



414 Nicollet Mall
Minneapolis, Minnesota 55401

June 18, 2018

–Via Electronic Filing–

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

RE: REPLY COMMENTS
KANSAS PROPERTY TAX
DOCKET NO. G002/M-18-323

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the June 4, 2018 Comments of the Minnesota Department of Commerce, Division of Energy Resources in the above-referenced docket.

REPLY

We appreciate the Department's review of our Petition and agree to continue to provide information regarding the Kansas property tax as described in the conditions recommended in their Comments:

- *grant Xcel Gas a variance to Minn. Rule 7825.2400, subp.12 to allow recovery through the PGA of the 2018 Kansas ad valorem taxes related to natural gas storage for retail natural gas operations, which expires upon recovery of the 2018 tax;*
- *direct Xcel to include the Kansas property tax as a separate line item in its monthly PGA report;*
- *require Xcel to list the Kansas property tax costs and revenues as separate line items in the Annual Automatic Adjustment report and the PGA True-Up filings, including the Company's Schedule C and Schedule D;*

- *require Xcel to submit a report with its Annual Automatic Adjustment and PGA True-Up report detailing the total amount paid to Kansas and collected from ratepayers during the gas year;*
- *require Xcel, in its next request for a variance to Minn. Rule 7825.2400, subp. 12, to provide a discussion of the storage alternatives examined and its efforts to obtain the most cost-effective storage options; and*
- *direct the Company to work with the Department to correct the Company's Annual Automatic Adjustment Report Attachment G narrative and table, prospectively, and in the pending 2017 AAA docket G999/AA-17-493.*

With regard to the first point listed above, we appreciate the Department raising the issues relating to the timing of the cost recovery in their comments. The 2018 tax recovery will be complete by the end of 2018 (except for the true-up) and the current variance¹ expires at the end of October 2018. The Department recommends to more closely match the variance request with the cost recovery period by extending the variance to allow recovery of the 2018 Kansas taxes, or in other words through the end of 2018 plus the true-up. If the Department's recommendations are approved in this docket, the Company would plan to file a variance request later this summer for the recovery of 2019 Kansas taxes, with the goal of implementing 2019 recovery starting with the January 2019 PGA. It is not the Company's intent to recover these costs without prior Commission approval, and we acknowledge that we would refund any tax collections that were not ultimately approved for recovery.

Regarding the last bullet point listed above, we worked with the Department to correct the Company's Annual Automatic Adjustment (AAA) Report, Attachment G narrative and table in the pending 2017 AAA (Docket No. G999/AA-17-493), and the correction is being filed in that docket concurrently. We will also incorporate these changes in our future AAA reporting.

We have electronically filed this document with the Commission, and copies have been served on the parties on the attached service list. Please contact me at (612) 330-7681 or lisa.r.peterson@xcelenergy.com or Jennifer Roesler at (612) 330-1925 jennifer.roesler@xcelenergy.com if you have any questions regarding this filing.

¹ Docket No. G002/M-17-510, Petition filed June 28, 2017, Commission Order dated November 1, 2017

Sincerely,

/s/

LISA PETERSON
MANAGER, REGULATORY ANALYSIS

c: Service List