not comply with this Order. Rather, Xcel's method alters the Residential Class's present revenue by first applying the total revenue increase granted by the Commission to all parties. Then, after already increasing the Residential Class's rates by this amount, Xcel increases the rates again by moving the Residential Class 75% closer to cost. The additional step of applying an across-the-board rate increase, which was not ordered by the Commission, incorrectly increases the Residential Class's apportionment by over \$15 million more than the Commission's apportionment methodology.³ The Commission's Order clearly states that the Residential Class rate increase should be limited to 75% of the difference between its present revenues and the CCOSS-indicated cost. Xcel's contrived methodology violates this provision of the Commission's Order.

II. XCEL'S CCOSS DOES NOT INCLUDE ALL THE INPUTS NECESSARY TO REPLICATE THE RESULTS OF THE MODEL.

The DOC noted multiple instances where it was difficult or impossible to determine whether Xcel made changes ordered by the Commission to its CCOSS models. As identified by the DOC, the primary problem is that Xcel's CCOSS models use inputs from external spreadsheets not filed with its compliance filing or present within the CCOSS models themselves. These external spreadsheets are where many of the Commission-ordered changes

² At 84.

³ See DOC Comments at 13-14.

occur. Without the external spreadsheets containing the inputs to the CCOSS models, it is not possible to determine whether the inputs have been updated correctly. Since the CCOSS models are dependent on the inputs within these external spreadsheets, Xcel should be required to either (1) file a model that has all inputs required to derive the results within the models themselves or (2) file all externally referenced spreadsheets and inputs required to derive the results within the models.

Xcel's attempt to comply with the Commission's Order to change its classification of Other O&M Expenses provides an illustrative example of the problems with Xcel's compliance filing. The DOC explained that, in order to comply with the Commission's Order, Xcel would need to update Table 7 of Mr. Peppin's Direct Testimony.⁴ The DOC noted that updating this table would change the energy and capacity proportions of Other O&M Expenses within the CCOSS models. The OAG attempted to review the DOC's concern related to the classification of Other O&M Expenses. It appears to the OAG that Xcel did update some of the inputs in Table 7 of Mr. Peppin's Direct Testimony in the "JCOSS" tab of the CCOSS model,⁵ but the changes made cannot be reviewed because the cells reference inputs from outside of the CCOSS model provided by Xcel.⁶ This illustrates the problem with Xcel's filing—it is impossible to check the inputs for which the model depends. For this reason, the OAG agrees with the DOC's conclusion that Xcel's CCOSS filing is not compliant with the Commission's Order.

⁴ May 28, 2015 DOC Comments at 10-11.

⁵ For example, the DOC calculated the correct split for nuclear Other O&M Expenses to be 80.9% energy and 19.1% capacity. In an electronic copy of Xcel's 2015 compliance filing in the "JCOSS" tab, cell F84 denotes the Stratified Nuclear Baseload (JCOSS Only) amount of 80.9%—the same amount that the DOC suggests.

⁶ Specifically, the equation for one of the cells, F84 referenced previously, reads "C:\MN Elect Case TY 14\Allocators\Alloc_Facts_MN2014 CCOSS COMPLIANCE Version.xlsx]CapSub14!\$F\$41," which is an external spreadsheet. This is obviously not helpful in a review of whether or not Xcel updated the inputs for Other O&M Expenses correctly.

For this case, the Commission should require Xcel to file all external spreadsheets and inputs required to derive the results within the CCOSS models. For future cases, the Commission should require the same or, as the DOC proposed, that Xcel develop a model that references all inputs internally (i.e. within one spreadsheet) to streamline the review process and increase transparency.

III. CONCLUSION.

For the reasons set forth above, the OAG agrees with the DOC's method for class revenue apportionment. In addition, the OAG agrees with the DOC's recommendation to increase transparency with respect to the inputs used in Xcel's CCOSSs. Until Xcel provides all inputs to its CCOSSs, it should not be considered compliant with the Commission's Order.

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Respectfully submitted,

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