

May 8, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E002/M-14-852

Dear Mr. Wolf:

Attached are the supplemental comments of the Minnesota Department of Commerce, Division of Energy Resources (DOC or the Department) in the following matter:

Northern States Power Company, doing business as Xcel Energy's Petition for approval of its 2015 Transmission Cost Recovery Rider.

The petition was filed on October 1, 2014 by:

Paul J Lehman  
Manager, Regulatory Compliance & Filings  
Xcel Energy  
414 Nicollet Mall, 7<sup>th</sup> Floor  
Minneapolis, MN 55401

The Department has reviewed the supplement Xcel Energy (Xcel or the Company) filed on May 1, 2015 in response to a request by Minnesota Public Utilities Commission (Commission) staff. The Department's review suggests that the changes to the financial information included in Xcel's update are consistent with the Commission's decisions in the Company's most recent general rate proceeding, (E002/GR-13-868). As more fully discussed in the attached supplemental comments, the Department recommends that the Commission approve 2015 Transmission Cost Recovery Rider rates that reflect the information included in Attachment A in Xcel's supplement.

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ JOHN KUNDERT  
Financial Analyst

JK/ja  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

SUPPLEMENTAL COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE,  
DIVISION OF ENERGY RESOURCES

DOCKET No. E002/M-14-852

**I. BACKGROUND**

Between August 1, 2006 and January 13, 2012, Northern States Power d/b/a Xcel Energy (Xcel or the Company) filed a series of five petitions that requested approval of costs recoverable under the Company's Transmission Cost Recovery Rider (TCR Rider)<sup>1</sup>.

The Commission issued Orders regarding Xcel's TCR Rider in all of those dockets. Most recently, the Commission issued its *Order Approving 2012 TCR Project Eligibility and Rider, Capping Costs, and Modifying 2011 Tracker Report* in Docket No. E002/M-12-50 (2012 TCR Rider) on February 7, 2014.

On October 1, 2014, Xcel filed its petition requesting approval of its 2014 Transmission Cost Recovery Rider (2015 TCR Rider). On December 31, 2014 and January 5, 2015 the Office of Attorney General Anti-Trust and Utilities Division (OAG-AUD) and the Department, respectively, filed comments. On January 12, 2015 Xcel filed reply comments. On May 1, 2015 the Company filed a supplement that updated certain information included in the original filing. Specifically, Xcel updated the overall Rate of Return and jurisdictional demand allocators to reflect the Commission's recent decisions in its current electric rate case, Docket No. E002/GR-13-868.

**II. SUMMARY OF FILING**

The Company provided updated attachments to its petition under two scenarios. The first assumed that the Company was allowed full recovery of the capital costs it identified in the petition, (Attachment A). The second assumed that the Company didn't recover all of the capital costs it identified for the La Crosse CapX2020 project, (Attachment B). This second scenario is consistent with an option the Department presented in its comments in early

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<sup>1</sup> Docket Nos. E002/M-06-1103, E002/M-08-1284, E002/M-09-1048, E002/M-10-1064, and E002/M-12-50

January. Table 1 below summarizes the amount proposed to be recovered through the TCR Rider in 2015 under three scenarios: 1) as originally proposed, 2) Attachment A, 3) Attachment B.

**Table 1 – TCR Costs to be Recovered in 2015**

Description	Original Petition	Attachment A	Attachment B
Revenue Requirement	\$85,939,618	\$84,737,073	\$83,323,087
Other Revenues	(\$28,616,748)	(\$28,482,479)	(\$28,482,479)
Net 2015 Revenue Requirement	\$57,322,870	\$56,254,594	\$54,840,608
2014 Year-end Tracker Balance	\$8,464,840	\$7,567,665	\$7,567,665
Total 2015 Costs to be Recovered	\$65,787,710	\$63,822,259	\$62,408,273

The Company also provided rates for the different customer classes using these three different cost estimates. These rates were assumed to be effective January 1, 2015. Table 2 summarizes this information.

**Table 2 – Estimated 2015 TCR Rates Assuming January 2015 Implementation**

Customer Group	Original Petition	Attachment A	Attachment B
Residential	\$0.002692/kWh	\$0.002612/kWh	\$0.002553/kWh
Commercial Non-Demand	\$0.002557/kWh	\$0.002481/kWh	\$0.002425/kWh
Demand Billed	\$0.754/kW	\$0.731/kW	\$0.715/kW

The Company also provided the relative changes in the 2015 revenue requirement for the scenario included in the Supplement. According to Xcel, \$1,609,741 of the decrease was due to the change in the rate of return and \$355,710 of the decrease was related to the updated jurisdictional allocator.

## II. DEPARTMENT ANALYSIS

### A. REASONABLENESS OF PROJECT REVENUE REQUIREMENTS AND COST ALLOCATION FACTORS

The Department compared the 9.72 percent return on equity (ROE) and approved overall rate of return for 2014 and 2015 (7.34 and 7.37 percent respectively) used in the filing with those included in the Xcel's *Compliance Filing - Preliminary Financial Schedules* submitted on April 24, 2015 in Docket No. E002/GR-13-868. The Department performed a similar exercise for the jurisdictional allocators for 2014 and 2015 as well. That information was included in Company witness Jeff Robinson's Direct Testimony. Our review found that the updated information is consistent with the information included in the Company's compliance filing and information provided in the proceeding.

*B. REASONABLENESS OF THE PROPOSED COST RECOVERY CAP ON THE LA CROSSE PROJECT*

In its reply comments, Xcel stated that the Department's suggestion that the Company only be allowed to recover its original cost estimate for the La Crosse project of \$276.5 million was inconsistent with the Department's position in the most recent TCR filing Docket No. 002/M-12-50. In that proceeding, the Department adopted a position that allowed the Company to include a cost estimate in the TCR for a transmission project that had followed a protocol whereby the initial capital cost estimate was adjusted for inflation. The Department has reviewed the record in that proceeding and agrees with the Company's position. Applying that protocol to the La Crosse CapX2020 transmission project resulted in a cost cap of \$325.7M in 2014 dollars<sup>2</sup>. That amount is less than the \$295.8 million cost estimate Xcel provided in its petition. As a result, the Department recommends that the Commission allow Xcel to recover the requested \$969.5M and the 2015 revenue requirement associated with that level of capital expenditures.

*C. COMPLIANCE FILING, TRUE-UP REPORT, AND TRACKER BALANCES*

The Department is concerned that the delay associated with the review of this filing will result in significantly higher TCR rates if the Company chooses to attempt to recover the entire 2015 revenue requirement during the remaining seven months of the year. The Department requests that Xcel provide the Commission with an estimate of the proposed factors as soon as possible, but no later than at the hearing on this docket.

*D. Update on Department Recommendations Included in January 2, 2015 Comments*

In its original comments, the Department recommended that the Commission:

- not allow Xcel to include the revenue requirements associated with the two out-of-state projects it identified in the filing to be recovered in the 2015 TCR;
- allow Xcel to recover at least \$950.2 million in its 2015 TCR if the Commission views the three segments of CapX2020 separately. If Commission chooses to view the CapX2020 segments as one project from the one CN proceeding, the Commission should allow Xcel to recover the requested \$969.5M; and
- not allow Xcel to recover any changes to revenues collected by MISO and passed on to Xcel associated with wholesale transmission costs and revenues recovered through Xcel's base rates as a result of FERC's actions in Docket No. EL-14-12-000.

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<sup>2</sup> This information is contained in Table 4 of the original Petition.

Xcel stated in its January 12, 2015 Reply Comments that it will not pursue the inclusion of the costs associated with the two out-of-state projects. The Department's first recommendation now appears moot as a result.

Consistent with the discussion provided earlier, the Department would ask to withdraw its second recommendation and replace it with the following -- allow Xcel to recover the requested \$969.5M in the 2015 TCR.

Also in its January 12, 2015 Reply Comments, Xcel indicated that it may be reasonable to table its request regarding recovery of revenues described in the Department's third recommendation. The Department continues to support its third recommendation, but concurs with Xcel that it is not necessary for the Commission to make a decision on this issue at this time.

### **III. SUMMARY AND RECOMMENDATIONS**

The Department recommends that the Commission approve the TCR rates included in Attachment A to Xcel's Supplement filed on May 1, 2015.

/ja

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Supplemental Comments**

**Docket No. E002/M-14-852**

Dated this **8<sup>th</sup>** day of **May 2015**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-852_M-14-852
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_14-852_M-14-852
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5  Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_14-852_M-14-852
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_14-852_M-14-852
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-852_M-14-852
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_14-852_M-14-852
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_14-852_M-14-852

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_14-852_M-14-852
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_14-852_M-14-852
Thomas G.	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln  St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_14-852_M-14-852
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_14-852_M-14-852
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-852_M-14-852
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-852_M-14-852
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-852_M-14-852
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd  St. Paul, MN 55102	Electronic Service	No	OFF_SL_14-852_M-14-852
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-852_M-14-852
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-852_M-14-852
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-852_M-14-852
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_14-852_M-14-852
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-852_M-14-852