Xcel Energy

414 Nicollet Mall
Minneapolis, MN 55401

May 29, 2018

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

—Via Electronic Filing—

RE: SUPPLEMENTAL COMMENTS
2018 GAS UTILITY INFRASTRUCTURE COST RIDER
DOCKET NO. G002/M-17-787

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission the enclosed Supplemental Comments in response to the Commission's May 2, 2018 Notice of Supplemental Comment Period in the above-referenced docket.

Pursuant to Minn. Stat. § 216.17, subd. 3, we have electronically filed this document with the Commission, which also constitutes service on the Department of Commerce and the Office of the Attorney General – Residential Utilities and Antitrust Division. A copy of this filing has been served on all parties on the attached service list.

If you have any questions regarding this filing, please contact Lisa Peterson at (612) 330-7681 or lisa.r.peterson@xcelenergy.com or Brandon Kirschner at (612) 215-5361 or brandon.m.kirschner@xcelenergy.com.

SINCERELY,

/s/

AMY A. LIBERKOWSKI
DIRECTOR, REGULATORY PRICING AND ANALYSIS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF A GAS UTILITY INFRASTRUCTURE COST RIDER TRUE-UP REPORT FOR 2017, REVENUE REQUIREMENTS FOR 2018, AND REVISED ADJUSTMENT FACTORS

DOCKET NO. G002/M-17-787

SUPPLEMENTAL COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission these Supplemental Comments in response to the Commission's May 2, 2018 Notice of Supplemental Comment Period in the above-referenced docket. We appreciate this opportunity to address the impact of changes in the Company's gas utility depreciation rates approved in our recent Five-Year Transmission, Distribution, and General Depreciation Study.

The Commission's Notice proposed several questions to consider within these Supplemental Comments. These questions are:

- Should the Commission address the $6.8 million decrease in depreciation expense discussed in Xcel Energy's five-year depreciation study (Docket No. E,G002/D-17-581) in Xcel Energy's Gas Utility Infrastructure Cost (GUIC) Rider petition, in this docket?
- If so, how should the Commission address the decrease in depreciation expense (e.g. with a corresponding adjustment) in the GUIC petition? If not, why not?
- How should the Commission handle similar issues in the future?
- Are there other issues or concerns related to this matter?

To be clear, we fully intend to incorporate the new depreciation rates for GUIC projects into our 2018 GUIC Rider revenue requirement calculations, with a revenue requirement decrease expected to be approximately $540,000. As discussed in these Supplemental Comments, however, we believe that the non-GUIC depreciation impact should be incorporated into a future rate case rather than in the current GUIC Rider request. To address the full gas utility depreciation impact (including non-GUIC impacts) as a standalone issue in the GUIC Rider would be inappropriate and would violate the Commission's longstanding policy against single-issue ratemaking. It would also fail to account for the many factors that have driven overall increases to our revenue requirement since our 2010 Gas Rate Case, which is why there is a policy against single-issue rate-making. For these reasons, and those discussed below, the Company respectfully requests that the Commission take no action for the non-GUIC related depreciation rate changes in this docket.

SUPPLEMENTAL COMMENTS

A. Single-Issue Ratemaking

The Company does not believe the GUIC Rider is the appropriate mechanism to address the full $6.8 million[1] decrease in depreciation expense approved in our five-year depreciation study.[2] The vast majority of the depreciation expense change is not related to GUIC-dedicated projects, and incorporating non-GUIC depreciation impacts would significantly expand the scope of the GUIC Rider mechanism beyond its purpose of facilitating cost recovery for projects aimed at gas infrastructure integrity and public safety.

Moreover, addressing this single change in depreciation expense—on its own and without consideration to offsetting cost increases that have occurred since our 2010 Gas Rate Case—would violate the Commission's longstanding and consistent policy against single-issue ratemaking. Indeed, as the Commission itself has stated:

> Granting the parties' request to reopen past rate cases, readjust rates . . . , and require a refund of the adjusted amount would also violate the Commission's longstanding policy against single-issue ratemaking. The Commission consistently confines significant rate decisions to the context of a rate case analysis. Through a full rate case investigation the Commission is best able to judge a particular rate factor against the company's overall financial picture, including revenue requirement, rate base, and rate of return.
>
> [A] readjustment of past rates to account for the SMMPA settlement should not take place without allowing NSP the opportunity to present evidence regarding underrecoveries during the same time. The rate case test year concept is particularly constructed to confine such analysis to the rate case test year itself. In a rate case the parties present their best evidence of the company's costs and recoveries during the set period, with the understanding that under- and

[1] Total Company amount.
[2] Docket No. E,G002/D-17-581.

> overrecovery will occur during test years. The . . . requested rate readjustment would violate the test year concept and related Commission policy against single-issue ratemaking.[3]

The same is true here. In fact, our general gas rates were set in our 2010 Gas Rate Case,[4] and since that time, our revenue requirements have increased due to a variety of factors. The increases in costs unrelated to GUIC projects have not been factored into recovery because base rates have not been reset since the 2010 case. We therefore do not believe it is appropriate to isolate this single expense decrease outside of a rate case and without consideration given to all of the increases in costs we have experienced over the past eight years.

In terms of depreciation expense, overall gas utility depreciation has been steadily increasing since our 2010 Gas Rate Case. In 2017, the annual Minnesota Jurisdictional depreciation expense incurred for the non-GUIC assets in the gas utility was approximately $6.9 million greater than the amount of depreciation included in current gas utility base rates. The majority of this increase is the result of new capital assets being added to the depreciable plant base since 2010. Depreciation expense has increased in every year subsequent to 2010 despite the fact that depreciation rates were also changed in 2013, which resulted in lower depreciation rates and lower depreciation before factoring in plant increases during the year. The year-by-year change in Minnesota Jurisdictional Gas Utility Depreciation Expense is illustrated in Table 1 below.

Table 1
Minnesota Jurisdictional Gas Utility Depreciation Expense
(Amounts in Thousands)

Year	MN Gas Depreciation Total	GUIC-Related Depreciation	Total W/O GUIC Depreciation	Base Rates Depreciation Expense	Difference
	[a]	*[b]*	*[c]=[a] – [b]*	*[d]*	*[e]=[c] – [d]*
2010	$33,067	-	$33,067	$32,684	$383
2011	34,215	-	34,215	32,684	1,531
2012	34,910	-	34,910	32,684	2,226
2013	35,445	-	35,445	32,684	2,761
2014	37,069	409	36,660	32,684	3,976
2015	38,598	741	37,857	32,684	5,173
2016	40,163	1,590	38,574	32,684	5,890
2017	41,845	2,266	39,579	32,684	6,895

[3] *In re Northern States Power Company's Petition for Deferred Accounting Treatment for Settlement Payments from SMMPA*, E002/M-96-1623 (Sept. 17, 1997); *see also In re Petition of Northern States Power Company*, E002/RP-91-682 (Aug. 17, 1993) ("[T]he Commission generally rejects single issue ratemaking as an inefficient use of resources and a poor substitute for the comprehensive examination of total revenue requirements in a general rate case."); *In re Assignment of an Eligible Telecommunications Carriers*, P999/CP-98-1193 (October 6, 1999) ("[T]he Commission has traditionally rejected the concept of single issue ratemaking, choosing in the great majority of instances to examine specific cost recovery issues during rate case analysis of overall revenues, expenses, and rate design.").
[4] Docket No. G002/GR-09-1153.

The *increase* in annual depreciation since the 2010 Gas Rate Case resulting from normal changes in depreciable plant and the previous change in depreciation rates outstrips the Minnesota jurisdictional *decrease* approved in 2018, $6.1 million,[5] by approximately $0.8 million. Using an unrelated rate rider mechanism to only incorporate the recently approved change in depreciation expense without incorporating the steady growth and the impact of previously approved changes in depreciation rates is asymmetrical and delivers a skewed view of how depreciation has changed since the time of the 2010 Gas Rate Case. This is the reason why there is a well-established policy against single-issue ratemaking and why revenues and expenses must be examined holistically in the context of a rate case test year.

If the Commission believes that overall base rates have become unjust and unreasonable, it is not without remedy. It has the authority to convene a rate case and—following a comprehensive examination of the Company's revenues and expenses—to reset rates.[6] As such, we do not believe it is appropriate to address single items outside of the normal ratemaking process. We therefore respectfully object to using the GUIC Rider in order to reflect change in depreciation expense for non-GUIC projects.

B. Precedent for Depreciation Rate Change Impacts

The proper venue to address the depreciation changes for non-GUIC projects is a subsequent rate case. This will allow the Commission and interested parties to assess the depreciation change based on test year plant data, and will also allow the depreciation amount to be weighed against all other revenue requirement components in a holistic way. This approach reflects longstanding practice when the approval and implementation of new depreciation rates occurs outside of a rate case test year period. In fact, excluding the most recent changes approved in Docket No. E,G002/D-17-581, depreciation rates have changed six times for the gas utility since the 2010 Gas Rate Case. And none of these impacts—outside those related to GUIC projects—have yet been incorporated into our base rates.[7]

The Company believes that no change is warranted to the Commission's longstanding treatment of depreciation rate change impacts.

CONCLUSION

We appreciate the opportunity to provide these Supplemental Comments to the Commission in response to their Notice for Comment in this docket. The Company

[5] Amount of total depreciation rate change approved in Docket No. E,G002/D-17-581, assigned to Minnesota jurisdiction and excluding estimated GUIC-related impact of depreciation change.
[6] Minn. Stat. §§ 216B.17 and 216B.23.
[7] The cumulative Total Company impact of these depreciation expense changes is a decrease of approximately $200,000.

does not believe the GUIC Rider is a proper recovery mechanism to address the full depreciation expense impact of the recently approved depreciation rate changes. We respectfully request the Commission take no action for the non-GUIC related depreciation rate changes in this docket.

Dated: May 29, 2018

Northern States Power Company

CERTIFICATE OF SERVICE

I, Lynnette Sweet, hereby certify that I have this day served copies or summaries of the foregoing documents on the attached list(s) of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States Mail at Minneapolis, Minnesota

or

xx electronic filing

Docket No. G002/M-17-787

Dated this 29th day of May 2018

/s/

____

Lynnette Sweet
Regulatory Administrator

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