

May 9, 2019

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

RE: **Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/M-19-200

Dear Mr. Wolf:

Attached are the Supplemental Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Modification to the Natural Gas State Energy Policy (SEP) Tariff, Updated SEP Rate Factor, and SEP Compliance Filing.

The Petition was filed on March 1, 2019 by:

Lisa R. Peterson
Manager, Regulatory Analysis
Xcel Energy Services, Inc.
414 Nicollet Mall – 7th Floor
Minneapolis, Minnesota 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve the Petition, with modification.** The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ DANIEL W. BECKETT
Rates Analyst

DWB/ja
Attachment

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Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G002/M-19-200

I. INTRODUCTION

On March 1, 2019, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) filed its Petition for an updated natural gas State Energy Policy (SEP) Rider rate factor and its annual SEP compliance filing.

On May 1, 2019, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its Comments on Xcel's Petition and recommended approval contingent upon reviewing Xcel's natural gas sales data for 2018 filed in its Minnesota Jurisdictional Report in Docket No. E,G999/PR-19-4.

On May 1, 2019, the Company filed its Minnesota Jurisdictional Report in Docket No. E,G999/PR-19-4.

Below are the Department's Supplemental Comments regarding Xcel's sales data for 2018 and its forecast used in calculating its SEP Rider rate factor.

II. DEPARTMENT ANALYSIS

A. FORECASTED AND ACTUAL RETAIL SALES FIGURES

In Comments filed on May 1, 2019, the Department noted that, in Xcel's last SEP Rider proceeding (Docket No. G002/M-18-184), the Minnesota Public Utilities Commission (Commission) set an SEP Rider rate factor based on 2016 natural gas sales as reported in the Company's annual Minnesota Jurisdictional Report, rather than the sales figure estimated by the Company. The Department concluded that, although Xcel's forecasted sales in the instant proceeding (1,011,582,014 therms) seemed reasonable, a review of the Company's actual retail sales for 2018 would help to inform a better decision as to what figure should be used in this proceeding.

Xcel's Minnesota Jurisdictional Report, reflecting 2018 data, indicates actual retail sales of 1,109,497,520 therms. This number is approximately 9.68 percent higher than the forecasted sales provided by Xcel in this proceeding. The Department notes that this is the third

consecutive year in which Xcel has under-forecasted its sales between approximately 9 to 10 percent.¹

Given that the Company has under-forecasted its sales over the previous three years, and the Minnesota Jurisdictional Report reflects actual data, the Department concludes that 2018 sales data from the Company's jurisdictional report is more accurate than Xcel's forecasted sales.

B. SEP FACTOR COMPARISON

Table 1 below shows what the natural gas SEP Rider rate would be with the use of 2018 actual retail therm sales used to calculate the factor, as opposed to the rate the Company initially proposed in its Petition.

Table 1: Gas SEP Costs and Rate Factor Comparison

| | 2019 Proposed | 2019 based on 2018 actual sales |
|---------------------------------------|----------------------------|--|
| (GHGI) Cast Iron (net) ² | \$1,378,590 | \$1,378,590 |
| ADRND | \$7,089 | \$7,089 |
| Tracker Carryover | \$34,863 | \$34,863 |
| <i>Total Revenue Requirement</i> | \$1,301,800 | \$1,301,800 |
| Therm Sales | 1,011,582,014 ³ | 1,109,497,520 |
| <i>Proposed SEP Factor (\$/therm)</i> | \$0.001287 | \$0.001173 |

As indicated above, using 2018 total retail therm sales of 1,109,497,520 results in an SEP factor of \$0.001173 per therm, as opposed to the originally proposed \$0.001287 per therm in the Company's initial Petition. This represents an 8.86 percent reduction from the Company's proposed SEP factor, and a 25.6 percent reduction from current factor of \$0.001576 per therm.

¹ These percentages were calculated by comparing what the Company proposed to use as its sales number in its SEP filings with what was reported as actual sales in its May 1 jurisdictional reports.

² \$1,378,590 = \$1,450,900 - \$72,310 (O&M credit).

³ Forecasted Therm sales for Jul1, 2018 to June 30, 2019, which include six months of actuals and six months of forecasted data.

The Department recommends that the Commission require Xcel to use the higher sales figure from the Company's jurisdictional report to set an SEP Rider factor of \$0.0001173.

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department recommends that the Commission:

1. Accept Xcel's Petition as a compliance filing;
2. Approve an SEP rate factor of \$0.001173 per therm, based on 2018 actual retail sales of 1,109,497,520, to be effective as of the first of the month following the issuance of the Order in this matter; and
3. Require Xcel to file a compliance filing that includes its revised SEP rider tariff language.

/ja