

Staff Briefing Papers

Meeting Date April 11, 2024

Agenda Item 1**

Company Northern States Power Company d/b/a Xcel Energy

Docket No. **E-002/GR-10-971, E-002/M-20-743, and E-002/GR-21-630**

In the Matter of the Xcel Energy's Petition for Approval of 2022 Property Tax True-Up Report and Combined Refund Plan.

In the Matter of Xcel Energy's Petition for Approval of a 2022 True-Up Mechanism.

In the Matter of Xcel Energy's Application for Authority to Increase Rates for Electric Service in the State of Minnesota.

E-002/GR-92-1185, G-002/GR-92-1186, G-002/GR-21-678, E,G-002/M-22-254 and E,G-002/M-23-468

In the Matter of Xcel Energy's Report on the Operation and Performance of Its 2022 Incentive Compensation Plan.

E-002/M-21-815, E-002/M-15-1089

In the Matter of Xcel Energy's Petition for Approval to return the Department of Energy's fourteenth settlement payment to Minnesota electric customers.

Issues 1. Should the Commission approve Xcel's 2022 Property Tax True-Up Report and Refund Plan?

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

2. Should the Commission approve Xcel's 2022 Capital True-Up Report and Refund Plan?
3. Should the Commission approve Xcel's 2022 Net Operating Loss Report and Refund Plan?
4. Should the Commission approve Xcel's 2022 Incentive Compensation Refund Plan and request to change reporting requirements?
5. Should the Commission approve Xcel's proposal to Refund the Department of Energy (DOE) fourteenth settlement payment?
6. What interest rate should be applied to the various refunds?
7. Should the Commission order that short-term interest rates be applied in the calculation of future refunds?

Staff

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651-201-2249



Relevant Documents

Date

Docket 21-630

Minnesota Public Utilities Commission - Order - Findings of Fact, Conclusions, and Order

July 17, 2023

Xcel Energy – Compliance Filing – 2022 Annual Compliance Report Regulatory Treatment of Net Operating Loss, True up Mechanisms, Property Tax True Up Report and Combined Refund Plan

November 3, 2023

Department of Commerce – Comments

February 2, 2024

Xcel Energy – Reply Comments

February 12, 2024

Docket 23-468

Xcel Energy – Compliance Filing – 2022 Incentive Compensation Plan

November 3, 2023

Department of Commerce – Comments

February 2, 2024

Xcel Energy – Reply Comments

February 12, 2024

Dockets 92-1185, 92-1186, 10-971, 20-743, 21-678, 22-254

Xcel Energy – Compliance Filing

November 3, 2023



Relevant Documents

Date

Dockets 21-815, 15-1089

Xcel Energy – Petition for Approval of the Department of Energy's
Fourteenth Settlement Payments

December 22, 2023



I. Statement of the Issues

- Should the Commission approve Xcel's 2022 Property Tax True-Up Report and Refund Plan?
- Should the Commission approve Xcel's 2022 Capital True-Up Report and Refund Plan?
- Should the Commission approve Xcel's 2022 Net Operating Loss Report and Refund Plan?
- Should the Commission approve Xcel's 2022 Annual Incentive Compensation Refund Plan and request to change reporting requirements?
- Should the Commission approve Xcel's Proposal to Refund the Department of Energy's fourteenth settlement payment?
- What interest rate should be applied to the various refunds?
- Should the Commission order that short-term interest rates be applied in the calculation of future refunds?

II. Background

Northern States Power Company, dba Xcel Energy (Xcel or the Company) has proposed issuing the following refunds for 2022:

A. Refund for 2022 Property Tax True Up, Docket 21-630

The Commission's July 17, 2023 Order in Docket No. E-002/GR-21-630 (Docket 21-630) approved Xcel's 2022 property tax expense recovery of \$165.93 million and a property tax true-up for the duration (2022-2024) of the multiyear rate plan (MYRP) for all customer classes. Xcel's November 3, 2023 compliance filing for 2022 shows that the property tax amount included in the base rates was \$11.3 million greater than the actual amount paid. Xcel's filing proposed to refund the difference to electric customers. On February 2, 2024, the Department of Commerce (Department) recommended that Xcel's property tax refund proposal be approved.

B. Refund for 2022 Capital True Up, Docket 21-630

The Commission's July 17, 2023 Order in docket 21-630 required Xcel's to file – annual Capital True-Ups for the MYRP duration. On November 3, 2023, Xcel filed its 2022 compliance report for capital-related revenue requirements that showed the actual 2022 amount was \$13.5 million or 1.2 percent lower than the approved amount in the MYRP. Xcel proposed to combine the capital true up refund with property tax refund. On February 2, 2024, the Department recommended that Xcel's capital true-up refund proposal be approved.

C. Refund for 2022 Net Operating Loss, Dockets 10-971 and 21-630

The Commission's May 14, 2012 Order in Docket No. E-002/GR-10-971 (Docket 10-971) required Xcel to submit annual compliance reports for treatment of its Deferred Tax Asset (DTA) balances associated with the regulatory treatment of its Net Operating Loss (NOL). On



Staff Briefing Papers for Docket No. E-002/M-21-630; E-002/GR-92-1185, G-002/GR-92-1186, E-002/M-21-815, E-002/M-20-743, E-002/GR-10-971, E, G-002/M-23-468, and E, G-002/M-22-254; on April 11, 2024

November 3, 2023, Xcel submitted its 2022 annual compliance that showed the 2022 adjustment for the deferred tax asset which resulted an approximate \$1.6 million refund. Xcel proposed to combine this refund to electric customers with the other refunds discussed in these briefing papers. On February 2, 2024, the Department recommended that Xcel's 2022 net operating cost refund proposal be approved.

D. Refund for Annual Incentive Program (AIP), Dockets 92-1185, 92-1186, 21-630, 21-678, and 23-468

On November 3, 2023, Xcel submitted its 2022 annual report of incentive compensation plan and refund plan to both electric and gas customers in compliance with the Commission's previous years orders in Docket No. E-002/GR-92-1186 (Docket 92-1186), Docket No. G-002/GR-92-1186 (Docket 92-1185), and with additional compliance items required on the July 17, 2023 Order in Docket 21-630. The report shows \$1.4 million total will be refunded to electric customers and \$66,000 will be refunded to natural gas customers. Xcel proposed to combine this refund with the other refunds discussed in these briefing papers. Additionally, Xcel requested approval of reporting requirements changes for future AIP annual report. On February 2, 2024, the Department recommended the Commission approve Xcel's incentive compensation refund proposal and its request for reporting modifications.

E. Refund for 14th payment from Department of Energy Settlement Dockets 21-815, and 15-1089

Xcel's December 22, 2023 compliance filing stated that its fourteenth DOE settlement refund, for the period of January 1, 2022 to December 31, 2022, totaled \$16,781,605 (\$12,258,817 Minnesota-jurisdiction). To return these funds to ratepayers and, consistent with the handling of some previous DOE refunds, Xcel proposed to combine the refund with the other 2022 true ups. On February 2, 2024, the Department recommended that Xcel's refund proposal for the DOE nuclear settlement monies be approved.

F. Interest Rate Calculation

Except for the DOE refund that used 3.83% interest rate, Xcel used the last authorized short-term debt rate 3.735% to calculate the interest on the combined refunds. The Department did not oppose the Company using the short-term debt interest rate but noted that, if the Commission or parties require Xcel to use the prime rate, it would result in higher customer refunds.

III. Property Tax True-Up, Docket No. 21-630

The Commission's July 17, 2023 Order in Docket 21-630 approved Xcel's 2022 property tax expense recovery of \$165.93 million and a property tax true-up for the duration of the multiyear rate plan (MYRP). Xcel's November 3, 2023 compliance filing for 2022 shows that the property tax amount included in base rates were \$11.3 million greater than the actual amount paid and proposed to refund the difference to electric customers. On February 2, 2024, the Department recommended that Xcel's property tax refund proposal be approved.



A. Xcel Energy – Initial Filing

Xcel's November 3, 2023 filing showed actual 2022 Minnesota electric jurisdictional were \$154.4 million. When the \$20.4 million collected through riders is removed, the filing shows an adjusted \$134.0 million for comparison to the \$145.3 million in base rates.¹

Xcel proposed to refund the \$11,346,664 difference and add 3.73% in interest which equals its short-term debt costs. The estimated \$229,804 interest increases the total property tax refund to \$11,576,468.²

As reflected in Table 1, the average residential ratepayer's property tax refund is \$4.29.

Table 1 - Property Tax Refund Allocation with Interest, by class³

| Customer Class | 2022 Property Tax Allocator (\$000) | Property Tax Refund Allocator | Refund Allocation | 2022 Estimated Average Customers | 2022 Estimated Refund per Customer |
|-----------------------|--|-------------------------------------|----------------------|---|---|
| Residential | \$84,025 | 44.43% | \$5,143,152 | 1,198,325 | \$4.29 |
| Commercial Non-Demand | \$6,113 | 3.23% | \$374,152 | 88,140 | \$4.24 |
| C & I Demand | \$96,983 | 51.28% | \$5,936,292 | 50,032 | \$118.65 |
| Lighting | \$2,007 | 1.06% | \$122,876 | 27,641 | \$4.45 |
| Total | \$189,129 | 100.00% | \$11,576,468 | 1,364,137 | |

In its filing, Xcel proposed combining the property tax refund with refunds for its Incentive Compensation Plan, Capital True-up, and Net Operating Loss (NOL). The Company committed to, within 30 days of completing the refunds, make compliance confirming that the refunds have been issued.

B. Department of Commerce – Comments

The Department reviewed Xcel's proposed \$11,346,664 refund and found it to be consistent with the authorized refund methodologies. The Department agrees with the 3.73% interest rate although it did mention it is unclear if using the cost of short-term debt for the four combined refunds is the best decision for customers.

¹ Xcel Initial Compliance Filing -2022 Property Tax True-Up Report, Attachment B, Page 3, Line 5

² *Id.* Attachment C, Page 1.

³ *Id.*

C. Xcel Energy – Reply Comments

Xcel stated that, to calculate interest for the combined refund, it continues to support the using the 3.73% short-term rate to calculate interest for the combined refund. Xcel plans to begin implementation of the combined refund in the second quarter of 2024. However, if the approval is not received in the second quarter, the Company will begin implementation as soon as possible.

IV. Capital True Up, Docket 21-630

The Commission's July 17, 2023 Order in Docket 21-630 required Xcel to file a Capital True-Up for the duration of the multiyear rate plan. Xcel's November 3, 2023 2022 compliance report showed the actual 2022 revenue requirements were \$13.5 million lower than the approved amount from the MYRP. Xcel proposed to combine the capital true up refund with property tax refund. On February 2, 2024, the Department recommended that Xcel's capital true-up refund proposal be approved.

A. Xcel Energy – Initial Filing

As summarized in Table 2, Xcel's filing provided the actual 2022 capital-related revenue requirements were \$13.5 million lower than the approved amount for 2022 from the MYRP as shown in table 2 below.

Table 2 – 2022 Capital Additions and Revenue Requirements Summary⁴

| | Rate Case | Actuals | Difference | Percent |
|-----------------------------|-----------|-----------|------------|---------|
| Capital Addition | | | | |
| 2022 | \$1,082.9 | \$971.7 | (\$111.2) | -10.3% |
| Rate Base | | | | |
| 2022 | \$8,004.1 | \$7,968.5 | (\$35.6) | -0.4% |
| Depreciation | | | | |
| 2022 | \$677.8 | \$663.1 | (\$14.7) | -2.2% |
| Revenue Requirements | | | | |
| 2022 | \$1,121.2 | \$1,107.7 | (\$13.5) | -1.2% |

Xcel proposed to refund the \$13,518,277 difference plus \$273,786 in interest at 3.73% for a total Capital True-Up refund of \$13,792,063.

As reflected in Table 3, the average residential ratepayer's Capital True-Up refund is \$4.89.

⁴ Xcel Initial Compliance Filing - 2022 Capital True-Up Report, Page 2

Table 3 – 2022 Capital True-up Refund Allocation with Interest, by class ⁵

| Customer Class | 2022 Rate Base Allocator (\$000) | Revenue Refund Allocator | Capital Refund Allocation | 2022 Estimated Average Customers | 2022 Estimated Refund per Customer |
|-----------------------|---|---------------------------------|----------------------------------|---|---|
| Residential | \$4,638,927 | 42.47% | \$5,857,496 | 1,198,325 | \$4.89 |
| Commercial Non-Demand | \$347,045 | 3.18% | \$438,209 | 88,140 | \$4.97 |
| C & I Demand | \$5,820,664 | 53.29% | \$7,349,656 | 50,032 | \$146.90 |
| Lighting | \$116,183 | 1.06% | \$146,702 | 27,641 | \$5.31 |
| Total | \$10,922,819 | 100.00% | \$13,792,063 | 1,364,137 | |

Xcel proposed to combine this refund with the other refunds discussed in these briefing papers.

B. Department of Commerce – Comments

The Department reviewed Xcel's proposed \$13,792,063 refund plan and recommended it be approved. While the Department agreed with the 3.73% interest rate, it mentioned it is unclear if using the cost of short-term debt for the four combined refunds is the best decision for customers.

C. Xcel Energy – Reply Comments

Xcel stated that, to calculate interest for the combined refund, it continues to support using the 3.73% short-term rate. Xcel plans to begin implementation of the combined refund in the second quarter of 2024. However, if the approval is not received in the second quarter, the Company will begin implementation as soon as possible.

V. Net Operating Loss, Dockets 10-971 and 21-630

The Commission's May 14, 2012, Order in Docket 10-971 required Xcel to submit annual compliance report related to the treatment of Xcel's Deferred Tax Asset (DTA) balances associated with the regulatory treatment of Xcel's Net Operating Loss (NOL). Xcel's November 3, 2023 compliance for 2022 showed the 2022 deferred tax asset adjustment resulted an approximate \$1.6 million refund. Xcel proposed to combine this refund with the other refunds discussed in these briefing papers. On February 2, 2024, the Department recommended that Xcel's 2022 net operating cost refund proposal be approved.

A. Xcel Energy – Initial Filing

As shown in Table 4, Xcel's compliance filing showed the 2022 DTA balance revenue requirement was \$1.6 million lower than the amount authorized for the 2022 test year.

⁵ Xcel Initial Compliance Filing - 2022 Capital True-Up Report, Attachment E, Page 1

Table 4 – 2022 Net Operating Loss Refund ⁶

| | Annual NOL Report ⁷ | Final Rates⁸ | Refund |
|------------------------------|---------------------------------------|--------------------------------|---------------|
| Revenue Requirement Increase | \$7,489,834 | \$9,116,743 | (\$1,626,909) |

Xcel proposed to refund the \$1,626,909 difference plus \$32,950 in interest at 3.73% for a total Capital True-Up refund of \$1,659,859.

As reflected in Table 5, the average residential ratepayer's NOL refund is \$0.59.

Table 5 – 2022 Net Operating Loss Refund Allocation with Interest, by class ⁹

| Customer Class | 2022 Rate Base Allocator (\$000) | Revenue Refund Allocator | NOL Refund Allocation | 2022 Estimated Average Customers | 2022 Estimated Refund per Customer |
|-----------------------|---|---------------------------------|------------------------------|---|---|
| Residential | \$4,638,927 | 42.47% | \$704,943 | 1,198,325 | \$0.59 |
| Commercial Non-Demand | \$347,045 | 3.18% | \$52,738 | 88,140 | \$0.60 |
| C & I Demand | \$5,820,664 | 53.29% | \$884,523 | 50,032 | \$17.68 |
| Lighting | \$116,183 | 1.06% | \$17,655 | 27,641 | \$0.64 |
| Total | \$10,922,819 | 100.00% | \$1,659,859 | 1,364,137 | |

Xcel proposed to combine this refund with the other refunds discussed in these briefing papers.

B. Department of Commerce – Comments

The Department reviewed Xcel's proposed \$1,659,859 refund and recommended it be approved. While the Department agreed with the 3.73% interest rate, it mentioned it is unclear if using the cost of short-term debt for the four combined refunds is the best decision for customers.

C. Xcel Energy – Reply Comments

Xcel stated that, to calculate interest for the combined refund, it continues to support the use of the 3.73% short-term rate. Xcel plans to begin implementation of the combined refund in the second quarter of 2024. However, if the approval is not received in the second quarter, the company will begin implementation as soon as possible.

⁶ Xcel Initial Compliance Filing - 2022 Regulatory Treatment of NOL Report, Page 7

⁷ Xcel Initial Compliance Filing - 2022 Regulatory Treatment of NOL Report, Attachment B, Page 2, Line 22

⁸ *Id.* Attachment B, Page 3, Line 22

⁹ *Id.* Attachment D, Page 1



VI. Annual Incentive Program (AIP), Dockets 23-468, 21-678, 21-630

In compliance with the previous Commission Orders in Dockets 92-1185, 92-1186 and 21-630, Xcel's November 3, 2023 filing of its 2022 annual report of incentive compensation plan and refund plan showed \$1.4 million will be refunded to electric customers and \$66,000 will be refunded to natural gas customers. Xcel proposed to combine this refund with the other refunds discussed in these briefing papers. Additionally, Xcel requested approval of reporting requirements changes for future AIP annual reports. On February 2, 2024, the Department recommended the Commission approve Xcel's incentive compensation refund proposal and its request for reporting modifications.

A. Xcel Energy – Initial Filing

Xcel's November 3, 2023 filing provided its 2022 incentive compensation plan for both Minnesota electric retail jurisdiction and natural gas retail jurisdiction. The Company applied a 15 percent cap on each individual employee's base salary to determine the total amount of incentive pay eligible for recovery.¹⁰

Table 6 summarizes the amount of electric utility and gas utility incentive compensation paid and eligible for recovery.

Table 6 – 2022 Incentive Compensation Plan Summary¹¹
(Amounts are \$s)

| | Total | Electric | Gas |
|--|------------|------------|-----------|
| (1) AIP paid, State of MN jurisdictional amount | 25,337,794 | 23,661,087 | 1,676,707 |
| (2) AIP excluding over cap percentage of base pay | 20,928,134 | 19,530,940 | 1,397,194 |
| (3) Additional AIP exclusion for Top ten compensated employees | 354,648 | 354,648 | - |
| (4) Amount of AIP eligible for recovery | 20,573,486 | 19,176,292 | 1,397,14 |
| (5) Amount approved in base rates | 22,066,835 | 20,603,598 | 1,463,237 |
| (6) Percent of RECOVERABLE AIP Paid recovered through base rates | 107.3% | 107.4% | 104.7% |
| (7) Difference between (5) and (4) | 1,493,349 | 1,427,306 | 66,043 |

For to electric customers, Xcel proposed to return \$1,427,306 plus \$28,907 in interest at 3.73% for a total AIP refund of \$1,456,214.

As reflected in Table 7, the average electric residential ratepayer will receive a \$0.48 refund.

¹⁰ Docket No. E-002/GR-21-630, Finding of Fact, Conclusions, And Order at 4.

¹¹ Xcel Initial Compliance Filing – 2022 Incentive Compensation Plan Report, Attachment C.

Table 7 – MN Electric Utility – Incentive Compensation Refund Allocation with Interest, by class¹²

| Customer Class | 2022 Ordered Revenue (\$000) | Revenue Refund Allocator | Refund Allocation | Nov 23-May 24 Estimated Average Customers | 2022 Estimated Refund per Customer |
|-----------------------|------------------------------|--------------------------|-------------------|---|------------------------------------|
| Residential | \$1,332,027 | 39.28% | \$572,001 | 1,198,325 | \$0.48 |
| Commercial Non-Demand | \$112,246 | 3.31% | \$48,201 | 88,140 | \$0.55 |
| C & I Demand | \$1,917,671 | 56.55% | \$823,489 | 50,032 | \$16.46 |
| Lighting | \$29,164 | 0.86% | \$12,523 | 27,641 | \$0.45 |
| Total | \$3,391,106 | 100.000% | \$1,456,214 | 1,364,137 | |

Xcel proposed to combine the AIP refund to electric customers with the other refunds discussed in these briefing papers.

Xcel's filing also showed that a \$66,043 AIP refund, plus \$702 in interest, is due to its natural gas customers and \$702 interest.¹³ Due to the small amount due and the fact that no other gas refund is pending, Xcel proposed to combine the gas AIP refund with its 2023 natural gas incentive compensation and property tax true-ups that will be filed in May and July 2024, respectively.

Additionally, Xcel proposed to eliminate the current Incentive Compensation Annual Report in its current state and report solely on refund obligations starting with the 2023 Annual Report to be filed in 2024. Xcel said future reports will continue to provide the details needed to ensure there is no over-recovery of AIP costs, while achieving greater regulatory efficiency by reducing the level of information for the Company has to produce and Parties have to review.¹⁴

Xcel proposed to continue to provide Attachment C – Summary of AIP Paid; Attachment E – Jurisdictional Calculations; Attachment F and G – Refund Calculations with Interest; and the new Attachment H– Top Ten Compensated Employees and will provide a narrative summary of the proposed refund plans.¹⁵

B. Department of Commerce – Comments

The Department reviewed Xcel's filing, verified that the incentive compensation included in current base rates is \$20,603,589 for the electric utility and \$1,463,237 for the gas utility. The Department recommended Commission accept Xcel's refund plan that electric service

¹² Xcel Initial Compliance Filing – 2022 Incentive Compensation Plan Report, Attachment F, Page 1.

¹³ Xcel Initial Compliance Filing – 2022 Incentive Compensation Plan Report, Attachment G.

¹⁴ Xcel Initial Compliance Filing – 2022 Incentive Compensation Plan report, Page 10

¹⁵ *Id.*, Page 11

customers are due an approximate \$1.4 million refund and gas service customers are due an approximate \$66,000 refund for the incentive compensation recovered in base rates, but not paid. While the Department agreed with the 3.73% interest rate, once again, it mentioned it is unclear if using the cost of short-term debt for the four combined refunds is the best decision for customers.

The Department reviewed Xcel's proposal for changes in the reporting requirements and stated that the Department does not oppose eliminating Attachments A that Attachments A, B (AIP plans) and D (AIP employee and executive breakouts) but finds the information in Attachment D to be useful in its review of AIP and agrees that the new Attachment H provides information needed in calculating the AIP refund amounts.¹⁶ Thus, the Department recommended that, in future AIP filings, Xcel to continue to provide Attachment D and the new Attachment H.

C. Xcel Energy – Reply Comments

Xcel stated that it does not object to continuing to include Attachments D and H in the AIP Annual Report and noted that Xcel would discuss any significant changes to the incentive plan design currently reflected in Attachments A and B in future rate cases.

Xcel stated that, to calculate interest for the combined refund, it continues to support the use of the short-term rate 3.73%. to calculate interest for the combined refund. Xcel plans to begin implementation of the combined refund in the second quarter of 2024. However, if the approval is not received in the second quarter, the Company will begin implementation as soon as possible.

VII. Department of Energy Settlement, Docket 21-815

Xcel's December 22, 2023 compliance filing pertaining to the Company's settlement with the DOE totaled \$16,781,605 (\$12,258,817 Minnesota-jurisdiction). To return these funds to ratepayers and, consistent with the handling of some previous DOE refunds, Xcel proposed to combine this refund with the other 2022 true ups discussed in these briefing papers. The Department agreed with Xcel's proposal and recommended approval.

A. Xcel Energy – Initial Filing

Consistent with the previous one-time DOE settlement credits, in its initial filing, Xcel stated that the \$12,258,817 refund due to Minnesota electric customers was placed the payment in a separate interest-bearing account and said would use the highest interest rate quoted, 3.83 percent, minus any bank fees or charges on these funds.

Xcel proposed combining the DOE Settlement refund with refunds for other refunds discussed in these briefing papers. Xcel committed to submit a compliance filing within 35 days after completion providing a summary of the final credit amount, interest, class allocations, and the average credit per customer.

¹⁶ Department Comments, Page 9.

As reflected in Table 8, the average residential ratepayer will receive a \$3.40 refund.

Table 8 – DOE Settlement 14th Payment Refund Allocation, by class¹⁷

| Customer Class | Revenue Refund Allocator | Refund Allocation | 2022 Estimated Average Customers | 2022 Estimated Refund per Customer |
|-----------------------|---------------------------------|--------------------------|---|---|
| Residential | 33.22% | \$4,072,051 | 1,198,325 | \$3.40 |
| Commercial Non-Demand | 3.25% | \$362,244 | 88,140 | \$4.11 |
| C & I Demand | 63.56% | \$7,791,695 | 50,032 | \$155.73 |
| Lighting | 0.27% | \$32,827 | 27,641 | \$1.19 |
| Total | 100.00% | \$12,258,817 | 1,364,137 | \$8.99 |

B. Department of Commerce – Comments

The Department reviewed Xcel’s filing, verified Xcel’s refund calculation, and recommended that Company issue a one-time \$12,258,817 credit. The Department agrees with Xcel’s use of the 3.83% highest interest rate quoted for its DOE settlement payment refund.

The Department also recommended Xcel be required to provide this refund in combination with the other refunds above within 35 days of the Commission order and that, pursuant to the Extended Settlement Agreement, Xcel continue to file information and documentation consistent with the Commission’s December 16, 2011 Order, Point 11, in Docket No. E-002/M-11-807 within 30 days of receiving future DOE payments.

VIII. Interest Rate Calculation

In its comments on February 2, 2024, the Department agreed with the 3.73% interest rate. However, the Department noted the prime rate varied from 3.25-7.27% in 2022 (average of 4.85%) and 7.5-8.5% in 2023 (average of 8.19%) which would determine higher customer refunds. The Department does not oppose to the Company being required to use the prime rate for the four combined refunds (not including the DOE refund) if the Commission or parties support use of the prime rate instead of the short-term debt rate.

In its reply comments on February 12, 2024, Xcel stated that “the short-term debt rate is appropriate to use since it was part of the capital structure approved by the Commission in the last rate case and provides a consistent interest rate to be applied going forward. Using the

¹⁷ Xcel Initial Compliance Filing – Petition for Approval of the Department of Energy’s Fourteenth Settlement Payments, Attachment B.

short-term debt rate to calculate the interest for the refund balances also aligns the customer-provided capital with the appropriate cost of capital included in base rates”¹⁸

Xcel argued although the prime rate is currently higher than the short-term debt rate, in prior years, the opposite has also been true. Therefore, the use of a Commission approved rate that credits customer consistent with the cost of capital in base rates is the most appropriate interest rate to be applied to the combined refund.

Therefore, Xcel continued to support using its short-term interest rate for calculating refunds in this and future years’ true-up filings.

IX. Combined Refund Plan

Table 9 summarizes Xcel’s proposed MN combined refund to electric residential customers.

Table 9 – Combined Refund with Interest¹⁹

| Refund Item | Total Refund Amount (excluding interest) | Allocation to Class Methodology | Interest Rate | Estimated Average Refund to Residential Customers |
|-----------------------------|--|--|---------------|---|
| DOE #14 | \$12.3 million | 2022 Nuclear Plant Stratification and Capacity & Energy Allocation | 3.83% | \$3.40 |
| Property Tax | \$11.3 million | 2022 Property Tax Allocation | 3.73% | \$4.29 |
| Incentive Compensation Plan | \$1.4 million | 2022 Revenue Allocation | 3.73% | \$0.48 |
| Capital True-Up | \$13.5 million | 2022 Rate Base Allocation | 3.73% | \$4.89 |
| NOL | \$1.6 million | 2022 Rate Base Allocation | 3.73% | \$0.59 |
| TOTAL | \$40.1 million | | | \$13.65 |

Xcel also provided the updated total amounts to be allocated to each customer class for the combined refund in the compliance filing for Approval of the Department of Energy’s Fourteenth Settlement Payments, Attachment D.

X. Staff Analysis

Staff agrees with the Department’s recommendation to approve the following 2022 electric refunds:

- Property tax true-up of \$12.3 million.
- Annual incentive compensation plan of \$1.4 million.
- Capital true-up \$13.5 million.

¹⁸ Xcel Reply Comments, Page 2.

¹⁹ Xcel Initial Compliance Filing – 2022 Incentive Compensation Plan Report, Page 5.



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- Net Operating Loss \$1.6 million
- DOE 14th settlement payment refund of \$12.3 million.

In addition to the electric refunds, Xcel Gas' customers are due approximately \$66,000 AIC refund. Since the refund amount individual ratepayers would receive is minimal, Staff finds Xcel's proposal to combine this refund with next year's refund to be administratively efficient.

Regarding Xcel's request to use the short-term debt approved in its 2022 MYRP true-up to calculate interest for the combined refund, Staff notes that, in previous year refunds (Dockets 22-254, 20-743), the Commission approved Xcel to use short-term rate for property tax refund but applied the federal prime rate to the annual incentive compensation incentive refund. Staff also notes that, in the Great Plains' annual report on incentive compensation and refund plan (Docket 23-141), the Commission approved Great Plain using federal prime rate for its annual refunds plan. Therefore, the Commission may want to consider the interest rate for each refund on a case-by-case basis.

If the Commission approves uses of the prime rate or a different interest rate, then it may want to require Xcel to make a compliance filing within 10 days of the Commission's Order in this docket demonstrating the revised refund recalculations that reflect the approved changes.

XI. Decision Alternatives

Property Tax Refund

1. Approve Xcel's proposed \$11,346,664 Property Tax Refund. (Xcel, DOC)
2. Do not approve Xcel's proposed \$11,346,664 Property Tax Refund.

Property Tax Refund Interest Rate

3. Order that a 3.73% interest rate be applied to the Property Tax Refund. (Xcel, DOC)
4. Order that a different interest rate be used for the Property Tax Refund and require Xcel to make a compliance filing within 10 days of the Commission's Order in this docket demonstrating the Company's refund recalculations to reflect the changes approved by the Commission.

Capital Refund

5. Approve Xcel's proposed \$13,518,277 Capital Refund. (Xcel, DOC)
6. Do not approve Xcel's proposed \$13,518,277 Capital Refund.

Capital Refund Interest Rate

7. Order that a 3.73% interest rate be applied to the Capital Refund. (Xcel, DOC)



8. Order that a different interest rate be used for the Capital Refund and require Xcel to make a compliance filing within 10 days of the Commission's Order in this docket demonstrating the Company's refund recalculations to reflect the changes approved by the Commission.

Net Operating Loss Refund

9. Approve Xcel's proposed \$1,626,909 Net Operating Loss Refund. (Xcel, DOC)
10. Do not approve Xcel's proposed \$1,626,909 Net Operating Loss Refund.

Net Operating Loss Interest Rate

11. Order that a 3.73% interest rate be applied to the Net Operating Loss Refund. (Xcel, DOC)
12. Order that a different interest rate be used for the Net Operating Loss Refund and require Xcel to make a compliance filing within 10 days of the Commission's Order in this docket demonstrating the Company's refund recalculations to reflect the changes approved by the Commission.

Annual Incentive Compensation Report

13. Accept Xcel's Annual Incentive Compensation Report. (Xcel, DOC)
14. Do not accept Xcel's Annual Incentive Compensation Report.
15. Accept Xcel's proposal for reporting requirements changes, as modified by the Department. (Xcel, DOC)
16. Do not accept Xcel's proposal for reporting requirements changes.

Annual Incentive Compensation Refund Amount

17. Approve Xcel's proposed \$1,427,306 electric Annual Incentive Compensation Refund. (Xcel, DOC)
18. Do not approve Xcel's proposed \$1,427,306 electric r Annual Incentive Compensation Refund.
19. Approve Xcel's proposed \$66,043 gas Annual Incentive Compensation Refund, plus interest, and authorize Xcel combine it with its 2023 natural gas incentive compensation and property tax true-ups that will be filed in May and July 2024, respectively. (Xcel, DOC)

20. Order Xcel to refund the \$66,043 gas Annual Incentive Compensation Refund, plus interest, as soon as practicable.

Annual Incentive Compensation Refund Interest Rate

21. Order that a 3.73% interest rate be applied to the Annual Incentive Compensation Refund. (Xcel, DOC)
22. Order that a different interest rate be used for the Annual Incentive Compensation Refund and require Xcel to make a compliance filing within 10 days of the Commission's Order in this docket demonstrating the Company's refund recalculations to reflect the changes approved by the Commission.

DOE Refund Amount and Interest Rate

23. Approve Xcel's proposed \$12,258,817 DOE Refund. (Xcel, DOC).
24. Do not approve Xcel's proposed \$12,258,817 DOE Refund.

Future DOE Refunds

25. Order Xcel to, within 30 days of receiving future DOE payments, continue filing information and documentation consistent with the Commission's December 16, 2011 Order, Point 11, in Docket No. E-002/M-11-807. (DOC)

Compliance Filing

26. Order Xcel to make a compliance filing, within 35 days after completing the refunds, that confirms their issuance. (Xcel, DOC)